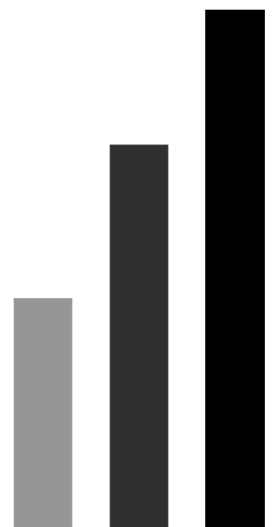


Agenda 2017

Inverclyde Council

For meeting on:

6	April	2017
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A meeting of the Inverclyde Council will be held on Thursday 6 April 2017 at 4pm within the Municipal Buildings, Greenock.

GERARD MALONE
Head of Legal and Property Services

BUSINESS

****Copy to follow**

1. Apologies and Declarations of Interest	Page
NEW BUSINESS	
<p>2. Minutes of Meetings of The Inverclyde Council, Committees, Sub-Committees and Boards</p> <p>Local Police & Fire Scrutiny Sub-Committee (pp 43 – 44) The Inverclyde Council (pp 45 – 51) Audit Committee (pp 52 – 53) Health & Social Care Committee (pp 54 – 59) Planning Board (pp 60 – 64) Local Review Body (pp 65 – 73) Environment & Regeneration Committee (pp 74 – 79) Grants Sub-Committee (pp 80 – 82) Education & Communities Committee (pp 83 – 89) General Purposes Board (p 90) Policy & Resources Committee (pp 91 – 97) ** Planning Board (pp 98 –) ** Local Review Body ()</p>	
<p>3. Oxfam Emergency Appeal – East Africa Food Crisis – Request by Councillor McCabe Report by Corporate Director Environment, Regeneration & Resources</p>	p
<p>4. Andy Adams Fund – Notice of Motion by Councillor McEleny Report by Corporate Director Environment, Regeneration & Resources</p>	p
<p>5. Inverclyde Leisure – 3 Year Strategic Plan Report by Corporate Director Education, Communities & Organisational Development</p>	p

REMITS FROM COMMITTEES	
6. Treasury Management Strategy Statement and Annual Investment Strategy – 2017/18 – 2020/21: Remit from Policy & Resources Committee Report by Corporate Director Environment, Regeneration & Resources	p
The documentation relative to the following items has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information in respect of the first item being that set out in paragraphs 4 and 6 of Part I of Schedule 7(A) of the Act and the nature of the exempt information in respect of the item thereafter being that set out in the paragraphs of Part I of Schedule 7(A) of the Act as detailed in relevant minute	
NEW BUSINESS	
7. Appendix to Agenda Item 4 providing background information relative to the Andy Adams Fund	p
8. Business in the Appendix	

Enquiries to – **Sharon Lang** - Tel 01475 712112

Report To:	The Inverclyde Council	Date:	6 April 2017
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	SL/LP/027/17
Contact Officer:	Sharon Lang	Contact No:	01475 712112
Subject:	Oxfam Emergency Appeal – East Africa Food Crisis – Request by Councillor McCabe		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise of a request received from Councillor McCabe that the Council considers supporting the Oxfam Emergency Appeal relative to the East Africa Food Crisis. The appendix provides information on the countries involved, the extent of the crisis and Oxfam's response.

2.0 SUMMARY

- 2.1 The Council has previously donated £10,000 to the Ebola Appeal, £10,000 to the Nepal Earthquake Appeal, £10,000 to the Malawi Food Crisis Appeal and £10,000 to the Yemen Crisis Appeal, all from the Contingencies Fund.

3.0 RECOMMENDATION

- 3.1 It is recommended that the Council considers the request by Councillor McCabe.

EMERGENCY APPEAL



OXFAM
DEC MEMBER
TOGETHER
WE'RE
STRONGER



OXFAM

EAST AFRICA FOOD CRISIS MARCH 2017

"In this day and age, we should not be seeing people dying simply because there is not enough to eat. We should all take a share of the responsibility."

Dorothy Sang, Oxfam Humanitarian Campaigns Manager, South Sudan

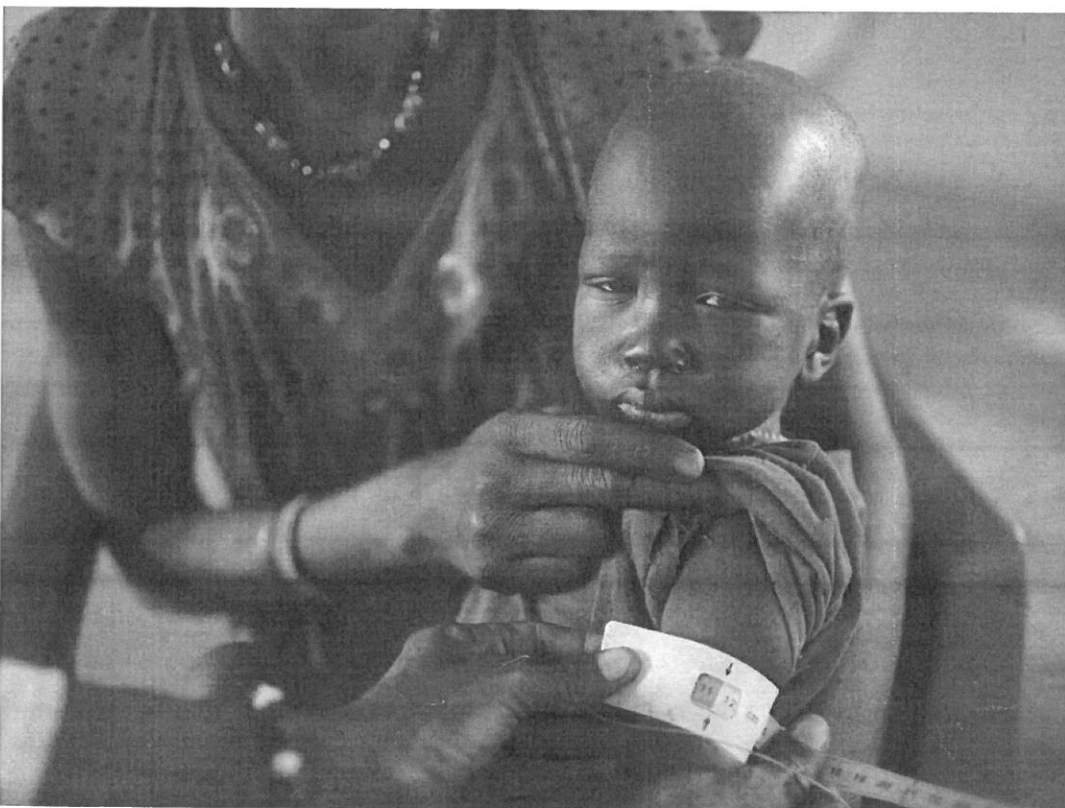
East Africa is in the grip of a devastating food crisis. Millions of families are facing starvation because of droughts in Ethiopia, Kenya and Somalia. Famine has been declared in parts of conflict-stricken South Sudan. We urgently need to scale up our efforts to save more lives.

More than **19 million people** across East Africa are facing terrifying food shortages. Drought has caused crops to fail and cattle to die in parts of Ethiopia, Somalia and Kenya – leaving millions facing starvation and desperately seeking a safe source of water. Brutal war in South Sudan has driven more than 3 million people from their homes and left millions more in need of emergency food.

Famine has been declared in the worst affected areas; the first time famine has been declared anywhere in the world since 2011.

Right now, many families are surviving only on what they can find to eat and coping with the excruciating physical pain of hunger on a daily basis. Tragically, some people are already paying the ultimate price in this crisis.

Malnutrition is having a devastating impact and as ever, children are among the worst affected. Not only is it claiming lives but it also poses a serious threat to a child's long-term development – and their ability to fight off disease. It is absolutely vital that we provide clean water as well as food – water-borne diseases can spread quickly in situations like this. This has grave consequences when people are already weak from hunger – and children are especially vulnerable.



George* sits on his mother's lap as health personnel take his measurements to determine his nutrition level. There are 208 malnutrition cases in this hospital of SAM (severe acute malnutrition) and MAM (moderate acute malnutrition) according to the nutritionist. This doesn't include the many adults facing extreme hunger in the area.

Last year, Oxfam reached over 10,000 people with clean and safe water in Nyal and Ganyiel in Panyijar County, having installed every borehole in the county.

Nyal, Unity State, South Sudan

*Name has been changed

Photo: Bruno Bierrenbach Feder/
Oxfam

EMERGENCY APPEAL



OXFAM
DEC MEMBER
TOGETHER
WE'RE
STRONGER



CURRENT SITUATION

In Ethiopia this year, an estimated 300,000 children will become severely acutely malnourished and it is expected that 9.2 million people will not have a regular supply of safe drinking water. 5.6 million people urgently need food.

In Kenya, the arid and semi-arid lands and coastal areas are worst affected. 2.7 million people are considered severely at risk. Malnutrition rates have reached a critical level.

In Somalia, the UN has been warning of a famine. The number of people in need of emergency food aid has doubled in the last six months to 6.2 million. Over 360,000 acutely malnourished children are in urgent need of support.

In South Sudan, ongoing conflict means that 7.5 million people are now in need of humanitarian assistance. Half the country's population are expected to be affected by extreme hunger by July – and famine has already been declared in parts of the country.

OXFAM'S RESPONSE

Despite some reports that aid isn't getting through, we are on the ground and reaching some of the worst affected regions.

- Throughout South Sudan, Oxfam is providing water and sanitation to help people avoid diseases like cholera and diarrhoea, which can lead to malnutrition and prove fatal. In the past year alone, we have helped over 600,000 people across the country.
- We are also providing travel vouchers for people to take canoes to reach food distributions – thereby ensuring that the most vulnerable people who are sheltering from the conflict on remote islands can access aid.
- In Ethiopia we are water trucking to 280,000 people in the Somali region.
- In Somalia we plan to reach over 200,000 people with clean water, sanitation and cash assistance for food.

We urgently need to get food and clean water to women, men and children facing starvation. It's a race against time to save lives.

HOW YOU CAN HELP

The below are indicative costs associated with our programme work in East Africa:

Project Activity	Quantity	Unit Cost	Total Cost
Provide people with clean, drinkable water for a month, through trucking activities	1,000 people	£5 per person	£5,000
Help a family meet their food needs for a month	400 families	£37 per month	£14,800
Provide 15,000 people with access to life-saving clean water through the rehabilitation of water points	3 water points (each reaching approx. 5,000 people)	£8,000 per water point	£24,000

*A small percentage of your donation is retained for essential governance, management and financial control (10%).

PLEASE CONSIDER SUPPORTING OXFAM'S LIFE-SAVING RESPONSE TODAY.

Report To:	The Inverclyde Council	Date:	6 April 2017
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	SL/LP/029/17
Contact Officer:	Sharon Lang	Contact No:	01475 712112
Subject:	Andy Adams Fund – Notice of Motion by Councillor McEleny		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Council of the receipt of a Notice of Motion by Councillor McEleny, countersigned by Councillor MacLeod, submitted in terms of Standing Order 22, in the following terms:-

“Council notes the request to help support the Andy Adams fund.

Council welcomes the letter from Mr Alexander MacLean which helps the Council understand more about what the fund are doing to raise money and Andy’s background.

Council supports the efforts of the Fire Service community and the wider Inverclyde community to help the Andy Adams fund reach its target.

Council moves that it will match fund any monies raised by the fund during the months of April and June up to £15,000.”

- 1.2 The letter referred to in the Motion contains exempt information in terms of the Local Government (Scotland) Act 1973 as amended and, accordingly, has been included with the private papers for the meeting.

2.0 RECOMMENDATION

- 2.1 The Council is asked to consider the Notice of Motion by Councillor McEleny.

Report To:	Inverclyde Council	Date:	6 April 2017
Report By:	Corporate Director Education, Communities & Organisational Development	Report No:	IC/03/17/MM
Contact Officer:	Martin McNab	Contact No:	01475 714246
Subject:	Inverclyde Leisure – Three Year Strategic Plan		

1.0 PURPOSE

- 1.1 To present Inverclyde Leisure's Strategic Plan for 2017-20 for approval.

2.0 SUMMARY

- 2.1 The terms of the funding agreement between Inverclyde Council and Inverclyde Leisure require the production of a three year Strategic Plan. The plan was intended to be approved by the March meeting of the Education & Communities Committee. Unfortunately the plan was not available in time to allow members to make a considered decision on its content. Since that meeting members have had the benefit of a briefing by Inverclyde Leisure on the plan. The Strategic Plan was approved by Inverclyde Leisure's Board on 28 March 2017.
- 2.2 The previous plan for 2014-17 covered, amongst many other things, the redevelopment of Ravenscraig and the development of low cost gyms in Inverclyde.
- 2.3 The comprehensive plan for 2017-20 seeks to build on the achievements of the 2014-17 plan and officers are happy to recommend its approval to the Council.

3.0 RECOMMENDATIONS

- 3.1 That the Council approves the 2017-20 Inverclyde Leisure Strategic Plan.

Martin McNab
Acting Head of Safer & Inclusive Communities

4.0 BACKGROUND

4.1 The three year IL Business Plan which was approved at the 11th March 2014 meeting of the Education & Communities Committee saw a number of significant achievements. The investments carried out in that period include:

- Investment in the new CrossFit facility at Greenock Sports Centre
- Investment In new budget Fitness for Less brand at Boglestone
- Upgrade of Kilmacolm Fitness Plus+ gym at Birkmyre Park
- Remodeling of Ravenscraig Sports Centre, now Ravenscraig Activity Centre, that was due to be closed to create a new budget club and fun activity centre
- New Combined Heat and Power Unit (CHP) to help reduce management fee
- Upgrading of Gourrock Fitness gym

In addition to these investments and developments, Inverclyde Leisure was a finalist and winner in a number of national awards in the period covered by the plan.

4.2 The Strategic Plan for 2017-20 seeks to build on the achievements of the previous three years with the aim of retaining its customer base and expanding its operation by developing new products in its current business and potentially new business. This will be done in the recognition that IL's funding will decrease over the period of the plan and that IL will need to work with partners to achieve these outcomes.

4.3 A full copy of the Strategic Plan is attached at appendix 1.

5.0 IMPLICATIONS

Finance

5.1 None

Legal

5.2 The production of a three year Strategic Plan is a requirement of the Funding Agreement between Inverclyde Council and Inverclyde Leisure. The new Funding Agreement was approved by the Education & Communities Committee on 7 March 2017. The funding agreement specifies timescales for submission of the plan, effectively the plan had to be submitted to the last service committee before the expiry of the previous plan, hence the need for submission even though this gave members no time to consider the plan. The funding agreement gives Inverclyde Council explicit rights to approve, reject or amend the plan. Should the Council decide not to approve the plan an amended plan will have to be submitted to a subsequent Education & Communities Committee and Inverclyde Leisure will operate in the interim without a Strategic Plan.

Human Resources

5.3 None

Equalities

5.4 None

Repopulation

5.5 High quality and diverse leisure provision make a positive contribution to the attractiveness of Inverclyde as a place to live and work.

6.0 BACKGROUND PAPERS

6.1 None.



inverclyde
leisure

www.inverclydeleisure.com

STRATEGIC PLAN

2017 TO 2020

PROVIDING GREAT PRODUCTS
& FUN ACTIVITIES FOR OUR CUSTOMERS

STRATEGIC PLAN

► 2017 to 2020 ◀

2.0

INTRODUCTION TO THE COMPANY

- 2.1 Mission Statement
- 2.2 Products and Services

1.0

EXECUTIVE SUMMARY

3.0

COMPANY DIRECTION

- 3.1 Company's Vision and Values
- 3.2 Governance and Structure
- 3.3 Strategic Direction
- 3.4 Stakeholder Engagement
- 3.5 Funding
- 3.6 Trust Model
- 3.7 Partnership Working
- 3.8 Planning Process

4.0

MARKET RESEARCH

- 4.1 Economic and Political Outlook
- 4.2 Overview of UK Leisure Market
- 4.3 Area Demographics
- 4.4 Catchment Demographics by facility
- 4.5 Drive time maps 10 minutes by facility
- 4.6 Consumer Research
- 4.7 Competition
- 4.8 Competitive Analysis
- 4.9 SWOT Analysis
- 4.10 PEST Analysis
- 4.11 Market Opportunities

5.0

CORPORATE STRATEGY

- 5.1 Human Resources
- 5.2 Marketing
- 5.3 Information Technology
- 5.4 Facilities Management
- 5.5 Business Development
- 5.6 Customer Service
- 5.7 Quality Management
- 5.8 Health and Safety

6.0

OPERATIONS

- 6.1 Health and Wellbeing
- 6.2 Community, Halls and Pitches
- 6.3 Fitness Gyms and Sport Facilities
- 6.4 Waterfront and Swimming Pools

7.0

FINANCE

- 7.1 Financial Overview
- 7.2 Financial Strategy
- 7.3 Three Years' Forecast
- 7.4 Risks
- 7.5 Financial Objectives

1.0 EXECUTIVE SUMMARY

Building on the success of Inverclyde Leisure's last Business Plan which saw the refurbishment of Ravensraig Activity Centre, development of low cost gyms in Inverclyde, reduced the price barrier to many customers, diversification into new market places, increased usage of facilities, new branding and increased marketing of facilities, increased membership, more swimming and skating lessons, increased usage of health related services, the inclusion of parks & pitches and the development of events within community facilities.

Inverclyde Leisure's strategic plan for the next three years focuses on "providing great products and fun activities for our customers" whilst providing value for money, promoting healthier and more active communities and providing a choice of imaginative products and services.

The company's vision remains the same, "to be the best in the eyes of customers, employees and our stakeholders", and we aim to achieve the vision through working with a transparent framework of core values these include:-

- **Being Enthusiastic**
- **Being Positive**
- **Being Professional**
- **Being Open minded**
- **Being Innovative**
- **Being Honest**

Inverclyde Leisure's strategic direction aims to retain its customer base and expand its operation. Retention deals with our existing customer base aiming to keep our customer for as long as possible in our product portfolio. Expansion seeks to develop new products in our current business and potentially new business. This strategy will see Inverclyde Leisure in its core market of leisure, fun activity and health.

Detailed market research has been carried out. This includes economic and political outlook, UK economic outlook, Scottish economy, local government funding, non-domestic rates, council tax, councils' capital spending and an overview of the UK Leisure market and although the outlook is uncertain, leisure has seen continual growth over the past few years nationally especially in the low-cost sector.

The research section also covers the areas demographics including population, ethnic make-up and social grades. The catchment maps form 10-minute drive time from facilities and consumer research and shows a potential decrease in population over the coming years therefore a need to attract people from outside of Inverclyde.

The plan includes a detailed SWOT and PEST analysis that highlights approaches to the business and has helped shape the new objectives to drive the business through the next three years.

The customer research demonstrated an encouraging improvement on the previous business plan with 99.5% of the customers surveyed commented on our staff being friendly, helpful and approachable, 98.5% of our customers commented we were good value for money and 86% of our customer scoring Inverclyde Leisure 8 or above in the net promoter survey.

In terms of the Corporate Strategy, IL continues to develop and improve corporate services with a number of new and creative initiatives, such as the development of Human Resources. We have secured a provider for employment Law and HR advice and will be embedding a new electronic cloud based HR System to ensure all records are up to date and to improve efficiency through less paper process. IL will also be reviewing our appraisal system and developing a new training programme for our employees

Marketing continues to go from strength to strength with the development of Strategic support on a monthly basis and a new marketing and promotion calendar. There is a greater emphasis in the plan on the implementation of electronic forms of marketing and the targeting of key demographics through automation of data sets. IL will also be developing an exciting new app that brings together third party suppliers opening up API access for the benefit of our customers as well as updating and mobile enabling website.

We continue to develop our Information Technology platforms by working with our software providers, developing new initiatives to keep up to date with the latest customer trends. This includes: creating customer portals, improving electronic systems for facilities management, sports courses, HR, beacons and access control.

We plan to do a full review of our facilities management system and undertake an energy audit of key facilities starting with the Waterfront to see if there can be any savings identified. This will look at building management systems, LED lighting, Boilers, Dehumidifiers, air handling and micro combined heat and power units.

In terms of business development, we have some exciting projects that could see significant growth for IL in terms of income these projects are in the form of ideas at the moment and will need thorough investigating in terms of feasibility.

Customer service continues to be a focus of IL with a commitment to the WOW! Awards. Over the next three years the WOW! Awards work with organisations across the world, helping them to engage with their customers in a positive way. They provide IL with the tools to make it easy for our customers to tell us when we have delivered great service for them, and then to give positive recognition to the employees in our organisation that are delivering that great service. The aim of the WOW! Awards is to be motivational, inspirational, encourage our employees to deliver great customer service at a consistently high standard.



We will also be entering a three year agreement with Macmillan to deliver specialist cancer support in our centres.

Community Halls and pitches aims to further advance bookings and develop new IL ticketed promotion calendar to include tribute acts, comedians, party nights, pantos, shows, local band challenges, traveling entertainment and burns suppers to help build stronger foundations at the halls. Parks and pitches will be continually reviewed by IL to ensure they are being run efficiently.

Fitness gyms and sports facilities see another three year growth potential, especially in the budget gyms and children's activities and the potential for new opportunities for family activity and the expansion of the fitness programme.

The Waterfront and swimming Pools see the development of the lesson programme for both swimming and skating as well as the increased development of targeted marketing to drive customers to our centres.

Inverclyde Leisure has made a commitment of 2% cut per year in the current funding agreement but, realises that with the pressure on public funds, this will decrease further through the three-year period and will work with our partners to achieve the desired outcomes.

The forecast has been produced to be realistic and achievable. It does not take into consideration capital investment from the projects that we may undertake, as this will be managed on a project by project basis.

There will remain an increased focus and vigilance in reviewing performance each month and necessary action will be carried out quickly. IL will continuously review its accounts, maximising income through competitive pricing structures and development plans combined with a determination to manage expenditure effectively.

Below is the financial summary over the next three years:-

	Year 1 2017/2018	Year 2 2018/2019	Year 3 2019/2020
Income	6645335	6705060	6754311
Expenditure	6642711	6703023	6752704
Net Surplus	2624	2037	1607

Over the next 3 years we will continue to improve and develop our Quality Management System and Health and Safety systems by committing to improved external audit scores. It will remain the cornerstone for quality at IL with the concept of the customer and supplier working together for mutual benefit.

The operation team help to drive change in the organisation. The team are committed to delivering high quality leisure and community facilities within Inverclyde. The aim over the next few years will be to develop stronger partnerships, enhance our IL brand, improving activity, diversify products and services, increase usage, develop income and deliver quality throughout the operation. The operational strategy continues to focus on delivering good quality services at all sites and developing key areas of the business.

Four areas have some major operational improvements. Health and wellbeing aims to increase the amount of programmed activity and referrals. IL aim to improve Health and Wellbeing by:-

- Encourage and enable the inactive to be more active
- Encourage and enable the active to stay active throughout life
- Support wellbeing and resilience in communities through physical activity and sport
- Develop physical confidence and competence from the earliest age
- Improve opportunities to participate progress and achieve in sport

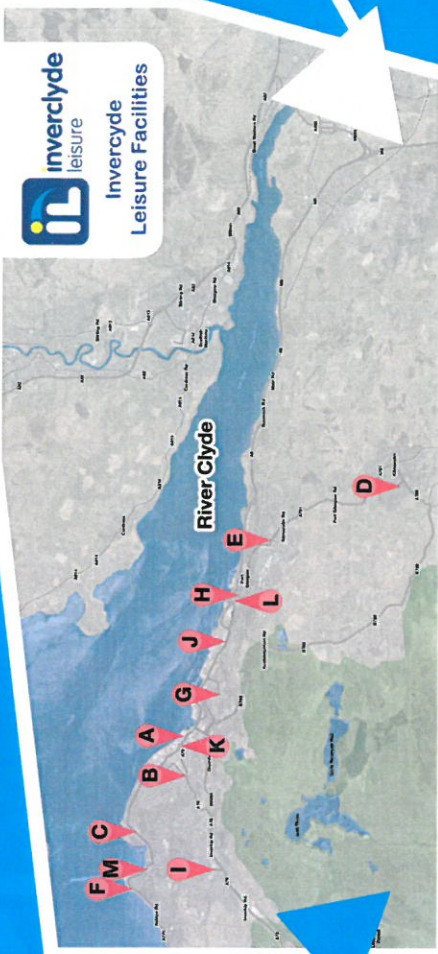


2.0 INTRODUCTION TO THE COMPANY

Inverclyde Leisure (IL) is a registered charity, a community focused non-profit company established in 2001 for the purpose of delivering sport, leisure, health and community activities.

IL operates community halls, parks & pitches, sports facilities, health and fitness facilities, swimming pools, ice facilities and an athletics stadium.

IL works in partnership with Inverclyde Council (IC) and aims to provide a quality service for its customers, employees and stakeholders by delivering high quality facilities and services.



- A Waterfront Leisure Complex & Fitness Gym Cudmoirhouse Way, Greenock, PA15 1EW
- B Greenock Sports Centre & Fitness Gym Nelson Street, Greenock, PA15 1QH
- C Ballyn Park Pavilion Ballyn Park, Bdon Street, Greenock, PA16 7QG
- D Birkmyre Park Gym Birkmyre Road, Kilmacollm, PA13 4HX
- E Baginstone Fitness Gym and Baginstone Community Centre Dubbs Place, Port Glasgow, PA14 5JD
- F Council pool & Groucel Fitness Gym Albert Road Gourock, PA19 1NQ
- G Lady Octavia Sports Centre Biddigold Road, Greenock, PA15 2JN
- H Port Glasgow Swimming Pool Boy Street, Port Glasgow, PA 4 5EB
- I Recreation Sports Centre Auchincrow Road, Greenock, PA16 0JE
- J Indoor Bowling Club Port Glasgow Road, Greenock, PA15 2UL
- K Greenock Town Hall Clyde Square Greenock PA15 1LY
- L Port Glasgow Town Hall 35 King Street Port Glasgow PA 4 5HD
- M Gamble Halls 44 Shore Street Gourock PA 19 1RG

IL currently delivers its operation in the Inverclyde area with its main centres shown above:



The directors have the ultimate control of the company subject to providing and operating the services in accordance with a specification agreed with IC.

Inverclyde Leisure Limited is a registered Scottish Charity and is governed by the Office of the Scottish Charity Regulator, universally known as OSCR set up under the Charities and Trustee Investment (Scotland) Act 2005. In exchange for the benefits of charitable status organisations require to provide public accountability.

To qualify as a charity an organisation's purposes must be for one or more charitable purposes, must be for public benefit and must not be party political, nor permit property distribution for non-charitable purposes nor be subject to ministerial control.

- Investment in new CrossFit facility
- Investment in new equipment, flooring and decoration of Waterfront Gym
- Investment in Waterfront Ice Rink facility
- Investment in new budget Fitness for Less brand for Bogflesstone
- Upgrade of Kilmacolm Fitness Plus Gym at Birkmyre Park
- Re-modelling of Ravenscraig Sports Centre that was due to be closed to create a new budget club and fun activity centre
- New Combined Heat and Power Unit (CHP) to help reduce management fee
- Upgrading of Gourock Fitness Gym
- Our partners at IC have also funded many property costs including works at all the Town Halls, part funding for Ravenscraig and new ice plant.

IL is around 22% funded by IC, one of the lowest in Scotland, under a three-year funding agreement and has committed to reduce the management fee by 2% a year for the next three years. IL will also throughout the three-year period work with IC to deliver further savings that may be required due to increasing pressure on council funds.

IL aims to provide a quality service for its customers, employees and stakeholders by delivering high quality facilities and services at affordable prices.

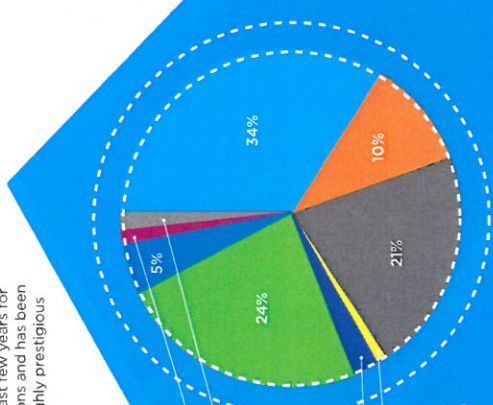
The company is currently governed by 11 members of the Board who also serve as directors.



- 2016 National WOW! Award for Putting the Customer First
- 2016 UK Active Finalist Spark of Innovation
- 2015 National Award for Engaging with staff
- 2015 UK Active Engaging the Community Finalist
- 2014 Legend Customer Service Award
- 2013 National Fitness Award for Community Involvement

The company has also invested heavily into the products and services that we offer our customers, some of which are listed:-

- DRY SIDE
- GYM
- ICE
- SWIMMING LESSONS
- COMMUNITY FACILITIES
- FITNESS CLASSES
- GYMNASTICS
- SWIMMING
- SKATING



PATRONAGE

IL has over 1.1 million customer visits per year, these are made up of 382,624 Dry side visits, 110,785 Fitness classes visits, 238,839 Gym visits, 9,749 Gymnastic visits, 26,695 Ice facility visits, 266,362 swimming visits, 54,007 Swimming Lesson visits, 12,075 Skate Lessons visits and 16,581 Community Facilities usage.

Overall the company's usage has increased by 106,000 users from last year, this has been down to the growth in products and the services we offer as a company.

IL has been recognised in the last few years for the high standard of its operations and has been honoured with a number of highly prestigious awards including:-



Below are IL's charitable aims:-

- To provide facilities for recreational, sporting, cultural or social activities for the community
- To encourage and to promote for the purposes of social welfare, information on nutrition, health, exercise and healthy lifestyle

IL's Key Strengths include:-

- Staff commitment
- Community involvement
- Presentation of facilities
- Customer loyalty
- Range of products and services

2.1 MISSION STATEMENT

The company's mission is to provide great products and fun activity for our customers. The mission enables the company to encourage our customers to partake in the activities we have on offer whether that be health or fitness related, entertainment, children's activities or educational programmes and enables us to implement new products and services over the next three years.

Providing great products and fun activities for our customers

WEDDINGS
CHILDREN'S ACTIVITIES
CARDIAC REHAB
ICE SKATING LESSONS
FOOTBALL COACHING
VENDING
COSTUMES, GOGGLES AND SPORTS GOODS
MEETING ROOM HIRE
OUTDOOR SWIMMING POOL
TECHNICAL STAGE PRODUCTION
CLUB VENUE HIRE
PITCH BOOKINGS
BOWLING
LOW COST GYMS
SQUASH
RUNNING CLUBS

COMMUNITY EVENTS
EXERCISE REFERRALS
GROUP FITNESS CLASSES
CURLING
SWIMMING LESSONS
PERSONAL TRAINING
FREE WEIGHTS GYM
TRAINING ROOMS
INFLATABLE SESSIONS
TRIATHLON
TRAINING COURSES
X-HEIGHT CLIMBING
CROSSFIT
FREE CAR PARKING
FAKE FESTIVALS
FUNCTIONAL TRAINING

2.2 PRODUCTS AND SERVICES

IL has managed to expand and grown successfully based upon a strategy of delivering a wide array of community focused leisure along with cultural activities inclusive for all:

- At value for money prices
- Promoting healthier and more active communities
- Providing a choice and incentives for all to participate through imaginative and inclusive programming

This strategy has had the effect of improving the quality of life for our communities, in addition to helping our partners health and social agendas and community strategies.

IL offers a wide range of products and services listed below:-



BUSINESS FUNCTIONS
LOCAL AND NATIONAL ELECTIONS
FITNESS GYMS
ICE SKATING
FUN SWIMS
WEIGHT MANAGEMENT
SAUNA AND STEAM ROOMS
BINGO
PARTY NIGHTS
FUN RUN
CHARITY EVENTS
WATER SLIDES AND FUN POOL
BEAUTICIAN ROOMS
PREMIER GYMS
PLAY SCHEMES
BOOT CAMPS

COMMUNITY EVENTS
EXERCISE REFERRALS
GROUP FITNESS CLASSES
CURLING
SWIMMING LESSONS
PERSONAL TRAINING
FREE WEIGHTS GYM
TRAINING ROOMS
INFLATABLE SESSIONS
TRIATHLON
TRAINING COURSES
X-HEIGHT CLIMBING
CROSSFIT
FREE CAR PARKING
FAKE FESTIVALS
FUNCTIONAL TRAINING

3.0 COMPANY DIRECTION

3.1 COMPANY'S MISSION, VISION AND VALUES

IL is a successful company well regarded by its stakeholders, customers, and users. It is well managed, innovative and resourceful allowing it to prosper and flourish.

The aims of the vision and values are to provide a co-ordinated strategic framework which is aligned throughout the company through decision making, the management of resources, communications, recruitment, training, and to develop a shared sense of purpose among all stakeholders. By providing something that can be easily memorised and understood.

Employees at all levels can understand the ethos and beliefs that drive IL, recognise its future direction and identify how they can play their part in delivering that future vision.

The vision statement remains the same for the next three years' business plan. Our focus is to be the best in the eyes of our customers putting greater emphasis on customer care and feedback, developing our people in line with achieving more challenging objectives and working with our partners and stakeholders for the common good.

IL recognises that its core activities offer a range of exciting and valuable opportunities for both individuals and the community.

INVERCLYDE LEISURE'S VISION:
"Be the best in the eyes of our customers, employees and our stakeholders"

IL'S VALUES

IL seeks to achieve its vision and deliver its business plan, by working within a transparent framework of core values. These values are very important to us and underpin everything we do as a company.

IL's Values are:-

Being Innovative

Being Positive

Being Honest

Being Enthusiastic

Being Professional

Being Open minded

3.2 GOVERNANCE AND STRUCTURE

Good governance is essential for the success of any organisation. Directors of Boards play a vital role in serving their communities by ensuring the proper procedures and policies are in place to manage their charity's resources effectively. They provide long-term vision and protect their charity's reputation and values. IL is a company limited by guarantee and a registered charity governed by an unpaid Board of Directors who are ultimately responsible for the charity, assets, and activities. The Directors' role is to set the strategic direction, monitor the delivery of our objectives and uphold our values.

The Board of Directors therefore, whilst having overall responsibility for everything that IL does, has delegated the management of the Company including all day-to-day decision making and operational matters to the Chief Executive to ensure that the Company is effectively managed.

The members of the Executive Management Team (EMT) have individual legal duties and responsibilities, which make them accountable for their actions and for all employees within the organisation.

Within IL, there are a wide range of stakeholders, who include: our employees, local authority partners, local community groups, health, wellness, sports, cultural and other statutory bodies, suppliers, creditors, customers, national governing bodies and the community at large.

To ensure that it remains at the forefront of the leisure industry and within the communities it serves, IL is represented on a wide range of local community and vocational groups.

GOVERNANCE

Good governance is essential for the success of any organisation. Directors set the long-term vision through the three-year plan and protect the reputation and values of their organisations by providing strong leadership. The board provides good governance and leadership by:-

- Understanding their role
- Ensuring delivery of organisational purpose
- Working effectively both as individuals and as a team
- Exercising effective control
- Behaving with integrity
- Being open and accountable





IL'S BOARD OF DIRECTORS

- IL's Board of Directors comprises of 11 Directors who are also company members
- Chairman Bill Hawthorne who is one of two co-opted members from the local business community
- IC has five nominated members
- The Trade Unions have one nominated member
- Inverclyde Local Sports Council have one nominated member
- The employees of the company have two nominated members

THE BOARD OF DIRECTORS

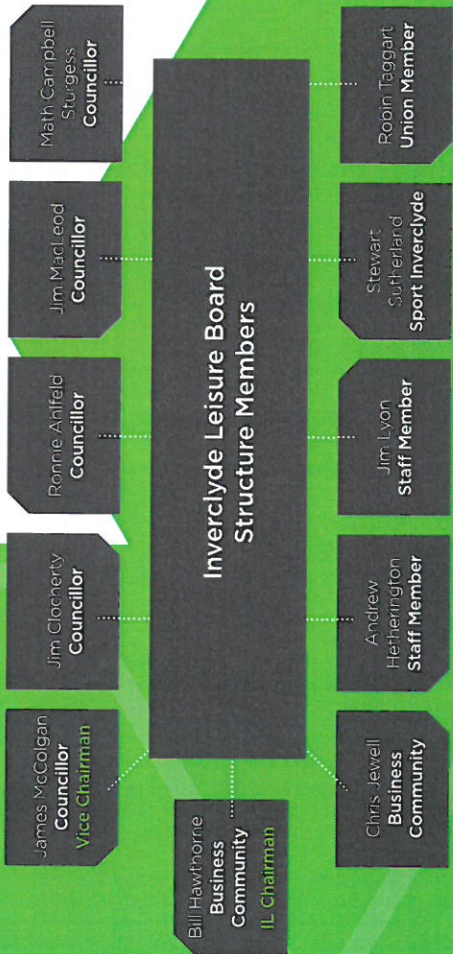
The Board of Directors ensure that the company does not breach any of the requirements or rules set out in its Memorandum & Articles of Association and remains true to the charitable purpose.

EXECUTIVE MANAGEMENT TEAM

The EMT report to the board 6 times a year and give full updates on areas of the agreed strategy being worked on and put forward new initiatives for discussion. IL's EMT have legal corporate responsibilities (financial, health & safety and employment amongst others) to ensure the company is compliant, driven and a going concern. The EMT must develop an appropriate plan and ensure that, once endorsed by the Board and IC, the policies and plans are implemented and that the



Inverclyde Leisure Board Structure Members



organisational and divisional operations are managed on a day-to-day basis. IL's EMT consists of:-

- Kieron Vango (Chief Executive)
- David McCorkindale (Head of Leisure and Community Facilities)
- Audrey Lavelle (Finance Manager)

The performance of the Executive and Senior teams sets the standards for the whole company by cascading information, positive enthusiasm, commitment and professional standards to all areas, whilst at the same time attentively receiving valuable 'front-line' feedback from across the organisation.

SENIOR MANAGEMENT TEAM

The EMT is supported and assisted by four Operations Managers, professionals within their own areas of expertise, with a range of responsibilities whilst delivering the highest levels of operational delivery and performance across the company. The 4 Operations Managers are as follows:-

- Jim Lyon (Business Development & Support Operations Manager)
- Stuart Boyle (Waterfront Service & Quality Operations Manager)
- Ian Dyer (Community Facilities Operations Manager)
- Andrew Hetherington (Fitness Gyms & Sports Facilities Operations Manager)

Keiron Vango
Chief Executive Officer

David McCorkindale
Head of Leisure and Communities

Audrey Lavelle
Finance Manager

Jan Dyer
Operations Manager Community Facilities

Stuart Boyle
Operations Manager Waterfront Service and Quality

Andrew Hetherington
Operations Manager Fitness Gyms & Sports Facilities

Jim Lyon
Operations Manager Business Development & Support

Lesley Hellen
PA & Office Manager



RELATIVE MARKET SHARE



HIGH

MARKET GROWTH

LOW

HIGH

LOW

- activity developments
- Increase marketing of products and services in key areas
- Look at new facilities to develop
- Develop current products and services such as swimming lessons, dry side courses, fitness memberships, personal and group training, ice skating lessons and town hall events
- Become more focused on data marketing, e-marketing, target marketing and social marketing
- Development of a mixed portfolio of funding
- Work with our partners at IC for future growth opportunities

Achieving our strategy over the next 3 years will depend upon the effective management of our resources. This document outlines IL's strategy moving forward and demonstrates how we will deploy those resources to ensure that the company will continue to develop as a successful business.

BCG MATRIX
Below are current products compared against BCG Matrix

Cash Cow
A cash cow product has High Market Share with Steady Growth, it can have high returns.

Dogs
A Dog is a product that has Low share of market with low growth & little returns. Can show decline.

Question Marks
A question mark product has High potential return capabilities with possible investment, can currently have low market share and may have uncertain returns. There can be external factors such as weather, time of the year etc. to consider.

Stars
A star product has high market share with high growth potential. Can have higher initial costs with investment but should gain strong medium to long term returns.

INVERCLYDE COUNCIL
IL has a close working relationship with IC where we discuss on a monthly basis areas of the business plan being worked on, any areas of risk regarding finance or operations in line with IC's Funding Agreement.

3.3 STRATEGIC DIRECTION
RETENTION AND EXPANSION
Retention deals with our existing customer base aiming to keep our customer for as long as possible in our product portfolio. Expansion seeks to develop new products in our current business and potentially new business outside of Inverclyde.

This strategy will see IL in its core market of leisure and fun activity.

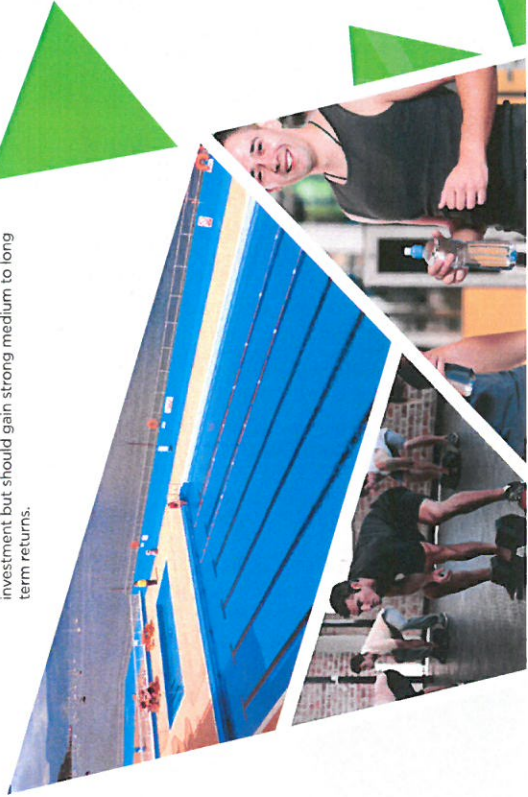
- RETENTION**
- Increase our customer retention management (CRM)
 - Train our employees to be more customer focused and add value to our customers' experience
 - Reward our employees for doing things right
 - Embracing new technologies and innovations
 - Add value to products and services
 - Retain customer loyalty through enhancing member benefits and relationships and leveraging our existing core competencies, resources and capabilities
 - Create more seamless customer journeys
 - Invest in the latest technology such as apps
 - Increase usage of existing customers by directly enhancing the customer experience through improving standards of delivery and quality operations

Embrace the strategy of continuous improvement through in our operations through the enhancement of a Quality Management System (QMS), site-specific Service Improvement Strategies (SIS) and site business plans

Work well with stakeholders ensuring people have the information they need

EXPANSION

- Development of existing products and facilities
- Looking at new market places such as adventure and



HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

CUSTOMERS

- By continuing to listen to, and responding to, their needs.
- By providing quality services that continue to improve.
- By delivering value for money, regardless of circumstances.
- By giving a safe and enjoyable experience every visit.

CUSTOMERS

LOCAL AUTHORITY PARTNERS, SPORTS AND COMMUNITY GROUPS

- By continuing to listen to, and responding to their needs.
- By providing quality services that continue to improve.
- By delivering value for money regardless of circumstances.
- By giving a safe and enjoyable experience every visit.

PARTNERS

PEOPLE

CONTINUOUS IMPROVEMENT

- By continuing to improve in all areas of the business.
- By innovating and finding new and better ways of doing things.
- By being environmentally and socially responsible.
- By listening to all of our stakeholders and acting on their feedback.

BETTER WAYS OF WORKING

OUR TEAMS

- By effectively engaging with our teams
- By becoming an employer of choice.
- By being a great place to work.
- By involving, investing in, and developing our people.
- By ensuring that we have the teams in place to deliver continuous improvement

3.4 STAKEHOLDER ENGAGEMENT

IL creates value to our customers, partners and stakeholders by creating better ways of working, continually improving all areas of the business, innovating and finding new and better ways of doing things.



3.8 PLANNING PROCESS

The planning process helps IL to understand where we are now and how we've got there. It allows us to move productively forward with a sense of direction, purpose and urgency. It translates the Board's strategic direction and vision into tangible and achievable objectives: it also:-

- Focuses on key issues and processes
- Increases motivation and communication throughout the company
- Helps us to understand who our customers are and how we can continue to meet their needs
- Ensures the optimum and efficient management of resources to carry out specific objectives
- Helps us work more closely with our client partners

This enables IL to be:-

- Flexible – adaptable to meet changing needs
- Responsive – taking advantage of market and environmental conditions
- Co-ordinated – all stakeholders working together

3.7 PARTNERSHIP WORKING

At IL, we realise that formal contracts don't make successful relationships, people do. It requires a willingness to create a foundation on which trust, loyalty, and commitment can be built. Every relationship is unique and must be treated as special. IL believes that you get what you put into the relationship. IL will work very hard to structure win-win relationships and work for the common good of both organisations rather than each trying to gain the upper hand.

IL works in partnership with its many suppliers, funders and professional organisations developing relationships and working for the win-win and mutual benefit of all.

- A recognition that our community and public work contributes to society's betterment
- Access to a range of funding opportunities and grants including donations, legacies and the use of Gift Aid
- An assurance for the public and a high level of public trust that we are being supervised and monitored
- An ability to react quickly to change

3.5 FUNDING

IL operates with the aid of a three-year Funding Agreement from IC for some deficit funded facilities. This currently sits around 22% of our income at 1,489 million, the rest of our income is made up from products and services supplied to our customers.

IL has made a commitment to cut 2% per year in the current Funding Agreement but realises that with the pressure on public funds this may well decrease further through the three-year period and we will work with our partners to achieve the desired outcomes.

As part of the Funding Agreement, IC must approve IL's Business Plan. The business includes indicative non-binding budgets. Any draft Business Plan approved will become effective at the commencement of the next business plan period.

Each plan will identify the sum that IC will pay to IL for the provision of the services over the period commencing on the date the Business Plan becomes effective. This sum shall be the Service Payment for that period.

In the funding agreement, it is agreed that the Council may add any additional properties/ locations to the service specification and that IL shall undertake all the obligations and conditions contained in the service specification in respect of any new location.

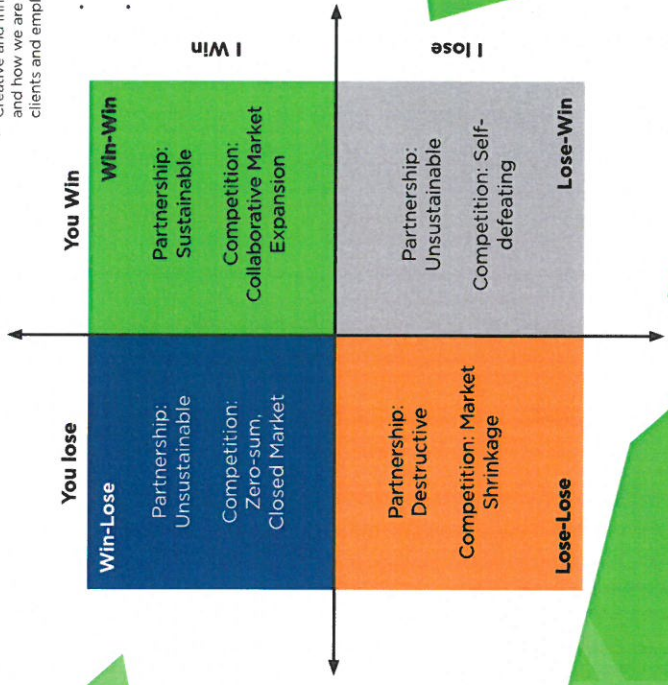
3.6 THE TRUST MODEL

Key benefits of the trust model include:-

- The development of a shared vision and joint objectives
- Reducing the overall cost of the service whilst improving service delivery and driving facility improvement programmes
- NNDR savings
- Increased community involvement
- The removal of service from the local authority regime and the constraints of local authority funding
- An ability to react quickly to market forces
- Less bureaucracy and increased speed of decision making
- Some savings in value added tax (VAT)
- A comfort factor from both Local Authorities & the public
- There are no shareholders or dividends to be paid, as surpluses are reinvested into facilities, adding value rather than building share value for the benefit of their communities
- A team that believes they are working for a charity with principles
- Collaboration and sharing of best practice through Sporta and other local operator groups

Benefits to IL as a charity include:-

- Financial benefits in the form of further savings in NNDR and some taxation reliefs and exemptions



- Challenging – continually stretching and stimulating
- Focused – moving forwards towards a clear, defined and understandable future based upon our core strengths and competencies

- Creative and Innovative – in what we are doing and how we are communicating to customers, clients and employees

4.0 MARKET RESEARCH



IL has been a registered charity (Scottish Charity Number: SC 03216) since 14 September, 2001. Its stated purposes are:-

- The advancement of health
 - The advancement of public participation in sport
- Its stated beneficiaries are:-
- Children/young people
 - Older people
 - People with disabilities or health problems
 - No specific group
 - The benefit of the community

Its stated objects are:-

- To provide or assist in the provision of facilities for recreational, sporting, cultural or social activities (such facilities being provided from time to time being hereinafter referred to as "the Facilities") for the general public in, or in connection with, the Local Authority area of Inverclyde as defined in Schedule 1 to the Local Government etc. (Scotland) Act 1994 (such Local Authority area being referred hereafter to as "Inverclyde") and other parts of Scotland in the interests of social welfare and education;
- To encourage and promote for the purposes of social welfare, information on nutrition, health matters and exercise as will promote a healthy lifestyle for all;

4.1 ECONOMIC AND POLITICAL OUTLOOK

The economic and political outlook is framed in the context of IL – both as a Company (SC Company No: SC223197) and as a Charity (SC Charity No: SC03216) registered with the Scottish Charity Regulator – trading:

- Entirely in Inverclyde:-
 - A geographical area of 160 km² (61.78 mi²)
 - One of 32 Scottish Unitary Authorities
 - One of the smallest in terms of the area (29th) and population (27th) out of the 32 authorities
 - Comprising of six wards:
 - o West
 - o North
 - o South
 - o East Central
 - o East
 - o South West
- To serve a (2015: National Records of Scotland) population of 79,500 people:-
 - A decrease of 0.5 per cent from 79,890 in 2014
 - Accounting for 1.5 per cent of the total population of Scotland
 - 16.7 per cent of the population are aged 16 to 29 years
 - This is smaller than Scotland where 18.2 per cent are aged 16 to 29 years

- Persons aged 60 and over make up 26.3 per cent of Inverclyde
- This is larger than Scotland where 24.2 per cent are aged 60 and over
- Since 1989, Inverclyde's total population has fallen overall

C. With the following population projection changes:-

- By 2039 the population of Inverclyde is projected to be 70,271
- A decrease of 12.0 percent compared to the population in 2014
- The population of Scotland is projected to increase by 7.5 per cent between 2014 and 2039
- Over the 25-year period, the age group that is projected to increase the most in size in Inverclyde is the 75+ age group
- This is the same for Scotland as a whole
- The population aged under 16 in Inverclyde is projected to decline by 16% over the 25 year period

D. As a partner to – and principal provider of sports and leisure opportunities for the community on behalf of IC, within the Councils:-

- Leisure Management Contract & associated Property Leases
- Commissioning Strategy 2012-2022
- Active Living Strategy
- Making Well-Being Matter Delivery Plan
- Healthy Child Programme

UK GROWTH ("UK ECONOMIC OUTLOOK"); PWC: JULY 2016

UK economic growth had already slowed from around 3% in 2014 to around 2% before the EU referendum due to slower global growth, but the vote to leave the EU is likely to lead to a significant further slowdown.

The largest short-term effect of the vote to leave the EU is likely to be on investment growth, which we now expect to be pushed into negative territory in 2016 and 2017. This reflects major projects being derailed or even cancelled due to uncertainties surrounding Brexit, particularly by foreign investors in commercial property and in sectors needing guaranteed access to the EU single market. These uncertainty effects should fade eventually, but it will take time

before clarity emerges on future UK-EU trading arrangements.

In our main scenario, we now project UK growth to slow to around 1.6% in 2016 and 0.6% in 2017, largely due to the increased political and economic uncertainty following the 'Brexit' vote. The UK would, however, narrowly avoid a recession in this main scenario.

There are particularly large uncertainties around any such projections after the Brexit vote. We have therefore also considered alternative scenarios in which UK growth in 2017 could vary from around -1% if downside risks materialise to around 1.5% if there is an early recovery.

We expect the Bank of England to loosen monetary policy over the summer to support the economy through this period of uncertainty, while public borrowing is allowed to rise to take the strain of slower growth.

The main reason for the slowdown will be a decline in business investment, particularly from overseas in areas like commercial property. This is being driven by political instability in the short term, as well as uncertainty about the UK's future trading relationships with the EU in the longer term.

Consumer spending growth is projected to hold up better, but will still slow from previous strong rates, dropping to around 1.3% in 2017 in our main scenario. This reflects the impact of a weaker pound in pushing up import prices and squeezing the real spending power of households, as well as lower consumer confidence levels and slower jobs growth.

Business and financial services sector growth will slow but should remain positive in 2016-17. But construction companies and capital goods manufacturers will suffer from lower investment levels, although some manufacturing exporters will benefit from the weaker pound.



points toward businesses and the wider economy being in 'wait and see' mode with the actions of the UK Government and the Bank of England averting any immediate large negative shock. However, concern about the possible implications over the months ahead clearly remains.

2) LONG-TERM IMPACTS

According to first principles, the likely long-term impacts of leaving the EU are known with a relative degree of confidence, albeit the exact quantitative effects are uncertain. Trade opens up businesses to new opportunities for exporting and investment. Labour mobility boosts labour supply helping to increase productivity and address demographic challenges in countries – such as Scotland – with an ageing population. Competition helps efficiency, product specialisation and growth. And financial integration deepens and broadens capital markets. All of these – on balance – are expected to be impacted in one way or another by becoming less integrated with the EU.

Whether or not the decision to leave the EU leads to a permanent reduction in the rate of growth or the level of output is unclear. On the one hand, once the economy adjusts to life outside the EU, output could simply be a broadly constant step below the level it otherwise would have been in each and every year. There is the potential however, for Brexit to have a more damaging impact if it were to confine both Scotland and the UK to a lower long-term growth rate (perhaps via a permanent hit to productivity growth).

SCOTLAND'S BUDGET

Many commentators conclude that Scotland's budget faces a challenging and uncertain outlook over the course of this parliament. With the uncertainty of Brexit a weakening UK fiscal position, ongoing UK welfare reform, and a fragile Scottish economy, the implementation of Scotland's new fiscal powers over the next few years could not have come at a more challenging time.

Outlook for the Scottish Budget: 2016-17 to 2020-21 ('Scotland's Budget – 2016' Fraser of Allander Institute, University of Strathclyde Business School, September 2016)

The Scottish budget has faced unprecedented cuts since 2010. This year, Scotland's resource budget is around 5% lower in real terms than it was in 2010-11. Capital spending has been hit particularly hard, down 12% in real terms since 2010-11.

little assessment of the possible different impacts by sector.

In assessing the possible impact of Brexit on the Scottish economy it is important to separate out two key phases – 1) the short-term and 2) the long-term.

The Fraser of Allander Institute (FAI) was commissioned by the Scottish Parliament's European and External Relations Committee to model the possible economic implications of Brexit for Scotland.

Over the long term (i.e. 10+ years), most economists predict that the decision to leave the EU will – all else remaining equal – have a negative impact on trade, labour mobility and investment. There remains debate however, over the scale of the impact – see for example, Ebell & Warren (2016), HM Treasury (2016a, b), Centre for Economic Policy (2016), PWC (2016) and Oxford Economics (2016). Capital Economics (2016) provides a more positive outlook. To date however, studies have concentrated on the UK as a whole. At the same time, they have tended to focus on the aggregate economic impact, with little assessment of the possible different impacts by sector.

In assessing the possible impact of Brexit on the Scottish economy it is important to separate out two key phases – 1) the short-term and 2) the long-term.

1) SHORT-TERM IMPACTS

At the UK level, the decision to leave the EU was clear. However, the exact terms of exit are unknown and are likely to remain so for the foreseeable future. Consequently, the referendum result has ushered in a period of heightened economic uncertainty and reduced confidence. In response, businesses and households may postpone spending and investment.

But we should be wary of expecting to see any immediate change in the headline economic data for a few months. Most businesses will not – and cannot – change their plans overnight and many will await greater clarity over the likely outcome of any negotiated settlement before responding. For the time being, Scotland and the UK remain within the EU so in terms of trade, regulation and free movement nothing has changed thus far. Policymakers can intervene to help mitigate both the uncertainty itself – for example, by providing reassurance around long-term trading relationships – and providing temporary support to the economy to help offset any negative short-term impacts.

After an initial period of political instability, the new UK Government has – at least for the time being – brought a degree of relative calm back to the political environment. At the same time, the Bank of England has responded with a further cut in interest rates, increased Quantitative Easing and launched a new Term Funding Scheme to ensure that interest rate cuts are passed on to businesses.

Most of the emerging evidence



Assessing the impact of Brexit on the Scottish Economy ("Long Term Economic Implications of Brexit - A Report for the Scottish Parliament"; The University of Strathclyde; October 2016)

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The outlook looks just as – if not more – challenging. The new Chancellor has indicated that he is prepared to ‘reset’ UK fiscal policy. It would be wrong however, to assume that this means an immediate end to fiscal consolidation. With a weaker economic outlook and rising inflation putting pressure on the welfare budget, further departmental spending cuts are now even more likely over the medium term.

Real terms cuts to the Scottish block grant are likely to continue into the next decade, extending the period of fiscal consolidation to over 10 years. Under the complex arrangement for determining the Scottish Government’s budget under the new fiscal framework, what will be crucial is how the growth in Scottish tax receipts per head compares to the growth in equivalent tax revenues per head in the rest of the UK.

The balance of evidence suggests that Scotland will do well to match UK economic performance at least in the short-term. The Scottish Government has outlined a number of tax increases and tax cuts. On balance, our assessment is that these will increase the Scottish budget, albeit by a modest amount. Overall the uplift is less than 1% of the total budget. Even before the EU referendum outcome, the Scottish budget

was facing real terms cuts over the next few years driven largely by the plans set out the previous Chancellor George Osborne. Our new findings suggest that the Scottish budget could be cut by between 3% – 4% in real terms by 2020-21 and up to 6% – around £1.6 billion – under a worst case scenario.

To put this in context, cuts of that scale are more than the entire budgets for the Finance and Economy; Fair Work, Skills and Training; Culture and External Affairs; and Rural Affairs, Food and Environment portfolios combined.

Major fiscal challenge for Scottish Government over next Parliament - cuts of up to 17% in some public services. Scotland’s first major pre-budget analysis highlights major fiscal challenges ahead. Fraser of Allander Institute warns of possible real-term cuts of up to six percent – or around £1.6 billion – to the Scottish Government’s resource budget given the government’s major commitments in areas such as health and

childcare, other ‘unprotected’ public services will have to take up the slack. These unprotected budgets could face an average cut of up to seventeen percent over the next four years. Local Government grant could be cut by around £1 billion by 2020-21

The Scottish Government should prepare for further real-term cuts of up to £1.6 billion in its resource budget by 2020-21, according to a major publication launched today (Tuesday 13 September 2016). This new annual report, written by the University of Strathclyde’s Fraser of Allander Institute, sets out a range of scenarios for Scotland’s budget over the next four years, and the options available to the Scottish Finance Secretary.

Even before the uncertainty caused by Brexit, the Scottish Government’s budget was forecast to fall by just over 3 percent in real terms by 2020-21 as result of the UK Government’s ongoing fiscal consolidation. But the report warns that under a worst case scenario for the block grant and revenues from Scotland’s new

tax powers, the Scottish Government may have to prepare for cuts of up to six per cent – or up to £1.6 billion – over the course of the parliamentary term.

Even under more optimistic scenarios, the Scottish budget is still projected to fall in real terms over the course of the parliament. And with Scottish Government plans in place to deliver major policy priorities, the Fraser of Allander report warns difficult choices for unprotected budgets – including the grant to local authorities – will be required.

Professor Graeme Roy, Director of the University of Strathclyde’s Fraser of Allander Institute, said:

“The Scottish Government has set out plans to deliver ambitious new policy priorities, including real terms increases in the health budget, a doubling of childcare provision, and protection of the police budget.

“Delivering on these will, however, require a tough re-prioritisation in other areas.

“As an area of unprotected spend, the grant to local government could be cut by around £1 billion on a like-for-like basis by 2020-21. Without radical reform, cuts to services are likely to become increasingly apparent in the years ahead, providing a controversial backdrop for next year’s local elections.”

The report comes as the Scottish Parliament’s fiscal responsibilities are expanding rapidly. Around 40% of devolved expenditure will now be funded by tax revenues collected in Scotland, a figure that will rise to 50% once half of VAT revenues are assigned.

Scotland’s economic performance – and more particularly, Scotland’s relative performance compared to the UK – will have a much greater bearing on the spending plans of Holyrood than ever before.

If Scotland can grow its economy more quickly than the rest of the UK, then it will now retain a share of the revenues that this generates. But if it grows more slowly, then it will bear the risk of lower revenues.

The Scottish Government will also have the opportunity to set different tax rates and allowances within devolved taxes to raise or lower revenues and to determine spending on new devolved benefits.

Professor Roy continued: “Brexit uncertainty, a weakening UK fiscal position, ongoing UK welfare reform, and a fragile Scottish economy, means that the devolution of powers over tax and social security could not have come at a more challenging time.

“The combination of a weakening in the outlook for the UK public finances impacting on Scotland’s block grant, a challenging outlook for devolved revenues, and a series of significant spending priorities – particularly in health and the planned transformation in childcare – will require a substantial re-prioritisation of spend and

reform of public services in Scotland.

“While the challenge falls on the Finance Secretary, critics of the forecast cuts in unprotected public services will have to point out where – with a highly constrained overall funding settlement – their priorities for cuts would be and what taxes they would increase.”

The report highlights that:

- The Scottish budget has faced unprecedented cuts since 2010. In 2016-17, Scotland’s resource budget is 5% lower in real terms than 2010-11 as a result of cuts to Scotland’s block grant from Westminster. Capital has been hit particularly hard, down 12% in real terms since 2010-11.

- The outlook looks just as – if not more – challenging. Real terms cuts to public spending are likely to continue into the next decade, taking the process of consolidation to over 10 years from when it started back in 2010. Even after efforts by the Scottish Government to increase revenues from its new devolved tax powers.

- Overall, the Scottish Government should prepare for possible further real-terms cuts of 6% - or up to £1.6 billion – in its resource budget by 2020-21. To put this in context, this is more than the entire Finance and

Economy; Fair Work, Skills and Training; Culture and External Affairs; and Rural Affairs, Food and Environment portfolios combined.

- These real-terms cuts come alongside a number of high profile new spending commitments. The government plans to increase health spending by £500 million more than inflation by the end of parliament.



It has also committed to maintain real terms spending on police, and has a flagship policy to double the provision of free child care.

- Delivering these commitments will require a serious re-prioritisation of spend. Unprotected areas of the budget will face average real terms cuts over the period to 2020-21 of between 10% - 17% (2.6%-4.5% annually), depending on the size of the Scottish block grant and the revenues from Scotland's new devolved taxes.

- Local government will likely be a key focal point. As an area of unprotected spend, the grant to local government could be cut by around £1 billion on a like-for-like basis by 2020-21 - with increases in business rate and council tax income only providing partial protection.

LOCAL GOVERNMENT

Local government faced a particularly challenging settlement in 2016-17. With the Scottish resource budget falling by 1.5% in real terms, combined with spending on health increasing above inflation, large cuts were inevitable in other areas. In the end, the revenue grant to councils was cut by around 5% in real terms between 2015-16 and 2016-17. Of course, the cut to local government could be interpreted as being substantially less if the £250 million funding for Health and Social Care partnerships announced in the Budget is included in the calculation. However, this was allocated to the integrated Health and Social Care Boards via the health portfolio and was not 'new money' for local government to spend.

At the same time, to receive their full grant allocation, councils had to agree to freeze council tax for the ninth successive year, maintain a pupil/teacher ratio at the same level as 2015, and pay the Living Wage to social care workers. Failure to deliver on any of these elements would result in a financial penalty. Furthermore, it has since been

confirmed that additional funding for the Scottish Attainment Fund will bypass local authorities and be allocated direct to schools. Tensions remain therefore in two areas: disagreement over the scale of the funding squeeze on councils; and increasing concerns about the extent to which conditions attached to funding settlements to deliver 'national' priorities impinge on councils' policy autonomy.

The outlook for local government over the parliament looks just as challenging, if not more so. As outlined above, once the Scottish Government's policy commitments are considered, unprotected areas will face significant real terms cuts. Councils are part of this 'unprotected' element. Having faced real terms cuts since 2010-11 of around 11% on a like-for-like basis, without reform - either within councils or more widely - the room to manoeuvre is limited.

Yet it is likely that a number of the Scottish Government's key policy pledges will need to be delivered in whole or in part by councils. With elections in 2017, local government resourcing will come under the spotlight. For these reasons, we focus attention in this section on issues around local government finance.

Local government resource spending is a function of:

- The revenue grant from the Scottish Government (around 40% of resource income);
- Revenues from Council Tax (just over 10%);
- Non-Domestic Rates Income/Business Rates (around 25%);
- Service income, fees and charges, including specific grants from the Scottish Government and NHS (around 25%);
- Housing rents (around 5%), although these revenues are ring-fenced for housing purposes

THE REVENUE GRANT

Each year, the Scottish Government negotiates a settlement for the revenue grant with COSLA, the organisation representing local government



in Scotland. The settlement typically takes into account the Scottish Government's total resource budget (in the past, COSLA has sought to maintain local government revenue as a share of total spending), and any policy commitments the Scottish Government expects local government to deliver.

What is the outlook for the local authority revenue grant in 2017-18 and beyond?

Taking the scenario of extended fiscal consolidation set out above, we have already seen that the outlook for 'unprotected' parts of the Scottish budget is of cuts of 13-16% over the



course of this parliament. On an annualised basis, this would imply an average cut of 3.5% to 4.1% between 2016-17 and 2020-21 - or a cut of around £1 billion to the local government resource grant over the course of the parliament based upon the scenarios set out above.

At the same time, however, some of the Scottish Government's policy commitments will have delivery implications for local government which could add to or ease the funding pressures. Most obvious is childcare. COSLA will begin budget negotiations with the government in early September. Local authorities will no doubt seek the full transfer of the £500 million earmarked for the expansion in childcare.

On the assumption that the revenue grant to local government is cut by around 13.5% over the course of the parliament on a like for like basis, but that the costs associated with delivering the

childcare commitment are rolled into the revenue grant, then the forecast for the local government revenue is a real terms cut of around 7-8% between 2016-17 and 2020-21.

NON-DOMESTIC RATES

NDR are set by the Scottish Government, collected by local government and paid into the Scottish Government's NDR 'pool'. They are then distributed to local authorities. The Scottish Government guarantees to local government the combined general revenue grant and the distributable NDR income figure.

In recent years, NDR income has risen in real terms as a result of increases in the tax rate and growth of the tax base (the number of properties on which the tax is levied). At the same time, however, the Scottish Government has expanded the availability of various relief schemes - including the Small Business Bonus (which is estimated to cost around £170 million per annum).

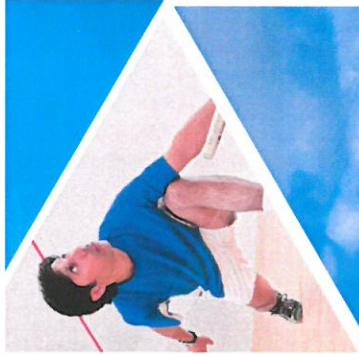
The medium-term outlook for NDR income is somewhat uncertain given the Barclay Review of Business Rates. The Scottish Government has also indicated that the rate of growth in NDR income has slowed, perhaps leading to a deficit in the NDR income pool which will have to be funded in due course.

For simplicity, we assume that NDR revenues in Scotland will follow trend growth of NDR in the UK as a whole (as forecast by the OBR at the time of the March 2016 Budget). This implies a 0.6% real terms fall in revenues over the period to 2020-21. This assumption is not unreasonable, given the SNP's manifesto commitment to 'expand the Small Business Bonus, and increase the number of small businesses that pay no rates'.

COUNCIL TAX

Domestic properties in Scotland are assigned to one of eight council tax bands (A to H). Individual councils set the 'tax rate' - the amount paid annually by a property in Band D - but the Scottish Government sets the ratios between the bands.

Since 2008-09, the Scottish Government and local authorities have agreed to freeze the council tax. As a result, revenues have grown relatively slowly (reflecting some growth in the number of properties liable to tax). For each year the freeze has been maintained, the government has transferred an additional £70 million to local authorities to compensate for the loss in revenue. The Scottish Government has made two major new commitments on council tax. For example,

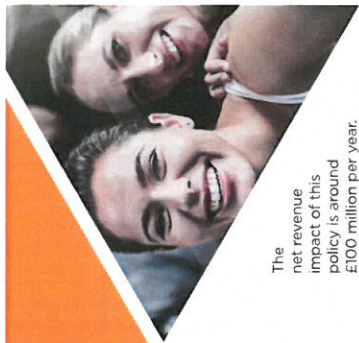


Band H properties are charged 2.1 times a Band D property, so if a Council sets the Band D tax rate at £1,100, then Band H properties in that area will be charged £2,200.

The first is that it will allow councils to increase council tax rates by up to a maximum of 3% from 2017-18. In many ways, this puts local authorities in a tricky position. In a period of tight budget constraints, to choose not to increase council tax would seem counterintuitive. On the other hand, council tax accounts for only 15% of income on average (so a 3% increase results in a less than ½% increase in local authorities' overall budget). Politically, councils may have a difficult job in explaining to residents why bills are going up at the same time that services are being reduced.

The most likely outcome is perhaps that COSLA will seek agreement that all councils will raise council tax by the full 3% cap – although this is not necessarily a guaranteed outcome, especially in an election year. On the assumption that 3% increases are implemented in subsequent years, council tax revenues will rise to around £2.5 billion by 2020-21.

The second commitment is to attempt to make council tax "fairer" by increasing the multipliers for Bands E, F, G and H. Low-income households living in higher banded properties will be exempted from the increases, and there will also be some additional support for low-income households with children, regardless of council tax band.



The net revenue impact of this policy is around £100 million per year. However, rather than flowing to local authorities, the Scottish Government has indicated that this money will be allocated directly to schools to boost attainment.

CAPITAL SPENDING BY COUNCILS

Local authorities also receive a capital grant from the Scottish Government. In 2016-17, this totalled £481 million, on top of which they received £110 million in specific capital grants. Local authorities can also fund capital investment by borrowing (via a prudential regime). In 2014/15, around 42% of councils' capital investment came from the general capital grant, one third from borrowing, and the remainder from specific grants and asset sales.

In recent years, local government have also made substantial use of PPP/PFI and NPD mechanisms, particularly to fund investment in new schools. Local authorities' annual payments under these projects are expected to total £500 million in 2016-17 rising to £550 million by the end of the parliament.

SUMMARY

Under the scenario of extended consolidation that we outline here, the resource grant is expected to fall by around 13.5% in real terms on a like-for-like basis between 2016-17 and 2020-21. Depending on the negotiations around delivery of childcare (and potentially any commitment to retain teacher numbers), the final grant settlement may end up looking more generous (or at least, less challenging). Remember however that our estimates from earlier in this chapter were that the Scottish Government's resources for unprotected areas could fall by up to 17% under a scenario where devolved Scottish revenues grow relatively more slowly.

SPENDING COMMITMENTS AND CONSTRAINTS

Local government will clearly face a challenging budget settlement in this parliament. Spending on all service areas (with the exception of social work) declined between 2010-11 and 2014-15. Faced with such spending pressures, it might be expected that councils would cut spending on non-statutory areas, but the counterweight to this is that elected members have been reluctant to cut non-statutory services for fear of the political ramifications.

Councils have managed to make efficiency savings in several areas without impacting on the quality of service delivery (at least not directly). Management structures have been streamlined,

non-operational assets have been rationalised, back-office functions have been restructured, and there is greater emphasis on shared services. However, cuts to services are likely to become increasingly apparent as budgets are further reduced.

Despite real terms cuts, councils have also developed a number of coping mechanisms in response to reduced budgets. They have become more reliant on charges as a source of income (although larger, city authorities have greater flexibility in this respect than smaller, rural authorities).

Some councils have been building up reserves in recent years in anticipation of using them to bridge a gap between incomes and spending commitments. At 1st April 2016, local authorities estimated general fund reserves were £10.46 billion. This may help deal with budgetary pressures in 2017-18, but it clearly can only be a temporary solution; and over half of these reserves have already been earmarked. Moreover, the amount of usable reserves varies substantially across councils, and for some, the option of using reserves to deal with shortfalls in 2017-18 and beyond simply does not exist.

CONCLUSIONS

There is clearly some uncertainty around exactly how the Scottish Government's budget will evolve over the lifetime of the parliament. Even before the vote to leave the EU, the Scottish budget was expected to fall by 3-4% over the period to 2020-21. If the UK Government extends its consolidation plans as a result of the referendum, real terms resource budget falls for the Scottish Government of 4-6% are possible.

The Scottish Government has committed to increase real terms spending on health. This continues a trend of real terms increases in health spending since 1999.

Perhaps the Scottish Government's most high profile commitment in this parliament is to double the provision of childcare, with the aim to achieve a transformational step-change in attainment and a reduction in educational inequalities.

The commitments to health and childcare, combined with a commitment to maintain real terms spending on the police, imply that unprotected areas of the Scottish resource budget will face cuts of between 13.5% and 15.3% on average by 2020-21, under our 'extended consolidation' scenario. Even among 'unprotected' portfolios however, funds have been earmarked for a number of within-portfolio commitments.

Further policy opportunities – but also funding constraints – are coming down the line when new welfare powers are devolved later in the parliament. One area where the Scottish Government is less constrained is in capital spending. The potential to offer an accelerated programme of capital spending in future may prove a useful bargaining tool for the Scottish Government in negotiating the scale of resource budget cuts for some portfolios.

Negotiations over the local government settlement are likely to be particularly challenging. Based on the scenarios set out above, local government could face a budget squeeze of around £1 billion by 2020-21.

The local authority funding settlement is thus likely to be a focus of political debate, not just over the level of resource but the future of local government more generally and the relative balance of central government accountability and local autonomy.

The room for manoeuvre is likely to be highly constrained. Careful budgeting will be required if the Scottish Government is to deliver on its policy priorities whilst still delivering outcomes in other areas. This is likely to require bold and creative thinking both in terms of the options for revenue raising, and hard decisions on spending that go beyond simple salami-slicing approaches.

4.2 OVERVIEW OF UK LEISURE MARKET

Sources:
2016 State Of The UK Fitness Industry Report- The Leisure Database Company
2016 State Of The UK Swimming Industry Report – The Leisure Database Company
2016 Passion For Leisure: A View Of The UK Leisure Consumer – Deloitte

Overview

Deloitte has reported that consumers' confidence in their own financial situations now runs close to a 13-year high. A key component in consumer confidence has been the improving sentiment around household disposable income.

The leisure database company highlights that UK member penetration is also at its highest point of 14.3% that equates to 9.2 million members of both private & public facilities with a combined market value of £4.4 Billion.

Much of this growth can be attributed to the low-cost sector & the introduction of technology & wearable devices. Although the industry overall is experiencing growth The Leisure Database Company states that 2016 has seen a 1% decline in swimming pools in the UK unfortunately with more closing than opening with 3,229 swimming pools in the UK vrs 3,265 in 2015 with rising operating & staffing costs being the main factor.



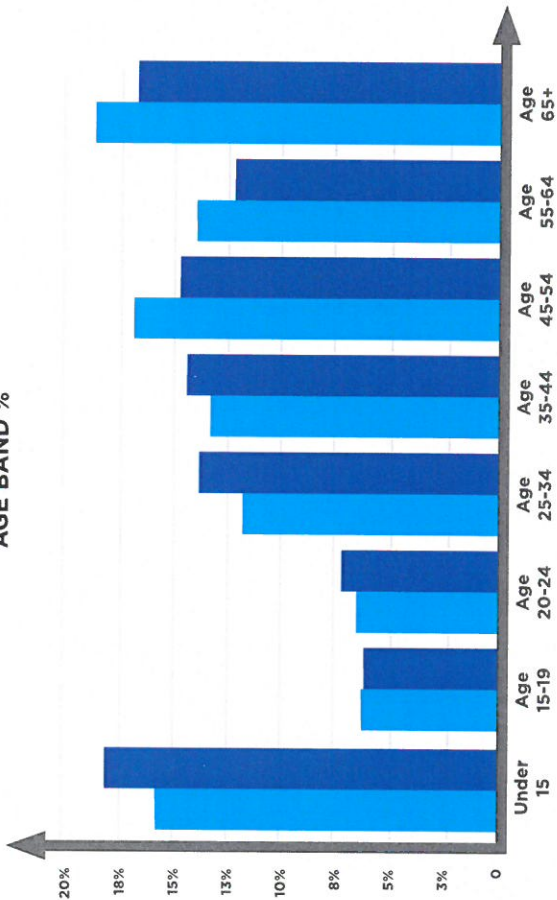
Who lives in the area?

Source: Experian Age and Gender Estimates (2014)

The largest group within the target area is 65+ with a count of 14,870, while the smallest group is 15-19 with only 4,714.



AGE BAND %



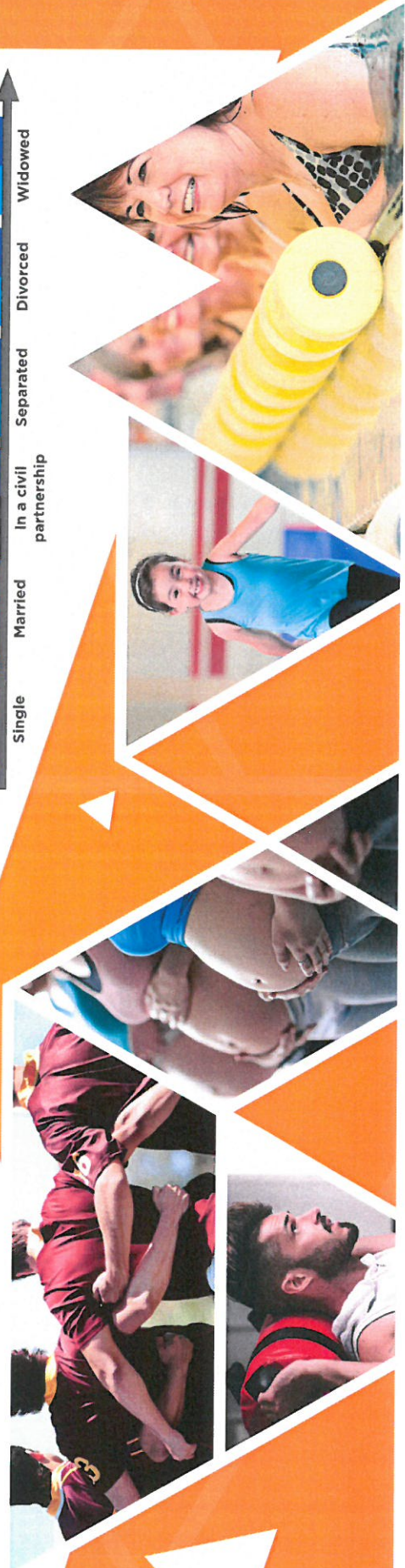
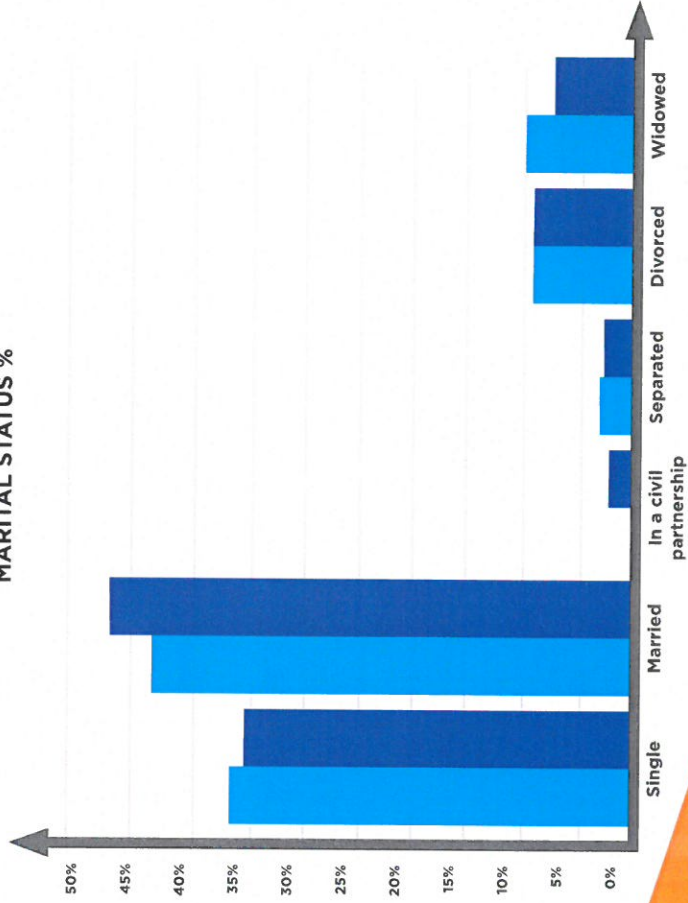
MARITAL STATUS	AREA
Single	24,282
Married	28,962
In a civil partnership	50
Separated	2,127
Divorced	5,942
Widowed	6,390
TOTAL	67,753

Source: ONS Census Data (2011)

The ONS data reveals that 35.84% of the population are Single, and 42.75% are Married, 0.07% of the population are in a civil partnership, 3.14% separated, 8.77% divorced and 9.43% are widowed.



MARITAL STATUS %



Scotland

The Leisure Database Company reports that in the public sector there are 336 gyms (12% of the UK total) this has remained the same since 2013. These operators have a total membership of 339,000 (10% of the UK total public members) vrs 353,000 members in 2013; this equates to an increase of 14,000 public members over this period.

The public sector membership fees in Scotland averaged £30.42 per month, which is above the UK average of £30.33. In 2013 the Scotland average was £30.29.

The Leisure Database Company reports that in the private sector there are 244 clubs (7% of the UK total) vrs 196 in 2013; this equates to an increase of 48 additional clubs over the period. These operators have a total membership of 403,000 (7% of the UK total private members) vrs 291,000 members in 2013, this equates to an increase of 112,000 members over this period. The private sector has seen significant increase from 2013 and a large amount of this growth can be attributed to the continued expansion of budget operators.

The private sector membership fees in Scotland averaged £41.03 per month, which is below the UK average of £41.13, although in common with other regions. In 2013 the Scotland average was £42.67 and again increased competition from the budget operators, mid-market operators & public sector can be attributed for this decline.

The Private Sector

The Leisure Database Company reports that the private sector has seen a growth in the number of clubs of 4% in the last 12 months and an 8% increase in the number of members. There are 3,700 private clubs in 2016 with 175 new club openings and 93 clubs closing during the year - the net effect is a gain of 82 clubs vrs 58 in the previous year.

Out of the 175 openings 82 were low cost clubs this is 47% of this has seen a dramatic increase from 2013 where only 6% of the total club openings were low cost.

The private sector has a total market value of £3.09 billion this has seen an increase

Total membership in the private sector grew to 5.88 million members which equates to 9.1% of the UK population, up 0.6% on the previous year. 80% of the population now live within 2 miles of a private health club with the average membership fee of £41.13.

The Leisure Database Company reports that 1 in every 11 people are members of a private health club or gym.

The Public Sector

The Leisure Database Company reports that the public sector has seen a decline in the number of centres of 1% in the last 12 months and a 1% increase in the number of members. There are 2,750 public health & fitness centres in 2016 with 49 new openings and 65 centres closing during the year - the net effect is a decrease of 16 centres vrs +3 centres in the previous year.

The Leisure Database Company states that regardless of this net loss of facilities there was still an 18,000 net gain in members and a £4 million gain in market value. The public sector has a total market value of £1.34 billion.

Total membership in the public sector grew to 3.37 million members which equates to 5.2% of the UK population, this has remained static over the last 12 months. 84% of the population now live within 2 miles of a public health and fitness centre with the average membership monthly fee of £30.33.

The Leisure Database Company reports that 1 in every 19 people are members of a public sector facility.

Low Cost Sector

This is an area of the leisure market that has seen significant growth over the last 3 years and this is forecast to continue at the same aggressive rate. As this market has expanded in recent years so has consumers' expectations to have low cost options available. The leisure database company reports that the low cost sector now represents 12% of the private sector and has risen to 450 clubs in the UK representing a 41% increase in the last 12 months.

Total membership in the low cost sector grew to 1.9 million members which equates to an increase of 32% with a total market value of £411 million with the average membership of £18.77.

4.3 AREA DEMOGRAPHICS

Describing Inverclyde in relation to United Kingdom
Creation Date: October 27, 2016

Summary of the Area

The following table details some key demographics for the selected area in relation to the base.

Households within the area	37,174
Households within the base	27,219,324
Population within the area	80,871
Population within the base	64,796,716
Male Population within the area	40,599
Male Population within the base	32,157,745
Female Population within the area	40,272
Female Population within the base	32,638,971

Source: Experian Current year estimates (Mid-year 2014)

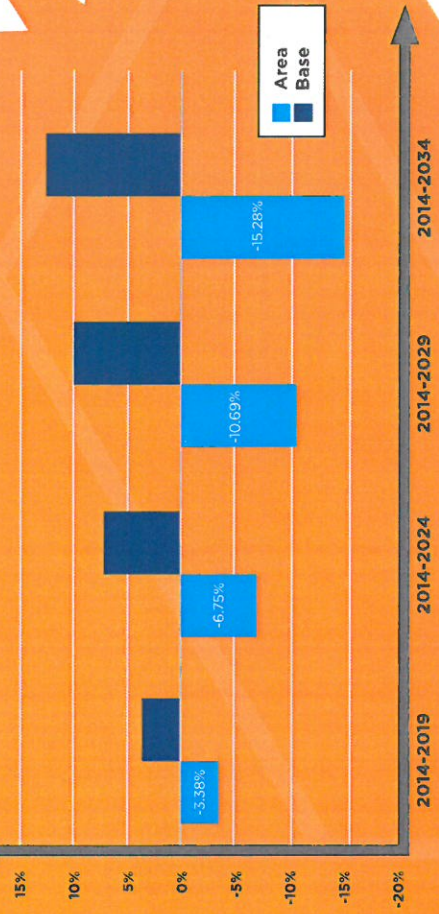
Will the area grow or decline?

The current year estimates reveal a population in this study area of 80,871; it is estimated using projections that the population in this area will change -3.38% over the next five years, -6.75% over the next ten years, -10.69% over the next fifteen years, and -15.28% over the next twenty years. This compares with projected national changes of 3.39% for five years' time, 6.62% for ten years' time, 9.55% for fifteen years' time, and 12.13% for twenty years' time.

POPULATION PROJECTIONS IN TARGET AREA

YEAR	AREA	AREA %
2014	80,871	0.00
2019	78,134	-3.38
2024	75,409	-6.75
2029	72,224	-10.69
2034	68,510	-15.28

POPULATION CHANGE %



What is the ethnic make-up of the area?

Source: ONS Census Data (2011)

The ONS data shows the ethnic makeup of the selected area compared to the base

ETHNIC GROUP	BASE %	AREA	AREA %
White	87.07	80,368	98.63
Gypsy/Traveller/Irish Traveller	0.10	8	0.01
Mixed/Multiple Ethnic Groups	1.98	179	0.22
Asian/Indian	2.30	256	0.31
Asian/Pakistani	1.86	171	0.21
Asian/Bangladeshi	0.71	5	0.01
Asian/Chinese	0.69	196	0.24
Asian/Other Asian	1.36	120	0.15
Black/African/Caribbean/Black British	3.01	133	0.16
Other Ethnic Group	0.92	49	0.06
TOTAL 100		81,485	100.00

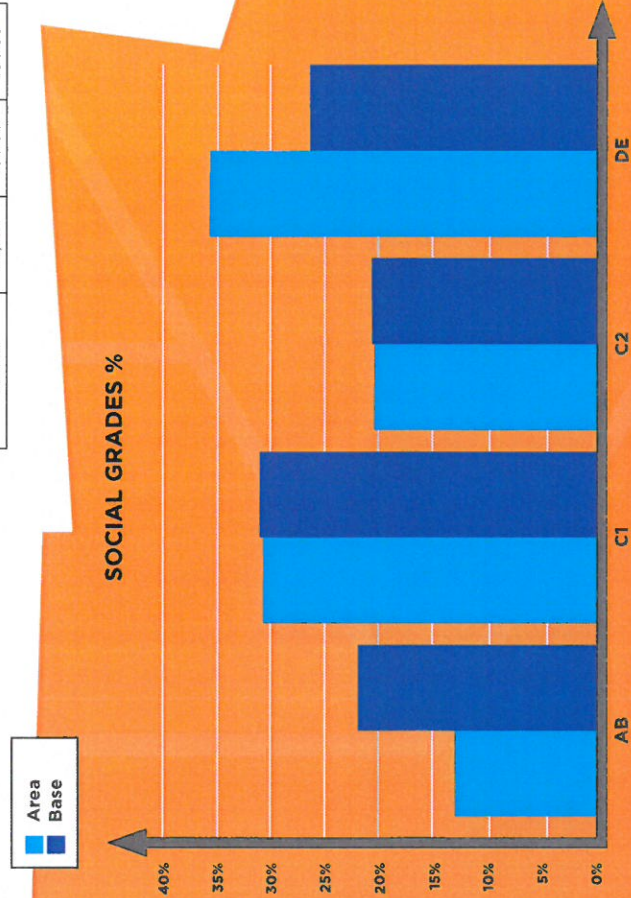
What is the make-up of social grades in the area?

Source: ONS Census Data (2011)

The ONS Census data shows that D is the largest grade with 35.11% of people in your target area. The second largest grade is C1 with 30.57%, whilst the least represented grade is AB with 13.61%.

SOCIAL GRADES	AREA	AREA %	BASE %
AB	3,695	13.61	22.17
C1	8,298	30.57	30.84
C2	5,623	20.71	20.94
DE	9,530	35.11	26.25
TOTAL	27,146	100.00	100.00

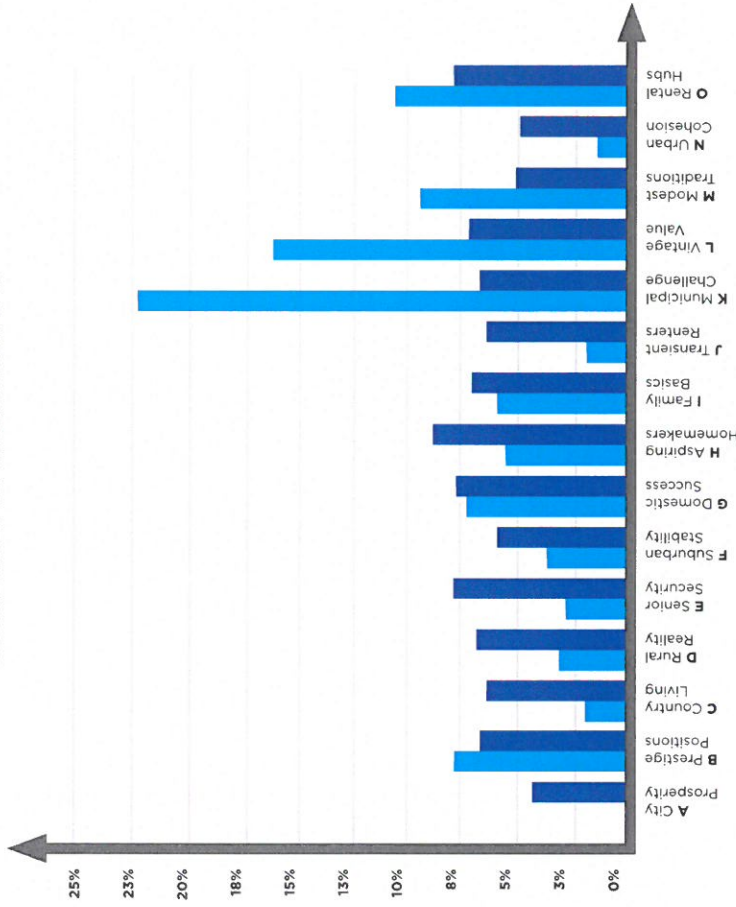
SOCIAL GRADES %



What is the residential profile of the area by Mosaic UK 6?

Mosaic UK 6 classifies all consumers in the United Kingdom by allocating them to one of 15 groups and 66 Types. The 15 groups are shown below as a profile using data for households in your target area. The groups, types and the supporting descriptive information paint a detailed picture of UK consumers in terms of their socio-economic and socio-cultural behaviour.

HOUSEHOLD BY MOSAIC UK 6 %



The dominant Mosaic Group is K Municipal Challenge with a count of 8,435, which is 22.69 % of your target area.

Urban renters of social housing facing an array of challenges.

- Key Features
- Social renters
 - Low cost housing
 - Challenged neighbourhoods
 - Few employment options
 - Low income
 - Mobile phones

Ranked the 14th highest for income out of 15 groups
Ranked the 7th youngest out of 15 groups



4.4 CATCHMENT DEMOGRAPHICS BY FACILITY

Below are the 10 minute Experian summary demographics covering IL's main Facilities

BATTERY PARK Summary of the Area

Households within the area	22,203
Population within the area	46,536
Male Population within the area	23,455
Female Population within the area	23,081

BIRKMYRE PARK Summary of the Area

Households within the area	7,761
Population within the area	17,906
Male Population within the area	9,039
Female Population within the area	8,867

BOGLESTONE Summary of the Area

Households within the area	12,771
Population within the area	28,185
Male Population within the area	14,053
Female Population within the area	14,132

GOUROCK POOL AND GYM Summary of the Area

Households within the area	17,883
Population within the area	38,655
Male Population within the area	19,520
Female Population within the area	19,135

GREENOCK SPORTS CENTRE / CROSSFIT Summary of the Area

Households within the area	25,927
Population within the area	54,710
Male Population within the area	27,513
Female Population within the area	27,197

INDOOR BOWLING Summary of the Area

Households within the area	21,452
Population within the area	44,891
Male Population within the area	22,425
Female Population within the area	22,467

LADY OCTAVIA Summary of the Area

Households within the area	19,987
Population within the area	41,401
Male Population within the area	20,687
Female Population within the area	20,714

PORT GLASGOW Summary of the Area

Households within the area	17,734
Population within the area	36,126
Male Population within the area	17,983
Female Population within the area	18,143

RAVENSCRAIG Summary of the Area

Households within the area	23,372
Population within the area	50,266
Male Population within the area	25,295
Female Population within the area	24,971

WATERFRONT Summary of the Area

Households within the area	23,261
Population within the area	48,292
Male Population within the area	24,226
Female Population within the area	24,066

Source: Experian Current year estimates (Mid-year 2014).



4.5 DRIVE TIME MAPS BY FACILITY

Below are the 10 minute drive time maps covering IL's main facilities.

BATTERY PARK



GOUROCK POOL AND GYM



BIRKMYRE PARK



GREENOCK SPORTS CENTRE / CROSSFIT



BOGLESTONE



INDOOR BOWLING



LADY OCTAVIA



WATERFRONT



PORT GLASGOW POOL



RAVENS CRAIG



4.6 CONSUMER RESEARCH

IL recently carried out a customer research questionnaire to gauge customer opinion. The questionnaire was answered by 200 of our customers from most of our facilities. Below are the results:-

Q1 - Are our Staff Friendly, Helpful, and Approachable?

A - 99.5% of our customers felt our staff were friendly, helpful, and approachable ranking in the very good category.

ARE OUR STAFF FRIENDLY, HELPFUL AND APPROACHABLE

ANSWERED: 202 SKIPPED: 0

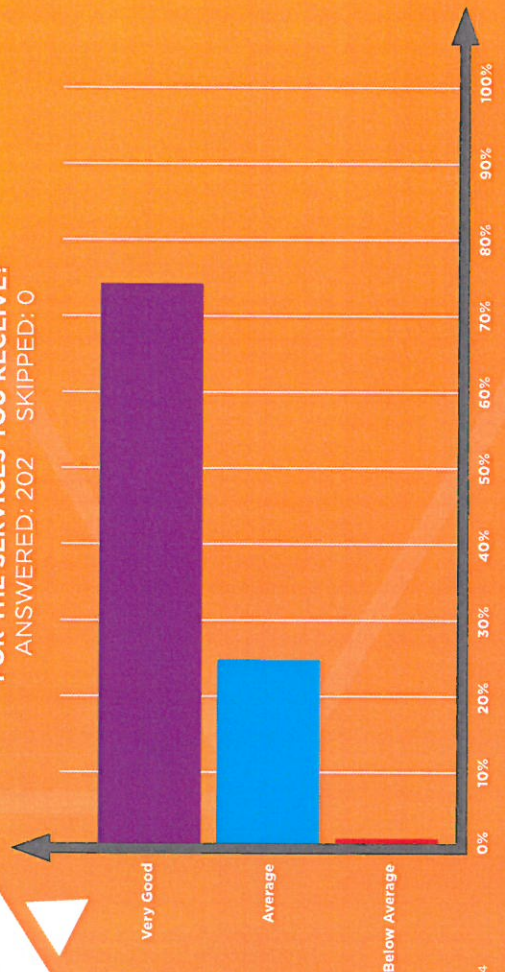


Q2 - Is IL good value for money for the services you receive?

A - 96.5% of customers felt that we were very good or average value for money on the products we offer.

IS INVERCLYDE LEISURE GOOD VALUE FOR MONEY FOR THE SERVICES YOU RECEIVE?

ANSWERED: 202 SKIPPED: 0

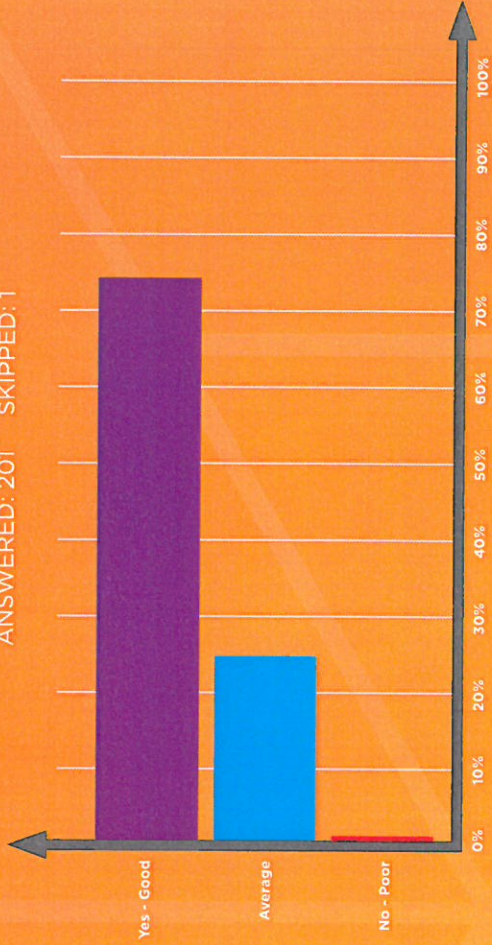


Q3 - Are the facilities you use clean and well maintained.

A - Yes - Good 74.2%, Average 24.4%, Poor 1.5%

ARE THE FACILITIES YOU USE CLEAN AND WELL MAINTAINED?

ANSWERED: 201 SKIPPED: 1

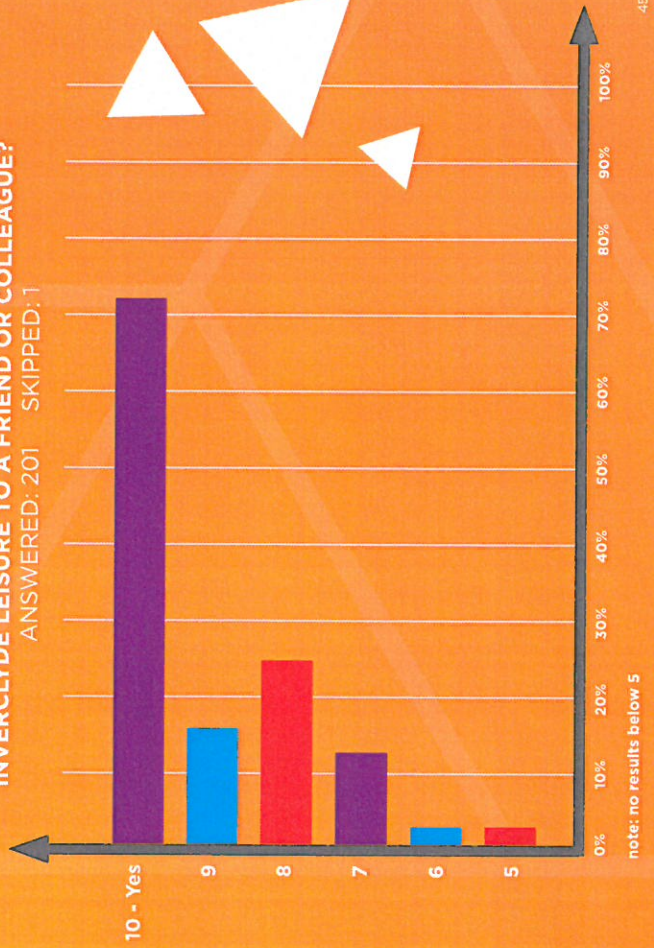


Q4 - On a scale of 1(NO) -10 (YES) would you refer Inverclyde Leisure to a Friend or Colleague?

A - 86% of IL customers scored an 8 or higher and would recommend us to a friend or colleague.

ON A SCALE OF 1 (NO) - 10 (YES) WOULD YOU REFER INVERCLYDE LEISURE TO A FRIEND OR COLLEAGUE?

ANSWERED: 201 SKIPPED: 1



By asking one question — How likely is it that you would recommend IL to a friend or colleague? — it is possible to track these groups and get a clear measure of the company's performance through the customer's eyes. Customers respond on a 0 to 10 point rating scale and are categorised as follows:

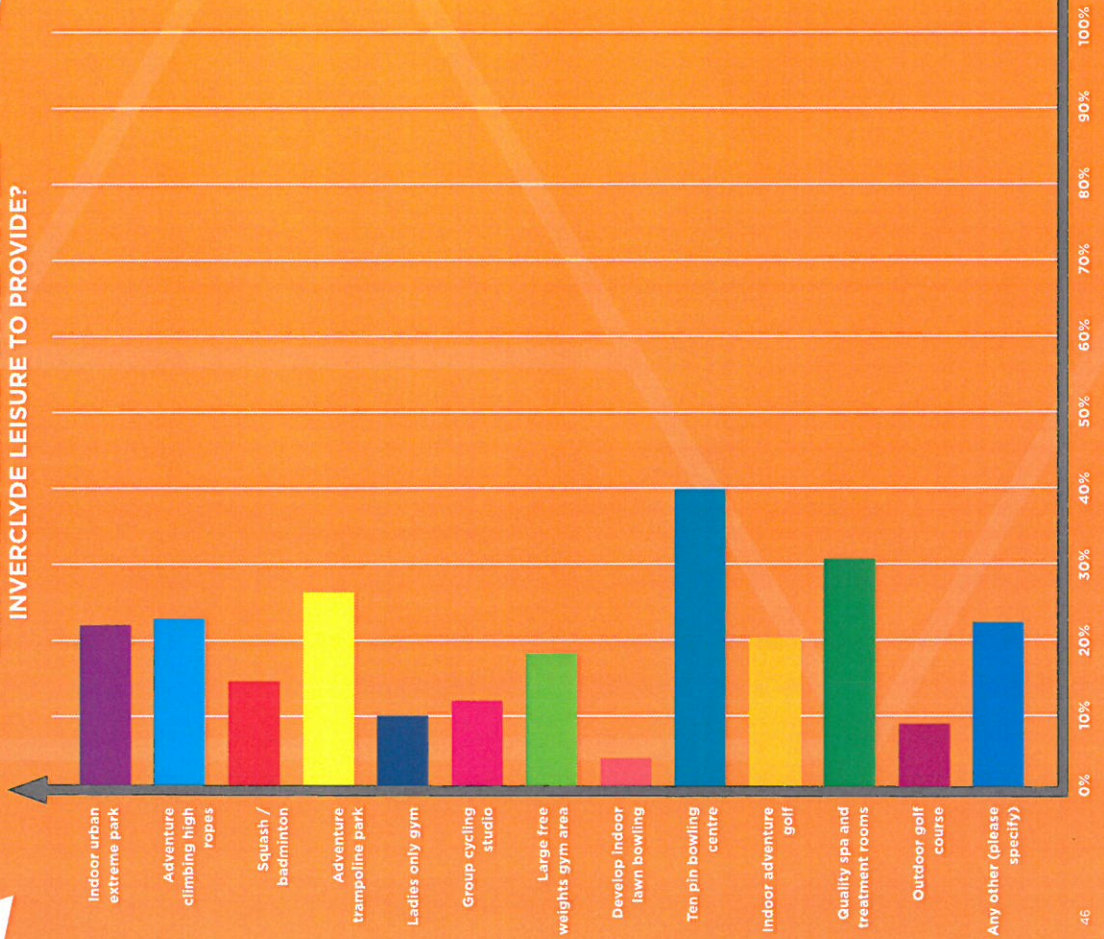
- **Promoters** (score 9-10) are loyal enthusiasts who will keep buying and refer others, fuelling growth.

- **Passives** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- **Detractors** (score 0-6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

Q5 - We asked our customers what other services would you like IL to provide? Customers could choose multiple options in this category.

A - The question allowed customers the opportunity to choose multiple options in this category.

WHAT OTHER SERVICES WOULD YOU LIKE INVERCLYDE LEISURE TO PROVIDE?



Any others were: Crèche, Child Care Provision, Sunbeds etc.

Below is customer research on effective indicators for advertising. IL will be building its advertising strategy around the below consumer indicators:

FORM OF ADVERTISING	TAKE ACTION	TRUST	DIFFERENCE ACTION VS. TRUST
Recommendations from people I know	84%	84%	-
Consumer opinions posted online	70%	68%	2%
Ads on TV	68%	62%	6%
Branded Websites	67%	69%	-2%
Ads in Newspapers	65%	61%	4%
Emails I signed up for	65%	56%	9%
Editorial content such as newspaper articles	64%	67%	-3%
Ads in magazines	62%	60%	2%
Brand Sponsorships	60%	61%	-1%
TV program product placement	58%	55%	3%
Billboards and other outdoor advertising	57%	57%	-
Ads served in search engine results	57%	48%	9%
Ads on radio	55%	57%	-2%
Ads on social networks	55%	48%	7%
Ads before movies	53%	56%	-3%
Online video ads	52%	48%	4%
Online banner ads	50%	42%	8%
Display ads on mobile devices	49%	45%	4%
Text ads on mobile phones	45%	37%	8%

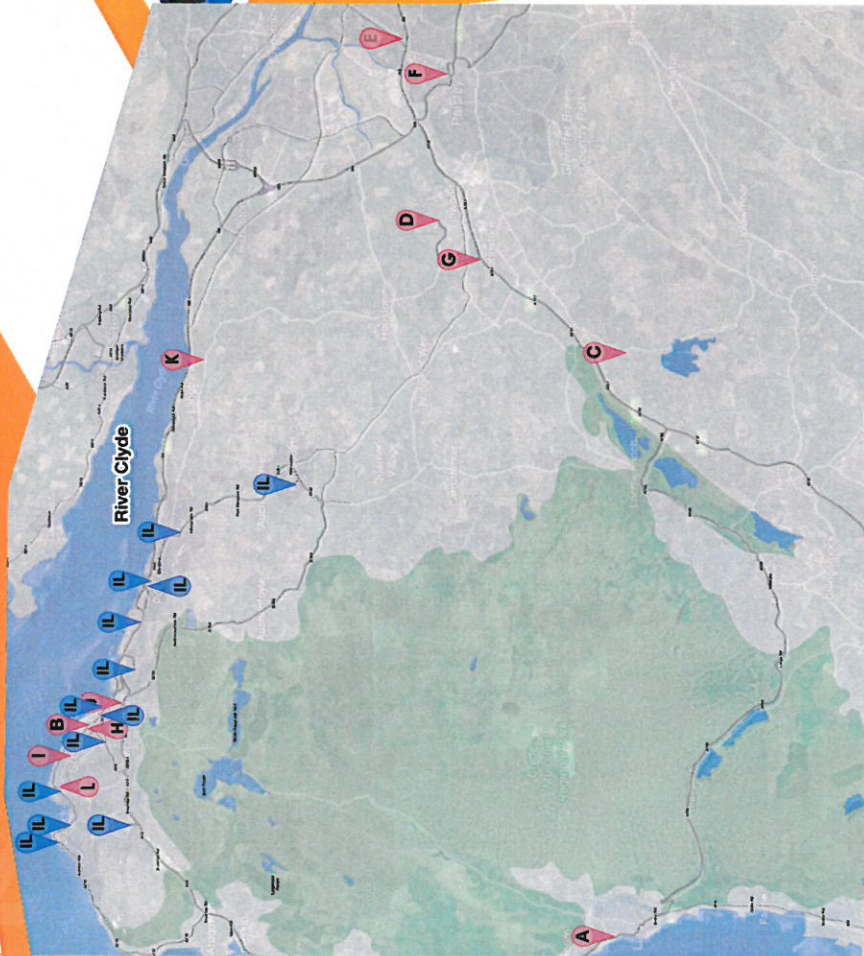
Source: Nielsen Global Survey of Trust in Advertising, Q1, 2013

MILLENNIALS HAVE HIGHEST LEVEL OF TRUST IN NEARLY ALL ADVERTISING FORMATS PERCENT OF RESPONDENTS WHO COMPLETELY OR SOMEWHAT TRUST ADVERTISING FORMATS BY GENERATION

	GEN Z AGES 15-20	MILLENNIALS AGES 21-34	GEN X AGES 35-49	BOOMERS AGES 50-64	SILENT GEN AGES 65+
Recommendations from people I know	83%	85%	83%	80%	79%
Branded websites	72%	75%	70%	59%	50%
Consumer opinions posted online	63%	70%	69%	58%	47%
Editorial content, such as newspaper articles	68%	68%	66%	60%	55%
Ads on TV	58%	67%	64%	55%	48%
Brand Sponsorships	62%	66%	62%	52%	42%
Ads in magazines	57%	62%	61%	50%	46%
Ads in newspapers	57%	62%	62%	55%	53%
Ads before movies	54%	60%	55%	42%	31%
Billboards and other outdoor advertising	59%	60%	57%	46%	38%
TV program product placements	51%	60%	56%	42%	39%
Emails I signed up for	54%	57%	56%	53%	54%
Ads on radio	51%	55%	57%	49%	42%
Online video ads	45%	53%	50%	37%	27%
Ads served in search engine results	43%	52%	50%	41%	33%
Ads on social networks	45%	51%	47%	35%	26%
Ads on mobile devices	42%	48%	45%	31%	20%
Online banner ads	36%	47%	43%	34%	25%
Text ads on mobile phones	32%	41%	38%	27%	18%

4.7 COMPETITION MAP

Below is a map of IL facilities showing the main competition in the area



Competitors

- A KA Leisure Greenock Road Long Glasgow G43 8DL
- B JC'S Fitness Studio 10 Patrick Street Greenock PA16 8HT
- C Bowfield Country Club Bowfield Road Howwood Glasgow PA9 1DZ
- D Linwood On-X Renfrewshire Leisure Reservoir Road Linwood PA3 3RA
- E David Lloyd Occident Hill Park Ardington Road Renfrew PA4 9DA
- F Pure Gym Paisley Units 2 & 3 Paisley Retail Park Renfrew Road Paisley PA3 8BX
- G Exercise 4 Less 17-18 Renfrew Retail Park Renfrewshire PA4 9EN
- H Cable Cross Training 14 Crawford Street Greenock PA15 1LR
- I Curves Greenock 10 Robertson Street Inverclyde PA16 8DB
- J The Urban Fit Company Greenock S - 3 Campbell Street Greenock PA16 8AN
- K Glendoch Hotel Old Greenock Road Longbank PA14 6YE
- L Fun World for Adults Industrial Estate Eldon Street Greenock PA16 7QB

Inverclyde leisure

- M Warfield Leisure Complex & Fitness Gym Customhouse Way, Greenock, PA15 1EW
- N Greenock Sports Centre & Fitness Gym Nelson Street Greenock, PA15 1QH
- O Battery Park Pavilion Battery Park, Eldon Street, Greenock, PA16 7QG
- P Biskayne Park Gym Broomknowe Road, Kilmacomb, PA13 4HX
- Q Rogiestone Fitness Gym and Boglotione Community Centre Dubbo Place, Port Glasgow, PA14 5JD
- R Gourock pool & Gourock Fitness Gym Albert Road Gourock, PA19 1NG
- S Lady Octavia Sports Centre Biddigand Road, Greenock, PA15 2JN
- T Port Glasgow Swimming Pool Bay Street, Port Glasgow, PA14 5EB
- U Ravenscraig Sports Centre Auchinroad Road, Greenock, PA16 8DE
- V Indoor Bowling Club Port Glasgow Road, Greenock, PA15 2JL
- W Greenock Town Hall Clyde Square Greenock PA15 1LY
- X Port Glasgow Town Hall 35 King Street Port Glasgow PA14 5HD
- Y Gamble Hall 44 Shore Street Gourock PA19 1PG



4.8 COMPETITIVE ANALYSIS

Below is our local competitors and pricing analysis

CENTRE NAME AND LOCATION		PRODUCTS AND SERVICES AVAILABLE				
		Fitness Gym Pay As You Go	Memberships	Group Fitness 1 Hour	Spa Sauna And Steam	
INVERCLYDE LEISURE	Descriptions	140 Stations	Yes	70 Classes Per Week	Yes	
	Price	£6.00	£16.99 - £37	£5.50	£6.00	
LINWOOD OX RENFREWSHIRE LEISURE	Descriptions	120 Stations	Yes	70 Classes Per Week	N/A	
	Price	£5.65	£24.50 - £31.50	£5.65		
DAVID LLOYD PAISLEY	Descriptions	200 Stations	Yes	96 Classes Per Week	Yes	
	Price	N/A	£79 - £115pm	£79 - £115pm	£79 - £115pm	
KA LEISURE	Descriptions	48 Station	Yes	37 Classes Per Week	No	
	Price	£4.70	£34 - £61	£4.30	£2.90	
BOWFIELD HEALTH & FITNESS CLUB HOWOOD	Descriptions	55 Stations	Yes	40 Classes Per Week	Yes	
	Price	£10	£59	Part Of Membership		
JC GYM	Descriptions	30 Stations	30 Stations	Private Classes Per Week	Yes	
	Price	£4.80	£25 - £30	£0	£4.80	
PURE GYM PAISLEY	Descriptions	220 Stations	220 Stations	75 Classes Per Week	N/A	
	Price	£5.00	£18.99pm	Free		
EXERCISE4LESS RENFREW	Descriptions	400 Stations	400 Stations	200 Classes	N/A	
	Price	N/A	£19.99pm	Free		
CABER CROSS TRAINING	Descriptions	Various Cross Training Stations	33		N/A	
	Price	£5.00	£45 - £60	Free		
CURVES LADIES ONLY	Descriptions	16 Stations Circuits	16 Stations Circuits	Circuit Based Classes	N/A	
	Price	N/A	£30 - £39pm	Part Of Membership		
THE URBAN FIT COMPANY CAMPBELL STREET	Descriptions	Multi Station	Multi Station	Various Circuit Based Classes	N/A	
	Price	N/A	£25 - £40pm	Part Of Membership		
GLEDDOCH HOTEL AND SPA LANGBANK	Descriptions	15 Stations	15 Stations	N/A	Yes	Part Of Membership
	Price	N/A	£65			

PRODUCTS AND SERVICES AVAILABLE						
Swimming Pool	Sports Hall (Peak Times)	Grass Pitch 2 Hours	3G 7 A Side Addit Peak	COMMENTS		
Yes	4 Court Hall	Yes	Yes	All Prices Based On Peak Time Activities		
£4.90	£45.00	£40.00	£39.00			
25M Leisure Pool	4 Court Hall	Yes	Yes	New Build Facility With Good Range Of Products	Membership Options £31.50 Peak £24.50 Off Peak	
£4.00	£48.20	£41.85	£37			
25M Training Pool		N/A		Private Members Club - High Standard And Cost	Recent Refurbishments	
£79 - £115pm						
No	4 Court Hall	Yes	Yes	Local Authority Leisure Trust Has A Good Overall Product Offering	Membership £34 Single £61 Couple	Gym Equipment And Layout Is Standard
£2.90	£40	£32	£18			
		N/A		Private Members Club - High End	Fantastic Changing Rooms	
		N/A		Standard Basic Small Gym		
				Budget Gym Open 24/7		
				Budget Gym	Separate Ladies Only Area	
				Cross Fit		
				6.00Am Opening Slots		
				Ladies Only	Focus On Weight Management Service	
				Offers Circuit Based Classes		
				Boxing, Hilt Fit Camp Strength And Conditioning		
Yes		N/A		Private Club Attached To Hotel	Standard Small Gym With Spa Facilities	
Part Of Membership						

4.9 SWOT ANALYSIS

Below is a summary of the SWOT analysis carried out with Directors and the teams from IL facilities. All suggestions have been analysed and where possible put into the business plan.



4.10 PEST ANALYSIS

Below is a summary of the PEST Analysis carried out with Directors and the teams from IL facilities. All suggestions have been analysed, and where possible put into the business plan.

▲ POLITICAL

- Uncertainty over future local elections
- Inverclyde Council Policies
- Uncertainty over future government and local council funding of the management fee and capital investments with leisure estate
- Changes in legislation and regulations affecting operations
- Relationships with new local administration and officers within local Council
- Political conflict
- Brexit
- Changes in Government policy
- Company Reputation

▲ ECONOMICAL

- Economic impact – global uncertainty
- Job uncertainty and security in the local area
- Dip in the economy impacting our services
- Uncertainty over future utilities costs and fuel
- Future potential funding from partners
- Weather trends that impact the services
- Supplier costs increasing
- Procurement and buying overseas (Euro)
- Price increase on products for sale and future buying rates
- Free Swimming funding
- IC Waivers policy funding
- VAT and future interest uncertainty
- Increase in taxation
- End user satisfaction
- Pricing

▲ SOCIAL

- Impact to the health agenda
- Trend towards fitness as being fashionable
- Company brand reputation
- Company image betrayed through technology
- Consumer buying patterns and seasonal fluctuation
- Rise of social media fitness gurus
- Rise in fitness role models
- Customers' expectations and perceived value of products
- Rise of health-related issues
- Demographic changes in the population and landscape of Inverclyde
- Marketing approach and strategy
- Community engagement and involvement
- Customers demanding a better level of service
- Media trends and impacts on local and national articles
- Accessible facilities for able and disabled customers
- Cost of living, poverty, austerity and perceived value of health
- Obesity crisis
- Unemployment
- Local media approach

▲ TECHNOLOGICAL

- Ice rink technology – eye on the ice etc.
- Legend developments and opportunities
- Equipment and software changing so rapidly
- New solutions to improve services, access controls, bookings, self-service etc.
- Continued use of social media, websites, e-marketing.
- Cybercrime / security breaches
- Technology trends keeping children active and engage with more variety of activities.
- IT replacement strategy
- Embrace cloud technology
- Keeping up-to-date latest fitness equipment
- Customers increasing use of electronic communication and electronic purchasing
- Data Protection
- Look at latest technology innovation
- Develop IL application



4.11 MARKET OPPORTUNITIES

We believe that by concentrating on Inverclyde and the surrounding area, IL can increase the market through new product development and innovation, development of existing products or moving into new markets using our specialised knowledge of Inverclyde.

We feel being heavily involved in the local community will allow us to outperform the competition as long as we meet and exceed customer expectations. We believe we

can increase market share – through product enhancement in terms of performance, quality, features, or developing a competitive advantage through branding initiatives, sales or advertising and improving profitability – delivering efficiencies in marketing and driving sales through effective promotion.

Our market research shows that we have a good market potential for our products and services and that pricing is good value. There is opportunity to diversify our products and services to meet customers ever changing leisure lifestyles.

5.0 CORPORATE STRATEGY



5.1 HUMAN RESOURCES

IL aims to create a positive, enjoyable, professional and rewarding team environment for its staff.

IL's workforce, as in most public sector leisure organisations, represents its largest area of influence with most staff delivering front of house services to our customers.

IL has changed the way we manage HR from previous plans and have brought HR services in-house with suitably qualified personnel heading up HR issues and external legal support for more challenging issues.

Employee Engagement

A key issue for IL continues to be the constant need for our teams to deliver better levels of customer service. Service, therefore, continues to be a key determinant in differentiating between the competitors in order to help deliver a competitive advantage for IL.

There continues to be a focus on increasing employee engagement to deliver improved business performance, whilst ensuring employee wellbeing. IL is endeavouring to create a workforce which feels appreciated, valued and committed to contributing to the success of the business. This process of ownership will continue to focus at all levels, from the creation of the strategic values and objectives, to the cascading effect to frontline teams who can deliver the service.

The benefits to IL of a more engaged workforce taking individual ownership will be:-

- Taking pride in what they do
- Increase their levels of discretionary effort
- Accept delivering better standards of service as the norm
- Be prepared to innovate
- Receive recognition for their efforts

The company would also benefit from:-

- Better financial and operational performance
- Reduced recruitment costs
- Increased employee satisfaction levels
- Reduced absenteeism
- Reduced sickness levels
- Reduced employee turnover
- The ability to attract good quality employees in the future
- The recognition through Quest accreditation

Performance

IL recognises the need to develop staff to ensure a workforce that meets the needs of a modern leisure organisation.

This system known as "My Development Plan" covers 5 main areas of development for an

employee. These are:-

1. Communication with others and teamwork
2. Customer service
3. Personal initiative, change and innovation
4. Working safely and ensuring the wellbeing of others
5. Quality and continuous improvement

These 5 areas remain critical to the success of IL and the development plan gives employees the opportunity to meet with their line manager to discuss their performance against each of these areas.

Employees rank themselves on a scale of 1 to 4 on how they have performed against each area and can discuss this with their line manager and look for areas where they have performed well and areas for improvement while setting realistic timescales to meet these targets.

The Development Plan also gives employees the opportunity to agree and set objectives based on IL's business plan. Employees and Managers will be able to agree and set objectives which are linked to the business plan based on their role in the organisation.

This is a valuable tool to enable staff to link their performance to the overall objectives of IL.

Employees and Managers can agree and set personal development objectives and training. This focuses on the employee and gives them the chance to look for ways to improve their skills for both the benefit of their own career development and the success of IL.

This has and will continue to form part of our annual Corporate Training Plan.

IL are committed to the development of both the business and its employees and see My Development Plan as an excellent opportunity to help achieve both.

A review will take place of the MDP system to ensure it is still fit for purpose and any changes will be communicated to employees and training provided.

Refresher training will be offered to ensure that managers conducting the MDP and staff receiving the appraisal are fully understanding of the system and its importance to the development of IL.

Communication

Communication within the organisation will also be a key factor moving forward. Good communication channels will allow us to support and grow employee engagement in the coming years and initiatives such as incentive schemes will in turn have a beneficial impact on the business and customer service. IL will keep employees up-to-date with newsletters, having regular employee meetings and present the Strategic Plan and Annual Reports to our teams. IL will also ensure a better structure of regular communication from departments to keep employees up-to-date and allow for employee feedback and review the QMS communication policy.

Recruitment

IL is committed to ensuring that it recruits, retains, and develops a committed, capable and highly skilled workforce in order to deliver its business plan. IL will review how we recruit employees to get the best candidates and also ensure they start in a timely manner, therefore, not affecting income.

Training

With regards to specific training needs, the nature of IL's business requires employees to be highly skilled in particular competencies, such as health & safety and customer care. The company therefore commits to the continuous development of, and investment in, its employees through a thorough training that is up-to-date and of a high professional standard. This level of training ensures all employees are competent to deliver the performance and professionalism that is necessary to cater for both current and new business whilst focusing on customer needs.

IL actively encourages career development throughout the workforce and utilises both internal and external training in order to achieve this. Internal promotion and career progression is encouraged with managers developing as professionals within their specialist areas.



Employee Reward and Recognition

The company will focus during this plan on developing a reward and recognition KPI framework for employees. This will encompass financial performance, quality results, health and safety scores, WOW! Awards, MDPs completed, Site Service Improvement Plan linked to employees' financial reward.

Pensions

IL has auto enrolled employees into its pension scheme currently supplied by Strathclyde Pension Fund and adopts the Local Government career average scheme. A full review of pensions will be carried out and, with added pressure on finances, this could result in ring-fencing current

employees in the scheme and bring in a new scheme for new entrants or reviewing the whole scheme.

Procedure Review

We will be carrying out a full procedure review of the human resources policies and procedures to bring them in line with best practice from a leisure organisation perspective and to ensure the best HR approach for the company.

Courses

We are working with several partners such as Right Directions, Legend Training, Maximim Performance, Blawave Media, Scottish Swimming, RLSS, IOSH, CMI, CIMSPA to ensure we assist and support the development of the employees.

TRAINING COURSE	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR
National Pool Lifeguard Qualification												
Renewal - National Pool Lifeguard Qualification												
First Aid at Work Trainer Assessor Course												
First Aid at Work												
Renewal - First Aid at Work												
Cimspa Pool Plant Certificate												
Scottish Swimming Level 1 Teachers Course												
Scottish Swimming Level 2 Teachers Course												
IOSH Managing Safety												
IOSH Working Safety												
CMI Management Leadership Course												
Recruitment & Selection												
Managing Employee Conduct												
Interview Techniques												
Disciplinary Procedures												
Managing Attendance												
Customer Service Training												
My Development Plan Refresher Training												

Continuous Access to E-learning and the development of E-Learning courses for our employees

COURSE	MANAGER/SUPERVISOR	TEAM MEMBER	ADMIN RECEPTION
Induction			
Risk Assessment			
Fire			
Driving Safely			
Manual Handling			
Computer Safety			
COSHH			
Office Safety			
Stress for Employees			
Stress for Managers			
Food Hygiene		Ravenscraig Only	
Health and Safety for Managers			
Slips Trips and Falls			
Accident Investigation			
Data protection act		Gym Staff, Sales Staff	

These courses will be delivered as part of the IL corporate training plan. Additional training will be identified during my development plans. The plan will be updated as appropriate throughout the year.

Below are the three year Human Resource's objectives for the company:-

HR Year 1

- Bring HR in-house utilising suitably qualified personnel administering HR issues and external legal support for more challenging issues
- Register with Disclosure Scotland
- Start to review all HR policies and procedures starting with priority matters such as safe recruitment, medical forms, annual leave, create a three year review cycle
- Manage transfer of staff files and any additional information from previous service provider
- Purchase online system for annual leave and look

at electronic HR filing system

- Standardise annual year date in line with the financial year
- Run MDP focus group with employees and maximum performance to review the appraisal system
- Run front of house customer training
- With our payroll provider ensure all employees have access to electronic or paper payroll
- Job evaluate Senior Team
- Introduce EMT and HR Job Evaluation team for all new jobs
- Ensure at least 3 newsletters a year
- Deliver staff engagement events such as Excellence Awards for high performing individuals and teams, Business presentation such as annual reports and strategy document and annual Christmas event



5.2 MARKETING

IL's approach to Marketing is to set processes for creating, communicating, delivering, and exchanging offerings that have value to our customers, clients, partners, and society at large. The techniques to do this vary but in recent years have concentrated on market segmentation, understanding consumer behaviour and target market profiling. From a societal point of view, marketing provides the link between a society's material requirements and its economic patterns of response. This way marketing satisfies these needs and wants through the development of exchange processes and the building of long-term relationships.

Market segmentation focuses on the division of a market of consumers into persons with similar needs and wants. For instance, X-height and Soft Play is marketed to children. Whereas Fitness Gyms are marketed to adults. Both goods denote two products which are marketed to two distinct groups. In another example, Fitness for Less appeals to the low-cost consumer whereas Fitness Plus appeals to the high value consumer.

Market segmentation allows for a better allocation of IL's resources in servicing specific groups of consumers. In this way, our customers are served better and with growing diversity of products and encourages the company to grow. Marketing will be focused on achieving 3 strategic aims:-

- well as development of existing products
 - 2. Increasing market share through product enhancement in terms of performance/quality/features, or developing a competitive advantage through branding initiatives, sales or advertising
 - 3. Improving profitability by delivering efficiencies in marketing and driving sales through effective promotion and awareness campaigns
- Areas of potential competitive advantage will be based upon our core competencies of providing quality leisure services at competitive value for money prices as lower pricing itself rarely offers a sustainable competitive advantage.

- Ensure fair pay award for employees
- Develop staff suggestion scheme
- Review payroll provider
- Up-skill key staff to move company forward
- Continue to develop Cimsipa partnership
- Create training area for e-Learning
- Produce staff survey
- Ensure on-going training both corporate and through MDP
- Review year 2 of policies and procedures
- Ensure at least 3 newsletters a year
- Review company pension arrangements
- Review employees' contracts
- Run IL recruitment day

HR Year 3

- Ensure on-going training both corporate and through MDP
- Year 3 of policies and procedures review
- Run IL recruitment day
- Deliver staff engagement events such as Excellence Awards for high performing individuals and teams, Business presentation such as annual reports and strategy document and annual Christmas event.
- Ensure at least 3 newsletters a year
- Complete corporate training matrix to include all individuals
- Continue to develop Cimsipa partnership
- Develop next 3 years HR objectives

- Research Childcare Voucher Scheme
- Review communication policy
- Legend super user training and finance training for head office
- Ensure focused head office function
- Continue to develop the staff training and development matrix
- Up-skill key staff to move company forward
- Ensure fair pay award for employees
- Sign up to Cimsipa staff development framework starting with lifeguards and fitness instructors
- Ensure payroll SLA is signed
- Run IL recruitment day

HR Year 2

- Run team building event for managers/supervisors
- Bring in employee reward system linked to performance indicators
- Develop Cimsipa e-learning
- Look at organisational review in line with council funding
- Deliver staff engagement events such as Excellence Awards for high performing individuals and teams, Business presentation such as annual reports and strategy document and annual Christmas event.
- Complete corporate training matrix to include all individuals
- Look into long service awards



1. Enlarging the market through new product development, innovation and segmentation as

Marketing Strategies

Strategic and tactical areas to be considered to achieve these key marketing objectives are listed below.

Marketing is supported by our full-service marketing partner, Bigwave Media who provide the following support:

On-Site Marketing Support

A designated resource that works alongside IL's senior management team to review, plan, project manage and advise on all commercial campaigns, developments and strategic marketing requirements for IL. This support requires full responsibility for all commercial campaigns and marketing of new developments that may be required and working alongside other 3rd party consultants that support IL to ensure a harmonised approach that follows all policies and strategic goals.

Strategy and Planning

Development of strategic planning in the first, third and fifth year at the agency's offices to fully understand and agree the scope, requirements plans and targets to be achieved during the period.

Account Management

A designated Account Manager is assigned to facilitate all traditional and digital marketing requirements and directly work alongside the on-site support to process, track and co-ordinate campaigns and marketing activity.

Print and Media Procurement

Full management of all print and media procurement for all marketing requirements that includes a price promise guarantee on all print related activity. Manage all elements of the process including planning, bookings, liaison with third party suppliers and organisation of all delivery / installation where required.

Graphic Design

Cover all standard graphic design, digital design, marketing campaigns, strategy and report

documents. Creation of a full brand guide to help maintain these standards.

Proofing Software / Processing of All Design Work

To provide an online proofing tool linked to the designated account management which allows IL to streamline the review and approval of their marketing materials without the need to work from PDF proofing and emails.

Social Media Management

Channel audit of any existing business profiles

- Creation of a full social media strategy which is updated on an annual basis
- Channel optimisation and re-brand of any existing business profiles
- New channel setups (in-line with suggested strategy)
- Identify and target businesses on social media to help build fans/followers on a monthly basis
- Monthly reports to include at minimum: follower, fan and check in numbers and popular content/uniform resource link (URL) report
- Hootsuite account

Content Provision

Provision of all regular content for all social media channels researched, written and scheduled on behalf of IL.

Public Relations Management and Support

Provision of Public Relations (PR) support to include:

- PR walkthroughs to enable staff to undertake PR training at distance
- Online PR calendar to enable staff to schedule releases with an auto reminder function
- Stock library of leisure specific press releases for adaptation
- PR media lists for United Kingdom national, regional and trade media lists

- PR distribution system to enable staff to issue press releases and media log
- Stock library of crisis & issues management statements
- Access to PR specialist for any bespoke requirements (this would be outside of the contract and used as and when required)

Demographics and Research

Up to date Experian demographics for each centre. Summary of demographic reports for each individual centre to include:

- Population breakdown
- Population projection
- Age
- Marital status
- Ethnic make-up
- Social grade make-up
- Basic mosaic profile
- Visual snap shot of key mosaic group
- Drive time map

Customer mapping of memberships for each individual membership category as well as swimming and skate lessons to be completed once per year. This analysis should include, age, gender, postcode and be provided with heat map analysis splitting of members via percentage per postcode area along with links to potential distributions via Royal Mail as well as digital targeting options for these audiences.

E-Marketing

Provision of a fully integrated e-marketing solution to be used by staff at IL and by the provider for campaigns and commercial support. The system must include the following tools:

- Bespoke Hyper Text Markup Language (HTML) templates
- Create and send HTML e-flyers
- Full campaign analysis reporting
- Social sharing
- Bounce summary
- Manage, upload database files
- Ability to edit templates in line with IL's corporate branding
- Fixed cost for subscription levels

Short Message Service Marketing

Provision of a fully integrated short message marketing (SMS) solution to be used by staff at IL and by the provider for campaigns and commercial support:

- Sending of SMS messages to individuals or groups
- Creation of multiple phonebooks
- Creation of templates of commonly used messages

- Detailed response analysis of campaigns
- Ability to receive inbound messages by SMS, web or email

Quick Response Codes

- Quick Response (QR) codes supplied as 300 dpi and ready for high resolution print
- Ability for QR code to link to a URL, note, email, text or business card data
- Scalable for use on posters and banners

Website Support

- Complete core content management system (CMS) based changes
- Ensure brand consistency across all pages on IL's website
- Update and amend the site to reflect existing campaigns
- Provide Google Analytics data monthly
- Liaise directly with website provider over any technical elements of the site

Search Engine Optimisation (SEO)

SEO to provide detailed information and statistics about crawling, head elements, content relevance, links, domain, URL structure and user experience. In turn, this information and data would be used to improve site quality, gain new users and thrive against competitors.

Blogs

Research, planning, creation and implementation of bespoke Blog posts to be utilised across our marketing platforms.

Website Landing Pages

Creation of stand-alone landing page which is fully mobile enabled / responsive and has the capability to capture data by utilising Google analytics and other tracking technologies.

Mobile Application

IL will actively seek to work with our third-party providers to develop a fully branded Inverclyde mobile application to delivery real-time content, such as: timetables, articles, news updates, class bookings as well as the capability to link to other suppliers such as Technogym.

Sales

IL has a designated team for Fitness Plus+ sales that helps to add value to the customer journey. The team also provides outreach to local company and events.



Advertising and Promotion Plan

IL plan to improve the advertising for promotions by utilising more targeted campaigns below, is a summary of our plan:

INVERCLYDE LEISURE MARKETING PLANNER 2017 - 2018

APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
GENERAL LITERATURE AND EVENTS											
Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates	Times and price leaflets Social media content Online booking and joining Emailing Website developments and updates
CORPORATE MARKETING											
New imagery and videos	IL Excellence awards										Recruitment drive Business plan update
Sales drive Refer a friend	Members newsletter	Small upsell campaign to Fitness Plus + Personal training	Members newsletter	Sales drive Refer a friend	Small upsell campaign to Fitness Plus + Personal training	Members newsletter	Members newsletter	Sales drive	Small upsell campaign to Fitness Plus + Personal training	Members newsletter	Members newsletter
IL FITNESS FOR LESS											
Workout timetables Sales drive Refer a friend	Workout timetables Member challenge Personal training	Workout timetables 5 day trial campaign Members newsletter	Workout timetables Refer a friend	Workout timetables Refer a friend	Workout timetables Refer a friend	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training
IL FITNESS PLUS +											
Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training	Workout timetables Member challenge Personal training
IL CROSS FIT											
Sales drive	Refer a friend	Member challenge									
IL SWIM											
Swim lessons leaflets and point of sales Sales drive Free assessments Port Glasgow general awareness Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions	Swim lessons leaflets and point of sales Swimming timetables Free assessments Fun swims and sessions
IL SKATE											
Skate lessons leaflets and point of sales Sales drive Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions	Skate lessons leaflets and point of sales Free assessments Fun skates and sessions
IL EVENTS - WEDDINGS AND TOWN HALLS											
New wedding brochure	New wedding video Updated web page							Christmas Party Night / Jubilee bands	Post wedding sales drive	Post valentines sales drive	Wedding Fayre
IL KIDS											
Easter holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Christmas Holidays Birthday parties	Birthday parties	Birthday parties	Birthday parties
GOUROCK OUTDOOR POOL											
	Destination / Opening campaign Midnight swims and events	Midnight swims and events	Midnight swims and events	Midnight swims and events	Midnight swims and events	Midnight swims and events	Midnight swims and events				
WATERFRONT LEISURE COMPLEX											
Easter activities Birthday parties	Destination campaign Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Christmas Birthday parties	Birthday parties	February half term Birthday parties	Birthday parties
RAVENS CRAIG											
Easter activities Birthday parties	Destination campaign Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Summer holidays Birthday parties	Christmas Birthday parties	Birthday parties	February half term Birthday parties	Birthday parties

Below are the three-year marketing objectives for the company:-

Year 1

- To focus on developing organisational sales capabilities with sales training
- Utilise the rising growth of digital marketing
- Map out three-year marketing strategy with Bigwave Media
- Improve data capture at receptions
- Focus marketing activity on big data, content marketing, marketing automation to include CRM
- Develop IL Mobile app and mobile advertising through pebbles
- Redesign the website to be responsive aiding customers using mobiles whilst browsing our website
- Update the website with new images and data improving web site experience by shortening URLs
- Improve social media marketing utilising Facebook live, YouTube etc.
- Improve SEO
- Monthly marketing development workshops for the company
- Implement Net Promoter Score (NPS) analysis for the company
- Target market select groups through leaflet distribution, billboards etc.
- Continue to use paid marketing e.g. Google AdWords, pay per click
- Increase research capability, and use research data to feed operational improvements and better segment markets and target marketing activity accordingly
- Improve internal communication at all levels with good internal relationship marketing
- Develop online functionality across sites
- Continue to review current membership packages looking at added value and strengthening brands
- Plan for new developments for diversification carry out research and community engagement consultation
- Monthly marketing development workshops
- Utilise Legend's CRM
- Ensure best value through print procurement
- Run annual community event programme and out reach
- Use data to drive income starting with Ravenscraig party project by utilising automated electronic marketing information
- Target market select groups through leaflet distribution, billboards etc.
- Create quality stock photo and video content for web
- Create new IL corporate video

Year 2

- To identify and develop options to increase spend per customer and secondary spend
- Improve PR and develop use of advocacy and testimonials on video
- Identify and develop appropriate branding structures and sub brands for new products
- Continue market segmentation with new product launch
- Ensure best value through print procurement
- Run annual community event programme and out reach
- Target market select groups through leaflet distribution, billboards etc.
- Create customer user profiles linking to brands
- Look at sponsorship deals
- Improve customer data capture for marketing purposes
- Consider targeted TV campaigns

Year 3

- Review Website look at complete rebuild
- Review membership journeys
- Run annual community event programme and out reach
- Monthly marketing development workshops
- Continue market segmentation with new product launches
- Carry out demographic research
- Carry out leisure and national trend research

5.3 INFORMATION TECHNOLOGY

IL in the last three years has bought Information Technology (IT) in-house. Most of our systems are cloud based including: front of house and back office systems, voice over internet protocol (VoIP) phones, accounting system and Office 365 to name a few.

IL have ensured continued investment and replacement of our hardware such as rolling out new desktops as older models come to the end of their life cycle and completely renewing all our phones at every site. Legend support and provide WAN/LAN network services, VoIP telephony, secure data centre hosting, Office 365 licences, email hosting, website hosting, IT security, internet content filtering and anti-virus/malware protection and management.

IL has a 24 hour, 7 day a week help desk for all IT related issues or technical support as well as having a dedicated IT administrator as part of the team working office hours.

Over the coming years, IL are looking to become more web focused and embrace new technologies to improve our customers experience and improve business process.

Front of House Booking System

Legend's Front of House (FOH) is designed to ensure the ultimate level of efficiency and speed in this key area of our business. Legend is fast and efficient, with real-time processing of transactions across the key functions of E-POS, access control, bookings and attendance.

The Legend Front of House module is designed to increase throughput and ensure revenue maximisation. Legend offers a real-time, one view solution that makes the most important and frequent functions of the reception environment effective and manageable. Legend FOH enables POS activity, access control, course and class bookings and membership management to ensure best use of available resources.

KEY FEATURES

- Powerful EPOS and Stock Control
- Multi-member transaction capability
- Intuitive 'basket-based' screen layout
- Chip & Pin payment integration
- Shift Management and Banking
- Messaging and alerts
- One touch short cuts

KEY BENEFITS

- Reduced queues at reception
- Secure and auditable cash handling
- More efficient access control
- Current 'user transaction' visibility
- Rapid & secure PPO transactions
- Allows 'one' to pay for 'many'
- Reciprocal access policies

The software is cloud based to enable 7 day a week support. Legend's hosted services are provided on fully redundant banks of servers located in two of the UK's most highly specked specialist data centres.

Hosted services include;

- Hosting of customer firmware systems such as accounts software, payroll, PMS, BMS and MS-Exchange Server
- File serving including antivirus software provision and maintenance
- Web hosting
- Backups and restore of data on end to end
- Disaster recovery services to ensure full, swift restore of data, files, virtual servers, email and websites
- Manned help desk support seven days per week, a 'one number to call' solution

Web

IL will also have a web solution that incorporates the latest technology to bring end-to-end e-commerce web site solution. The solution delivers self-service, secure payment and offers enterprise strength CMS to deliver and administrate marketing websites, visuals and content.

The result: online solutions that make a positive impact visually, deliver new efficiencies, provide improved services to the public and dramatically reduce administration time.

The solution is delivered in a seamless, integrated package that makes it easier to capture vital demographic information whilst creating a platform to increase revenue from membership, pay and play, bookings and online sales.

VoIP

After successfully embedding the new voice over a VoIP phone infrastructure we are now looking towards reviewing the current health of the system to identify any potential improvements that have been overlooked in the initial planning stages. We plan to conduct a full site audit of the phones, interactive voice response system (IVR) and even user behaviours to help gather information to further enhance our system.

IT Support

Along with our IT partners, our front of house and IT Administrator helps coordinate changes and developments to the front of house point of sale and the booking system. With our software partner, Legend Club Management Systems, constantly updating their software and adding new features it's imperative that the company are constantly looking forward and implementing changes to help benefit our customers and staff.

KEY FEATURES

- Registrations including secure validation
- Online Membership Sales (paperless DD)
- Online Bookings
- Online Debt Administration
- Simple to use 'basket' function
- Secure online payment into your bank account
- Corporate Invoicing

KEY BENEFITS

- Increased revenue from the Web
- Reduced costs from self service
- Improved customer service experience
- Reduce administration
- Improved corporate image
- Web content kept fresh dynamically
- Seamless online timetable production

Along with the new front of house system and other new software programmes, IL will be looking at the following:-

Year 1

- Development of new App for IL integrating bookings and third party providers that IL uses this will be fully branded and bespoke for IL
- Update website and mobile enable to make it responsive
- Track the latest technology to ensure IL are up to date
- Fully integrate tablets for Sports Courses and IL Fitness Plus+ programming
- Develop knowledge of Legend to end users and review staff permissions
- Carry out an audit of our PC and hardware to look at a replacement
- Bring in new electronic system for HR / annual leave
- Run super user training for the Admin team
- Create Admin cloud saving file
- Embed facilities management software
- Improve BACS payment system
- Embed invoice management software and easy payment for customers
- Reinstate promotion calendar and run monthly meetings with IT, HR, OPS & Admin
- Re-evaluate sales system utilising legend prospecting tool
- Review Redro and consider invoice matching
- Consider Redro fault reporting system
- Review Booking Office systems with Legend
- Audit VoIP phones
- Review E-mail accounts to ensure we have enough for employees
- Full reporting from Google analytics
- Implement ticketing for town halls
- Purchase Goby for Facebook live and Youtube
- Look at IT requirements for virtual fitness
- Consider beacon connectivity to add customer communication

Year 2

- Review switch terminal contract with new agreement to reduce cost
- Carry out an audit of our PC and hardware to look at a replacement
- Investigate transfer of files from Legend to access (CVS file)
- Develop automated KPI reporting framework with Legend
- Consider self-service kiosks/ pods at high usage sites to automate process
- Audit VoIP phones

- Review financial system
- Review access control system
- Ensure my wellness system is running optimally
- Evaluated ice rink eye on ice technology
- Evaluate links towards wearable technology

Year 3

- Carry out an audit of our PC and hardware to look at a replacement
- Review office accommodation for IT, HR and rest of Admin
- Audit VoIP phones
- Review QMS procedures relating to IT

5.4 FACILITIES MANAGEMENT

IL will continue to invest in the maintenance of facilities utilising our own maintenance employees for general maintenance and small repair and external



contractors to maintain the assets in a functioning and safe state using fully qualified and professional contractors. Life cycle maintenance, a rolling programme of asset refurbishment to ensure the long-term functionality and sustainability of our venues to meet all our customer requirements.

Maintenance items and large capital expenditure relating to the building is managed in partnership with IC through a six-weekly review meeting looking at renewal and replacement of equipment and updating of facilities.

IL have been working with a new preventative maintenance system and plan to fully roll it out in 2017 this includes -

- Tablet based solution offering offline and online function
- Asset registers
- Incident logging
- Reporting and alerting with intuitive duty manager checklists via mobile devices
- Provides communication with contractors, individual task setting, live incident reporting and ease of use in live operation

The system will ensure that essential items are maintained to high standards (e.g. alarms, extinguishers, lifesaving and safety systems, pest control and plant maintenance).

Combined Heating & Power (CHP)

IL have developed a project with IC and in 2017 a new combined heat and power unit at the Waterfront Leisure Complex will come into operation to reduce base load electrical supplies and overall reduce annual gas and electricity consumption. Through this business plan we will also look at any other facilities that could benefit from CHP or micro CHP.

Energy Reduction

IL will work to improve our annual consumption on electricity, water and gas by continually monitoring consumption usage and regularly briefing staff on the annual energy usage and expenditure from our buildings.

IL will also be undertaking an energy audit to see what further savings can be made and if this is cost effective this will form part of our property meetings with IC.

The energy audit will look at the following:-

- Variable speed drives
- LED lighting
- Boilers - replacement strategy
- BMS
- PIRs units to reduce lighting being on when areas not being used
- Solar gain

- Air handling units
- Dehumidifier
- Micro CHP

IL Maintenance Team

IL maintenance team will continue to carry out their annual plan of maintenance items including setting up Gourock pool, all pool plants, general internal and external repair, general decoration and upkeep, general roof maintenance, air handling units, general maintenance of lights and light fitting, pipework etc.

External Contractors

External contractors carry out specialist work on IL facilities which include: PAT testing, legionella testing, microbiological testing, maintenance and servicing chiller units for ice rink and dance studios, air-conditioning, lift maintenance, boiler maintenance and servicing, dehumidification units maintenance and servicing, annual pool plant inspection, fire / intruder alarms, CCTV, fire extinguisher maintenance and servicing, hygiene provision, grounds maintenance, refuge collection, gym equipment maintenance and servicing, sports equipment maintenance and servicing fixed wiring testing. IL also utilises specialists in the event of a disaster recovery.

Redro Maintenance System

Redro maintenance system is a quick and easy, user-friendly cloud based maintenance fault tracking management system which will provide us with an efficient system for individuals to simply raise and report maintenance faults and ensure that all reported faults are completed. Users will be able to indicate the priority of the faults, so these can be scheduled to specific sites and locations attach an image to raise a fault. It will be easily customised to meet our needs. Its administration tool will allow us to add and amend sites, categories, sub categories, trades, contractors, user locations and sub locations to meet our individual company requirements. Below is a list of functions:-

- Can be used on all mobile devices
- The system alerts a manager to the fault
 - o provides reporting at all levels
 - o status of the reported faults
 - o allows managers to view status of all faults with audit history tracking
- Faults can be sent directly from the system to the authorised accredited contractor with all the required information e.g. quotes and other documentation, plus images required to complete the job

- Year 1**
- Embed Redro online electronic fault reporting
 - IL team to carry out annual maintenance
 - Continue to meet with IC six weekly
 - Embed CHP
 - Carry out energy reduction audit
 - Standardise IC approach to facility maintenance
 - Procure fire alarm, intruder alarm and CCTV maintenance and monitoring contract

- Year 2**
- IL team to carry out annual maintenance
 - Continue to meet with IC six weekly
 - Procure hygiene contract
 - Procure boiler servicing
 - Procure CHP maintenance contract
 - Procure lift maintenance

- Year 3**
- IL team to carry out annual maintenance
 - Continue to meet with IC six weekly
 - Procure air conditioning contract
 - Procure ice plant maintenance
 - Procure microbiological testing

5.5 BUSINESS DEVELOPMENT

Business development is to be thought of as IL's marketing tactics. The objectives for IL include branding development, expansion in markets, new user acquisition and awareness.

Business development is an important part of IL growth strategy and diversification plans.

Our plans will be developed and agreed by the Board on a project by project basis. IL plans will focus on the analytical preparation of potential growth opportunities for the senior management and Board of Directors as well as the subsequent support and monitoring of the implementation.

The plans will integrate the knowledge and feedback from Inverclyde Leisure specialist functions to include Operations, Finance, HR, IT, Marketing, and sales to ensure that the company is capable of implementing the growth opportunity successfully. In this section, we will cover the possible pipeline for growth over the next three years some of which will be feasible some that will not.

IL will consider the following when looking at large business development projects, risks associated with project and future growth, financial projections, legal advice long term sustainability, financing and implementation planning.

- Year 1**
- Research new potential products for Inverclyde
 - Develop plan for modular studios at Birkmyre and Gourock including customer insight
 - Continue growth of swim school in line with three-year growth prediction

- Continue growth of ice skating lessons in line with three-year growth prediction
- Continue growth of fitness in line with three-year growth prediction
- Continue growth of dry side activity in line with three-year growth prediction
- Develop latent demand report for Lady Octavia gym and complete user survey to look at the feasibility of new Fitness for Less gym at Lady Octavia
- Develop latent demand to extend Fitness for Less at Boglestone and carry out user and non-user survey considering the facility mix for future
- Develop financial projections and implementation plan for Lady Octavia
- Develop feasibility strategy for indoor tennis centre and consider potential funding
- Continue to grow CrossFit in line with three-year growth prediction
- Develop ticketed events program at town halls
- Review site opening hours

Year 2

- Develop financial projections and implementation plan for modular studios at Birkmyre and Gourock and include potential for saunas

- Develop financial projections and implementation plan for Boglestone
- Continue to grow ice skating lessons in line with three-year growth prediction
- Continue to grow CrossFit in line with three-year growth prediction
- Look at feasibility remoulding Greenock Sports Centre gym and carry out user survey, to possibly create a Health and Conditioning gym
- Continue to grow fitness in line with three-year growth prediction
- Continue to grow dry side activity in line with three-year growth prediction
- Look at opportunities to expand IL's catering operation
- Continue to grow swim school in line with three-year growth prediction
- Carry out user and non user survey at Indoor Bowling considering facility mix and long term sustainability

- Implement Boglestone project
- Develop ticketed events program at town halls
- Look at different operating models
- Review and streamline operations in line with management fee reductions
- Look at additional IC facilities transfer

Year 3

- Continue to grow CrossFit in line with three-year growth prediction

- Continue to grow ice skating lessons in line with three-year growth prediction
- Continue to grow fitness in line with three-year growth prediction
- Continue to grow swim school in line with three-year growth prediction
- Continue to grow dry side activity in line with three-year growth prediction
- Implement indoor bowling transformation project
- Look at growth outside of Inverclyde

5.6 CUSTOMER SERVICE

Customer service is an import part of IL business and employees form the face of the company with many of our products being instructor or team member lead. IL will continue to train employees in recognising differing customer needs and adapting to ensure that each visitor to the facility feels valued and enjoys their experience. This will help determine whether they return, tell their friends and family how good we are, do something different with us or even come and work for us. We want to manage this experience to ensure that everyone who interacts with IL has a great time.

WOW! Awards
IL work with the WOW! Awards. The WOW! Awards are the World's only independent awards process for great customer service based purely on customer compliments.

The WOW! Awards work with organisations across the world, helping them to engage with their customers in a positive way. They provide IL with the tools to make it easy for our customers to tell us when we have delivered great service for them, and then to give positive recognition to the employees in our organisation that are delivering that great service.

The aim of the WOW! Awards is to be motivational, inspirational, and to encourage our employees to deliver great customer service at a consistently high standard.

Customer research

Below is a planner that IL will undertake on an annual basis to better understand customer's requirements. IL will also be carrying out Net Promoter score on a 6-monthly basis as well as undertaking necessary customer research for projects such as latent demand, non-user surveys, local residence surveys and centre user surveys

RESEARCH OVERVIEW/SUMMARY	MONTH												
	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	
General Customer Survey – All sites						x							
Group Fitness Survey												x	
Front of House Survey	x												
Customer Satisfaction Survey Gym		x											
Customer Satisfaction Survey Dry side					x								
Customer Satisfaction Survey Swimming & Swim School					x								
Customer Satisfaction Survey Ice / Curling / Skate School						x							
Catering Survey – all sites that have catering outlets								x					
Birthday Party survey – all sites that facilitate parties								x					x
Staff Survey													
Departure Questionnaire – Gym ongoing	x		x	x	x	x	x	x	x	x	x	x	x
Summer Playschemes Survey						x							
Ravensraig Survey X Height / Softplay										x			



- qualified and competent in all aspects of their work
- We will keep our facilities clean and tidy at all times and will conduct regular checks to maintain high standards of health and hygiene
 - We will make sure that our facilities and the equipment within them are safe and effective and will take immediate action to rectify any faults found. Safety checks will take place every day and regular service and maintenance programmes will be undertaken
 - We will endeavour to provide accurate up-to-date information about our services, their programming and pricing at all times
 - Any unforeseen (emergency) interruption to services will result in either a refund and/or an offer of alternative services where applicable

Environmentally Friendly Service

- We will maintain a pleasant and comfortable environment

A Service That Makes You Smile

- We want you to enjoy your visit to us so much that you will want to come back. If anything stops you from doing so, or if you feel that we could improve our service, please let us know, either in person or by completing a customer comment card.
- If you like the way we do something, please tell us and your friends and family too!

It's Your Service

- We will regularly consult with our customers about our services, informally and through mechanisms such as meetings, Survey Questionnaires and E-marketing and nominations through the WOW! Awards.

- Year 1**
- Front of house customer service training
 - Carry out annual research planner
 - Carry out latent demand for Boglestone and Lady Octavia
 - Run four monthly WOW! Award presentation to staff for great customer service
 - Recognise employees at the annual excellence awards for great customer service
 - Pilot Net Promoter Score at sites on a six-monthly basis
 - Pilot mystery shopping to show customer insight in-between NPS
 - Review QMS documentation for customer service and audit
 - Deliver customer charter to our customers
- Year 2**
- Carry out research for new projects
 - Encouraging employees to take responsibility for their area, making it their business to focus on that area and ensure it is as the customer would like it to be

Mystery Shopping

IL will undertake mystery shopping at least twice per year at our main sites to understand from a customer's perspective their experience. The insight programme of mystery shopping takes IL straight to the front-line customer experience. Using trained mystery shoppers, each visit will be scheduled and the mystery shop results and comments are uploaded onto the reporting platform that feed straight into a bespoke client dashboard. This is then turned into an action plan. This will enable IL to improve our business through intelligent insight

CUSTOMER CARE TRAINING

Customer care is a priority and we commit to investing in training for all employees to ensure the ultimate customer experience.

Customer Charter

Prompt Service

- We will warmly acknowledge all our customers upon arrival or first contact, and attend to your needs as soon as possible
- We will answer your telephone calls professionally and politely, and within five rings whenever possible
- We will respond to all customer comments, complaints and suggestions within 10 working days

Personal Service

- Our employees will be welcoming, helpful and polite at all times
- All our facility-based employees will wear full uniform and name badges, so that they can be clearly identified

Professional Service

- We will endeavour to offer value for money services at all times
- Our employees will be appropriately trained,

- Carry out annual research planner
 - Run four monthly WOW! Award presentation to staff for great customer service
 - Recognise employees at the annual excellence awards for great customer service
 - Review QMS documentation for customer service and audit
 - Deliver customer charter to our customers
- Year 3**
- Look at automation for some front of house services (self-service pods/kiosks)
 - Carry out annual research planner
 - Run four monthly WOW! Award presentation to staff for great customer service
 - Recognise employees at the annual excellence awards for great customer service
 - Review QMS documentation for customer service and audit
 - Deliver customer charter to our customers

5.7 QUALITY MANAGEMENT

IL over the next 3 years will continue to improve and develop our QMS. It will remain the cornerstone for quality at IL, with the concept of the customer and supplier working together for mutual benefit.

The QMS is as set of co-ordinated activities and procedures to direct and control IL enabling the company to continually improve the effectiveness and efficiency of our performance.

The QMS enables IL to produce quality products and services that are at consistently high standards.

The benefits of a QMS

A fully documented QMS ensures that two important requirements are met:-

1. The customers' requirements - confidence in the ability of the organisation to deliver the desired product and service consistently meeting their needs and expectations.
2. The organisation's requirements - both internally and externally, and at an

optimum cost with efficient use of the available resources - materials, human, technology, and information.

These requirements can only be truly met if objective evidence is provided, in the form of information and data, to support the system activities, from the ultimate supplier to the ultimate customer. QMS enables an organisation to achieve the goals and objectives set out in its policy and strategy.

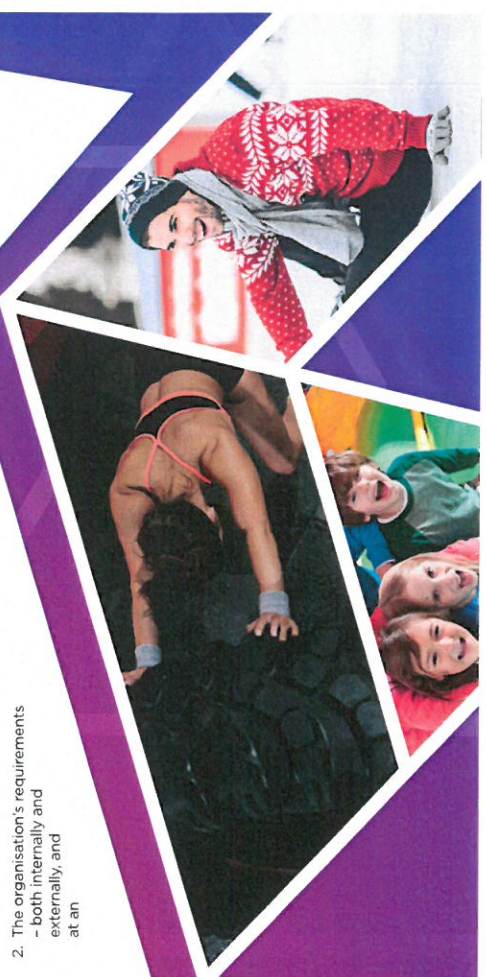
It provides consistency and satisfaction in terms of methods, materials, equipment, etc., and interacts with all activities of the organisation, beginning with the identification of customer requirements and ending with their satisfaction, at every transaction interface.

Review of the effectiveness, efficiency, and capability of a QMS is vital and the outcome of these reviews will be communicated to employees. Reviewing and monitoring will continue whether improvement activities have achieved their expected outcomes.

Improvement will follow as a direct result of the review process, with the aim of seeking internal best practice. It is part of the overall improvement activities and an integral part of managing change within IL.

To ensure the effectiveness of our QMS, a key aim over the next 3 years will be to have our main centres gain the Quest Quality management accreditation.

Quest is the UK Quality management scheme for Sports and Leisure. It is a tool for continuous improvement, designed primarily for the management of leisure facilities and leisure development. It defines industry standards and good practice and encourages ongoing development and delivery within a customer focused management framework.





IL fully appreciate that the responsibility for health and safety is an integral function of management, on a par with responsibilities for all other business operations and we recognise the benefits of a fit and healthy workforce.

IL takes care in ensuring that its customers, employees and visitors are provided with a safe and well-maintained environment.

This is achieved in several ways:-

- Full compliance of all statutory regulations and codes of practice. This requires monitoring and control of compliance within the legal regulations, non-statutory requirements and codes of practice
- Identifying sensitive and contentious aspects resulting in appropriate action being taken
- The promotion of an open attitude to health and safety that encourages employees to approach management with any situations that they feel may

- Continual review of all policies and procedures
- Ensure planned programme of staff training is undertaken and recorded.
- Consider Quest Plus award and achieve a banding of excellent
- IL to be nominated for a national WOW! Award

5.8 HEALTH AND SAFETY

It is the policy of IL to comply with both the letter and spirit of all relevant legislation and codes of practice. This naturally includes the Health & Safety at Work Act 1974 and other H&S regulations and legislation.

IL will continue to work with all stakeholders within this important business function working with our:-

- Client / Partners – through information and involvement
- Employees – through involvement and training
- Customers – through information and awareness

IL strongly believes that all its employees have a right to work in safe and healthy conditions. These conditions are created and maintained by the preparation of, and adherence to, our own health and safety policy – which is reviewed annually.



- Year 1**
- Service improvement team to continue engagement with external consultants, staff and other stakeholders to review policies and procedures and establish improvement plans for IL facilities
 - Quarterly external quality audits to take place in all facilities with a corporate annual target score set at 75%
 - Service improvement plans aligned to the business plan
 - Continued development policies and procedures clearly developed, defined and documented as part of an integrated QMS to inform continuous improvement across all areas of the business
 - All frontline staff to update and participate in customer service training
 - All IL sports and leisure facilities to participate in self-assessment and external quarterly quality audits
 - All staff trained in relevant procedures and policies
 - Regular customer satisfaction and feedback questionnaires to be completed across all facilities
 - 3 sports facilities to go through the Quest entry assessment and achieve satisfactory banding

- Year 2**
- Ensure continual improvement of a QMS system and improvement planning by undertaking self-assessment and external audits and assuring continual monitoring and evaluation takes place
 - Quarterly external quality audits to take place in all facilities with a corporate annual target score set at 78%
 - Continual review of all policies and procedures
 - Areas for improvement clearly identified and progress audited
 - Programme of self-assessment continued throughout all IL facilities
 - Quest entry assessment and achieve satisfactory banding
 - Ensure planned programme of staff training is undertaken and recorded
 - IL to be nominated for a national award

- Year 3**
- Ensure continual improvement of the QMS undertaking internal and external audits as well as assuring continual internal monitoring and evaluation takes place
 - Quarterly external quality audits to take place in all facilities with a corporate annual target score set at 80%



be detrimental to health and safety within the centre

- Annual audits which are completed by an external consultant which will be presented to the EMT with annual targets to identify improvements
- Accident and Incident reviews relating to both customers and employees are monitored and reviewed for trends and hot spots
- Risk assessments are carried out, reviewed, monitored and acted upon
- Ensuring that each centre's Normal Operating Procedures and Emergency Action Plan is followed and communicated to all employees
- Regular training programmes are in place and attendance monitored.
- A positive health and safety culture is created within all areas of our organisation so that there is a continuous and cost-effective improvement in our health and safety performance
- A legal H&S advice line

Health & Safety Committee Structures

The Corporate Health & Safety Committee meets quarterly. The purpose of this team is to drive health and safety at a strategic level and then feedback to sites.

The site representative will attend site management meetings to cover any H&S issues and give advice to the site team. They will also be responsible for any employee's consultation or issues, which may need to be escalated back to the corporate team.

Year 1

- Continue to improve Health and Safety management system across all IL facilities
- Externally assessed annual Health and Safety audits to take place in all facilities with a corporate average score of 85% attained
- Continued development of site specific action plans
- Constant review all current procedures, risk assessments and policies and working practices to ensure that they are appropriate and fit for purpose
- Managers will have gained the IOSH managing qualification
- Staff to undertake specific compulsory health and safety training including E-learning incorporated into staff induction and training development programme
- Staff induction and training programme continually reviewed to ensure that a consistent approach is adopted across the organisation
- Health and safety working group to drive health and safety priorities across IL

Award great practice at annual excellence awards

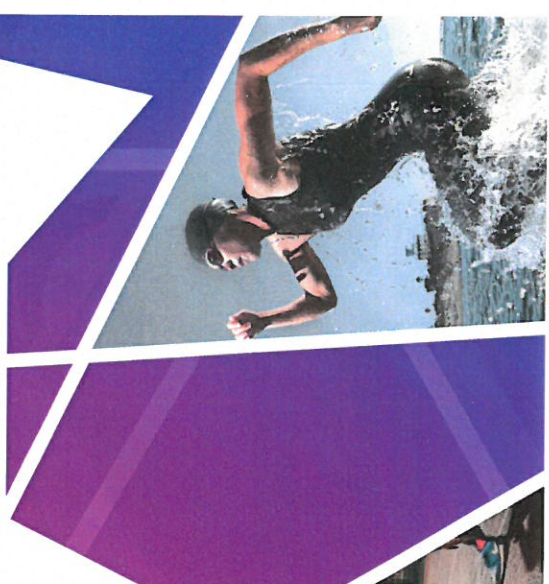
Year 2

- Ensure continuous improvement of Health and Safety management system by undertaking internal and external audits as well as assuring continual monitoring and evaluation takes place
- Externally assessed annual Health and Safety audits to take place in all facilities with a corporate average score of 87% attained
- Continual review all current procedures, risk assessments and policies to ensure that they are appropriate and fit for purpose
- All staff to undertake specific compulsory Health and Safety training including E-learning incorporated into staff induction and training development programme
- All accidents and near misses recorded and reviewed
- Investment plan in place to ensure plant and maintenance systems in place are efficient and fit for purpose
- Staff work related absence from work to be less than 5% of all absences
- Minimise successful insurance claims resulting from accidents
- IL to achieve Healthy Working Lives if agreed in first year
- Award great practice at annual excellence awards

Year 3

- Ensure continual improvement of health and safety management system by undertaking internal and external audits and assuring continual monitoring and evaluation takes place
- Externally assessed annual Health and Safety audits to take place in all facilities with a corporate average score of 89% attained
- Continual review all current procedures, risk assessments, and policies to ensure that they are appropriate and fit for purpose
- All accidents and near

- misses recorded and reviewed with less than 5% of the total being avoidable
- All staff to undertake specific compulsory health and safety training including E learning incorporated into staff induction and training development programme
- Staff work related absence from work to be less than 5% of all absences
- Minimise successful insurance claims resulting from accidents
- Award great practice at annual excellence awards



- Ensure that IL has sufficient in-house expertise to audit and monitor health and safety to an acceptable standard
- Ensure continual review of current legislation and or any research and inform staff where relevant
- All accident near misses recorded and reviewed with less than 10% of the total being avoidable
- Minimise the number of successful insurance claims resulting from accidents
- Staff work-related absence from work to be less than 10% of all absences
- To consider healthy working lives bronze award



6.0 OPERATIONS

Operations is managed by our Head of Leisure and Community. Along with his team to ensure the very best operational service delivery and customer experience, as well as developing new initiatives to improve facilities.

The operations team are committed to delivering high quality leisure and community facilities within Inverclyde driven by our dedicated and motivated team of staff.

The aim over the next few years will be to develop stronger partnerships, enhance our IL brand, improve activity, diversify products and services, increase usage and develop income and deliver quality throughout the operation.

The operational strategy continues to focus on delivering good quality services at every centre and developing key areas of the business over the next few years.

Below are the customer facing operational areas of the business.

6.1 HEALTH AND WELLBEING

Research has identified that the reasons given for people not exercising were predominantly a lack of time, health, being too old and lack of interest. This has become a national concern.

The nation's health, obesity, diabetes, coronary heart disease and health inequalities are a big issue for the Scottish Government. Research reveals that nine percent of Scotland's population die simply due to a lack of physical activity and physical inactivity costs Scotland £300 million each year.

IL, in line with other trusts in Scotland, through the SPORTA network, is committed to strengthening partnerships with Scottish Government, IC, NHS Greater Glasgow and Clyde, Inverclyde Health and Social Care and Partnership and the third sector to establish more effective provision that increases benefits to the Inverclyde community.

Our range of activities from early years through to older vulnerable adults enables IL to contribute to outcomes identified in the IC Active Living strategy. We are also delivering on outcomes identified in the Scottish Government Active Scotland Framework namely:-

- We encourage and enable the inactive to be more active
- We encourage and enable the active to stay active throughout Life
- We support wellbeing and resilience in communities through physical activity and sport
- We develop physical confidence and competence from the earliest age
- We improve opportunities to participate progress and achieve in sport

IL, in partnership with NHS Greater Glasgow and Clyde continues to manage the Live Active Referral Project, which engages with those people who are not currently physically active;

but wish to increase this with help, advice and support.

Those referred by their GP or other Health Professionals are enrolled into the scheme for a 12-month period, during which time they will receive advice, support and encouragement from a dedicated Live Active advisor. The advisor helps the participant improve their physical activity and eating habits; clients have an opportunity to meet other people, try new activities, and enjoy access to IL facilities at discounted pay as you go and membership prices during this period.

The Community Physical Activity Programme offers a wide range of classes. This project, part funded by NHS Greater Glasgow and Clyde, allows the development of community based physical activity in a range of venues across Inverclyde.

These activities target clients engaging with the Live Active Programme and include more specialised Vitality classes such as Cardiac Rehabilitation and Falls Prevention which are aimed at frail older people who have suffered or are at risk of a fall. In addition, IL continue to work with the Scottish Association of Mental Health and offer classes to individuals suffering from severe and enduring mental health problems.

Live Active

Established initially as a GP Referral Scheme the project aims are to increase and promote physical activity for people who are currently inactive, to provide them with the skills and confidence to lead an independent active lifestyle. The project aims to improve the health of those who need it most by offering health consultations to individuals referred by participating GP practices and other health professionals. Following an initial consultation with a Live Active Advisor clients are offered a range of services which aim to reduce lifestyle related risk factors and help maintain quality of life.

Vitality

This is a programme of exercise classes which supports participants to exercise at a level suitable to their abilities. Classes are designed to help build and maintain strength, co-ordination, endurance and flexibility. IL will continue to work closely with Inverclyde Physiotherapy Community Rehabilitation Services to ensure that patients in recovery from Coronary Heart Disease and those accessing Chronic Obstructive Pulmonary Disease and falls prevention services can access these classes.

Mind and Body

It is recognised that people who suffer from



severe and enduring mental health problems are also more likely to suffer from illness related to lack of physical activity and poor diet and are more likely to experience social isolation.

In partnership with Inverclyde Health and Social Care Partnership and the Scottish Association of Mental Health we deliver a lifestyle and activity service to those living with severe and enduring mental health.

The purpose of this programme is to give support and advice with the aim that the clients will eventually become more physically active and feel more able to attend mainstream activities that are available throughout Inverclyde.

Move More

In partnership with Macmillan the programme is a cancer based support management programme over 3 years for clients during and post treatment. The main aims are to increase physical activity levels by:-

- Creating and developing a health & fitness programme within Inverclyde for people affected with Cancer
- Increasing general awareness of the benefits of physical activity for the primary and secondary prevention of Cancer

The service model is a referral/self-referral scheme. Individuals affected by cancer will receive support from a Move-More Advisor who will encourage clients to attend exercise based circuit classes and walking programmes. Participants will also receive information on other physical activity suitable to the individual throughout and after cancer.

Consultations will be on a one to one basis, or in a group setting with planned drop in hours.



During visits clients will be offered support and appropriate information specific to their own circumstances. They also are made aware of other physical activity initiatives which we plan to provide locally in partnership with Macmillan Cancer Support Scotland. The Move More Advisor will also signpost to other local services if appropriate.

Year 1

- Live Active referrals target 700
- Number of Live Active referrals attending baseline appointment 80%
- Number of Live Active referrals attending 6-month appointment 49%
- Number of Live Active referrals attending 12-month appointment 37%
- Accurate system established for tracking Live Active clients who have converted to membership
- Live Active participants taking Live Active membership target 20% of all participants
- Launch the Move More programme in partnership with MacMillan
- Continue to deliver the Vitality community rehabilitation programme in partnership with NHS Greater Glasgow and Clyde
- Increase participation in Vitality classes by 10%
- Create more awareness of programmes vitality and live active
- Review all current programmes currently funded from external sources and consider how these programmes could become commercially viable without the need for external funding
- Establish a pathway for gym staff to increase knowledge and qualifications in relation to specific medical conditions e.g. coronary heart disease, coronary obstructive pulmonary disease and stroke
- Work towards being less reliant on funding
- Review the talented athlete scheme to see if it can be funded

- Feed in targets for DD live active members into corporate template
- Continue to investigate sources of funding to enable continuation of programmes aimed at those residing in Inverclyde Social Index of Multiple Deprivation (SIMD areas)
- Work on the development of more targeted marketing utilising social media, web

- Look at delivering commercially viable services such as weight management etc.

- Hold joint meeting

with Operations Manager responsible for fitness gyms to aid cross department communication

- Engage clients on Tanita as a health measurement approach
- Find out more about Sky gateway referral system
- Deliver in house training to gym staff

Year 2

- Continue to Deliver the Live Active and Vitality programmes and achieve agreed outcomes with NHS Greater Glasgow and Clyde
- Increase participation in Vitality classes by 5%
- Live Active participants taking Live active membership target 30% of all participants
- Continue to build on partnerships with Greater Glasgow and Clyde NHS, Inverclyde Community Health Care partnership, and other local partners
- Develop Move More programme
- Establish a coordinated programme aimed at older adults across all IL sports and leisure facilities
- Work towards being less reliant on funding
- Deliver in house training to gym staff
- Continue to investigate sources of funding to enable continuation of programmes aimed at those residing in Inverclyde Social Index of Multiple Deprivation (SIMD areas)

Year 3

- Continue to Deliver the Live Active and Vitality programmes and achieve agreed outcomes with NHS Greater Glasgow and Clyde.
- Deliver in house training to gym staff
- Increase participation in Vitality classes by 7%
- Live Active participants

- Live Active participants



taking Live Active membership target 40% of all participants

- Continue to build on partnerships with Greater Glasgow and Clyde NHS, Inverclyde Community Health Care Partnership and other local partners
- 50% of Live Active programme running costs met by the Income generated from clients accessing the scheme
- Have a wide range of activities being delivered including weight management, and older adult programmes which are all commercially viable lessening the need for external funding
- To look to have 1 member of staff in each gym qualified in working with people with coronary heart disease and coronary obstructive pulmonary disease
- Continue to investigate sources of funding to enable continuation of programmes aimed at those residing in Inverclyde Social Index of Multiple Deprivation (SIMD areas)
- Exit strategy completed for Move More programme in place allowing for supported delivery of the service

6.2 COMMUNITY HALLS AND PITCHES

Community Facilities continue to provide an important service to the local community. The facilities provide the base from which people can play a role in community life. Very often these facilities are the focal point of the community and it is therefore important that they are well managed.

The current communities' portfolio includes the public halls at Greenock Town Hall, Port Glasgow Town Hall and Gamble Halls, Community Centres and Halls at Crawfordsburn, Grieve Road and Kinn Drive as well as the unique partnership with IC for the management of the Community Hubs at Auchmountain Community Resource Centre, Paton Street and Clune Park Neighbourhood Centres. The staff at these Hubs are employed by IC and seconded to IL.

The recent addition of the parks and pitches to the portfolio now means that IL has a total of 23 grass or 3rd Generation pitches (3G), with 2 of the artificial pitches having World Rugby Board accreditation and the athletics track at Ravenscraig Stadium.

Battery Park Pavilion and 3G pitch is also included under the Community banner. This asset has a great number of uses.

We are also in the process of renewing a three-year management agreement with Kilmacolm Community Centre (KNCC) to manage elements of the business within its community operation.

The Booking Office, as part of the Community Facilities section, processes in excess of 15,000 bookings per year on behalf of IL as well as IC's school estates.



We will continue to build on the strong relationships between the Booking Office, school estates and the FES Group.

Marketing

We currently work with Bigwave Media, developing campaigns and advertising strategies particularly around the wedding and special occasion market.

A marketing and promotion strategy to maximise Community Facility potential has been introduced. This ranges from sophisticated leaflets and marketing campaigns, using social media and e-marketing for public halls through to support for community groups who use community centres and halls.

Having taken the opportunity to explore the market in the special events field we have now held several successful Fake Festivals in Inverclyde. Still the only touring tribute act festival in the UK, we have and continue to build on a great working relationship with this company.

Catering Franchise

Inverclyde Catering & Events Ltd (ICE) provide IL's catering and bar services within the Public Halls. The local firm strive to deliver a consistent, quality service to all sectors of the community. We will continue to develop and deliver a number of joint initiatives such as wedding fayres, incentive deals and explore the concert, comedy nights and special events market in public halls.

Expansion of Group Fitness Classes

We continue to offer a programme of fitness classes within Gamble Halls and Port Glasgow Town Hall, KNCC and the new Inverkip Centre. It is hoped that we can develop this programme to improve member benefit over the next 3 years.

KNCC

We are currently reviewing IL's partnership arrangements with KNCC it is hoped that a formal agreement will be reached. This will be for the next 3 years giving both continuity and stability cementing the good work established over the previous 5 years. We will be rolling out the QMS regime and staff development programme during the next year. We will take the opportunity to look at Legend within the Centre.

minimise and reduce the effect of diminishing financial support.

Ongoing review of Community Facilities and Summer Activities

These reviews, which began in 2016, will continue to be topical over the next 3 years. Both reviews have been joint initiatives between IL and IC and have looked at the number of facilities in the district, the duplication of services and importantly, the cost effectiveness of the provision. It is essential that this critical evaluation of services is completed in the next 1-3 years.

Facility Management

Facility management is one of the fundamental roles of the community facilities section. This needs to be done as effectively as possible to make best use of staff and other resources. Quality Management and Health and Safety issues are of prime importance in this area as it is the need to provide

best value for both IL and the users of the facility. To this end, we will continue to improve on our audit scores over the next 3 years achieving and surpassing the Company corporate average.

Parks and Pitches and Stadium

To continue to embed the QMS with the staff encouraging them to fully participate in this development opportunity.

IL has been supportive of IC's grants scheme to sports clubs and teams, providing financial and statistical information. Strong relationships have been forged with local clubs and organisations.

Over the next 3 years we will continue to support these organisations particularly with impending financial challenges. We will also investigate and introduce new uses of the pitches and open spaces, in partnership with other organisations, or as IL.

Ravenscraig Stadium has a massive potential, particularly with the installation of the new floodlights and the track replacement by our partners, IC. Over the next 3 years we will work with the Local Athletics Partnership to encourage and support the use of the stadium to its full potential bringing more competition events at local, national and international levels.

Year 1

- To continue to build on the strong relationships between the Booking Office, school estates and FES
- Work with Bigwave Media, developing campaigns and advertising strategies

- Sign new three-year agreement with KNCC
- Improve community input into QMS during quarterly reviews
- Develop campaigns and advertising strategies particularly around new ticketed events, wedding and special occasions
- Look to Run Fake Festival
- Develop new IL ticketed promotion calendar to include tribute acts, comedians, party nights, pantos, shows, local band challenges, traveling entertainment, burns suppers etc.
- Work with ICE to deliver several joint initiatives such as wedding fayres, incentive deals and explore the concert, comedy nights and special events market in Public Halls
- Roll out QMS procedures and staff development programme at KNCC
- Look at the feasibility of Legend at KNCC
 - Expand Group Fitness Classes at community facilities

- Ask Legend to audit Booking office system and create action plan to improve process
- To review Letting and Waivers Policy with IC
- Review of Community Facilities and Summer Activities in line with reduced funding
- Review of Parks and Pitches in line with reduced funding
- To Continue to improve on our audit scores for Health and Safety and QMS
- Work with the Local Athletics Partnership to encourage and support the use of the stadium to its full potential bringing more competition events
- Consider having dedicated BACS number for booking office income
- Re locate booking office to Gamble Hall
- Improve dissemination of budgets and accounts to community sites
- Look at training for front of house technical employees

Year 2

- To continue to build on the strong relationships between the Booking Office, school estates and FES.
- Develop campaigns and advertising strategies particularly around new ticketed events, wedding and special occasions
- Look to Run Fake Festival
- Work with ICE to deliver several joint initiatives
- Work with Bigwave Media, developing campaigns and advertising strategies
- To Continue to improve on our audit scores for Health and Safety and QMS
- Improve community input into QMS during quarterly reviews
- Develop IL ticketed promotion calendar to include tribute acts, comedians, party nights,



Legend Booking System

The Legend booking system is now fully embedded, providing a booking facility for all halls, pitch and school bookings. We now offer a comprehensive service to customers which leads them from the initial booking stage, whether in person or online, through to payment and confirmation. With almost 95% of our invoices now being issued electronically it is also hoped that with ongoing developments with the system we will see further improvements. Over the next 3 years we will carry out a review of the Booking Office. With a number of developments within the system we will improve the customer journey, particularly with the online booking capabilities and confirmation of bookings element.

Ongoing review of Letting and Waivers Policy

The review of the IC waivers policy and how it affects the use of sports halls is ongoing, however, given the envisioned budget pressures, it is likely that this may impact on some of our current users. Over the next 3 years we will continue to work with our partners and users to



- local band challenges, traveling entertainment, Burns Suppers etc.
- Work with the Local Athletics Partnership to encourage and support the use of the stadium to its' full potential bringing more competition events
- Review risk assessment during events and functions
- Look at performance management of bookings and targets
- Look at tablets for bookings for remote park attendance

Year 3

- To continue to build on the strong relationships between the Booking Office, school estates and FES
- Develop IL ticketed promotion calendar to include tribute acts, comedians, party nights, local band challenges, traveling entertainment, Burns Suppers etc.
- Develop campaigns and advertising strategies particularly around new ticketed events, wedding and special occasions
- Look to Run Fake Festival
- To Continue to improve on our audit scores for Health and Safety and QMS
- Work with the Local Athletics Partnership to encourage and support the use of the stadium to its' full potentially bring in more competitions and events

- Work with ICE to deliver several joint initiatives
- Work with Bigwave Media, developing campaigns and advertising strategies
- Improve community input into QMS during quarterly reviews
- Look at Battery Park minor refurbishment

6.3 FITNESS GyMS AND SPORT FACILITIES

Fitness gyms and sports facilities comprises of membership sales & retention, health & fitness gyms development & dry side sports facilities. The Operations Manager and his team deliver excellent products and services driving commercial revenue at Greenock Sports Centre / CrossFit, Ravenscraig Activity Centre, Waterfront Gym, Gourcock Gym, Boglestone Gym and Centre, Lady Octavia Sports Centre, Birkmyre Gym and the Indoor Bowling Centre.

Year 1

- Continue to work on 5-year membership projections
- Evaluate the feasibility study of Fitness for Less at Lady Octavia Sports Centre to include upper floor conversion, new reception, turnstiles and redecoration of changing rooms
- Evaluate the feasibility study of a Modular Unit Dance Studio, Birkmyre Park Fitness Gym and Gourcock Fitness Gym
- Conduct a review of the café at Birkmyre rental agreement
- Conduct a review of the Fitness for Less pricing
- Work with IC developing Lady Octavia Sports Centre carpark extension
- Implement virtual group Fitness classes at the Waterfront

- Review induction processes
- Review sales processes
- Continue to develop CrossFit look at sponsorship Rebook etc.
- Review CrossFit online bookings
- Work with IC to renew Lady Octavia's 5-a-side pitches
- Improve customer journey through videoed mystery visits
- Review the range of children's activities
- Continue to support Inverclyde schools' sports hall athletics
- Consider the feasibility of implementing Softplay & café model at Boglestone Community Centre
- Run Legend Super User training for membership team
- Initiate work on App for members
- Develop more in-gym classes to aid retention
- Review all fitness gyms opening hours
- Review connectivity at the Waterfront gym
- Run community events calendar
- Consider getting Airline bike for CrossFit to run competitions at centre

Year 2

- Launch IL Fitness for Less at Lady Octavia Sports Centre
- Expand Boglestone Fitness for Less gym by installing air-conditioning, studio area within gym spin, decorate changing room etc.
- Consider the feasibility of implementing Softplay & café model at Boglestone Community Centre
- Investigate home training link to encourage members to training at home
- Annual planner for member workshops: nutrition, free weights, HIIT, CrossFit, wearable tech
- Implement virtual group fitness at Greenock

- Review sales and membership processes
- Consider expanding children's activities at Lady Octavia Sports Centre
- Review sales and membership team roles along with responsibilities
- Review pool programme at Gourcock Pool possibly increase midnight swims
- Review vending suppliers at Gourcock Pool
- Review Gourcock gyms programme looking to increase nutrition events, GR8, small group training, boot camps etc.
- Membership Co-ordinator & Site Managers to actively review monthly exit survey
- Investigate hiring a mystery visits company: Web, Phone, in person
- Embed the H&F Manual with Fitness Gym staff
- Continue to develop dance studio programs
- Review line graphs to ensure appropriate cover
- To make year on year improvements for Health and Safety and QMS
- Train staff on systems, processes & policy changes
- Member referral systems: Goody bags, vouchers, free month promotion months
- Track member life cycle via average length of stay
- Look at Legend Sales prospecting platform and website contact process
- Implement a Net Promotor Score system: TRP
- Look to extend fitness equipment tender by further 2 years
- Recruit more PT's across IL Fitness Plus+ & IL Fitness for Less
- Develop PT to deliver 0.5% membership penetration: (37 Active clients)
- Develop health promotions linked to Health & Well Being: Tanita Scales
- Conduct a feasibility study to consider an indoor tennis facility
- Investigate member loyalty schemes
- Create a bespoke virtual reality cycling circuit studio at the Waterfront
- Birthday party contact management system: sales prospecting / lead generation and automating the process
- Themed holiday camps



- Continue to develop CrossFit with different user groups
- Continue to support Inverclyde schools' sports hall athletics
- Consider market place for fitness suppliers at the end of their current agreement
- Continue to develop dance studio programs
- Run community events calendar
- To make year on year improvements for QMS
- Nutrition seminars & online support
- Develop PT to deliver 10% membership penetration: (75 Active Clients)
- Review renewing the lease at the Indoor Bowling Centre

Year 3

- Consider future alternatives to the Indoor Bowling Centre due to the operational timescale and decline in usage. Possible future options could include: ten pin bowling, trampolines, crazy golf, Ninja Warrior, go-karts, skateboarding and BMX etc.
- Run community events calendar
- Access controls: retina scan, wrist band, thumb print, smart watch/phone and pods
- Launch Indoor Tennis Centre
- Investigate installing LED lighting at the Waterfront gym
- Propose a new model for Greenock gym/weights area
- Review Greenock gym/weight and reception area access control, equipment, possible / free weights / etc.
- Review the usage of small gym area in the Greenock Sports Centre for possible development
- Continue to support Inverclyde schools' sports hall athletics
- Continue to develop dance studio programs
- To make year on year improvements for QMS
- Develop PT to deliver 15% membership penetration: (150 Active clients)
- Achieve member penetration of 10% vs. population: 8,000 members

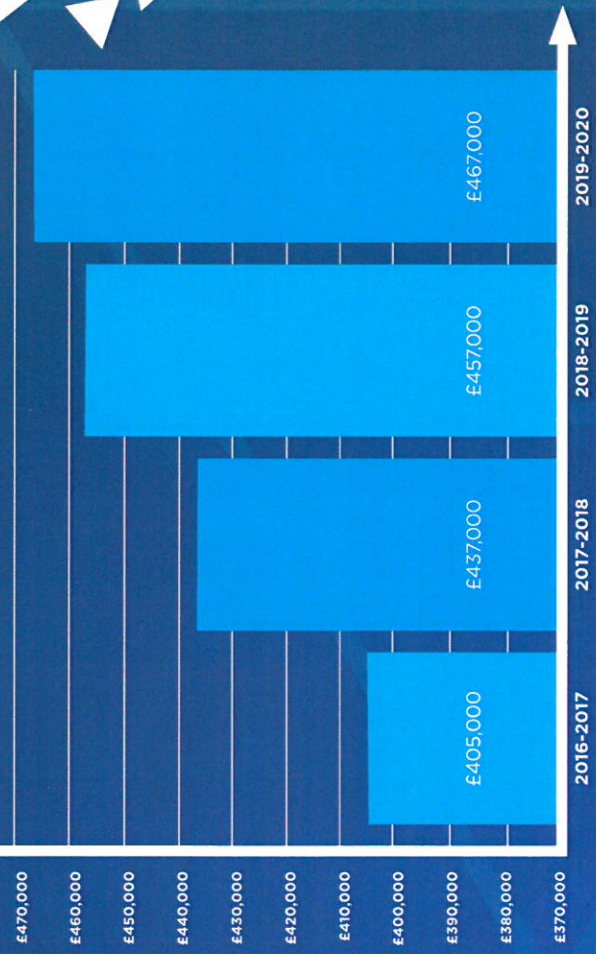
Income Projections

3-year income projections on the next page are based on the assumptions that the current model and offering stays the same. The growth projection in Fitness for Less can mainly be attributed to Ravenscraig Activity Centre. The Fitness Plus+ projections also include Group Fitness, Active Swim Waterfront & Active Swim Port Glasgow but exclude IL Fitness for Less & Greenock CrossFit.

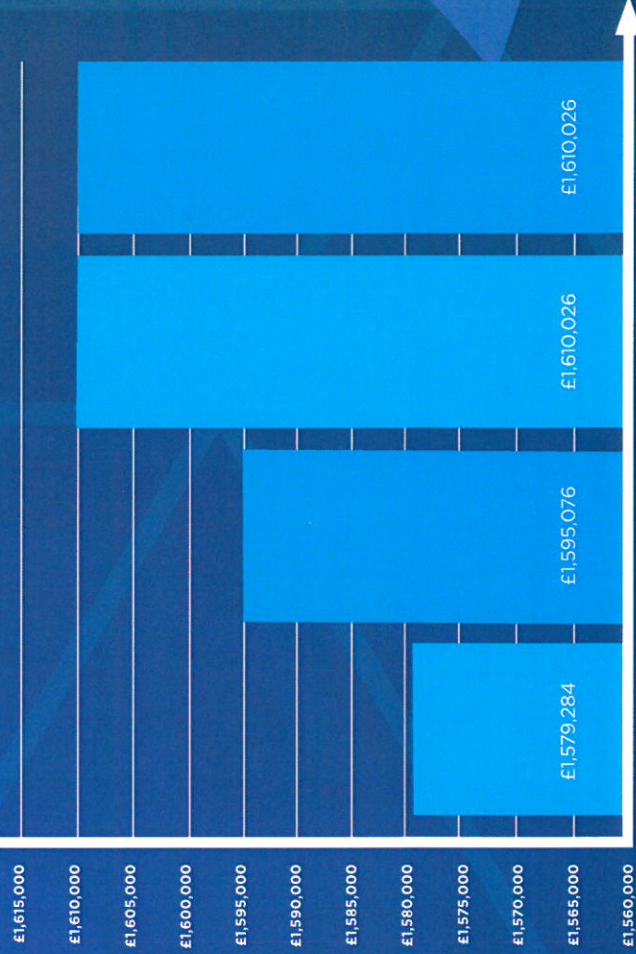
Sports Centre, Birkmyre and Gourrock

- Investigate the possibility of a sauna and steam room at Birkmyre Park Fitness Gym
- Investigate the possibility of a sauna and steam room at Gourrock Fitness Gym
- Implement a member loyalty scheme
- Review implementing a centralised membership call centre
- Launch free rental model for hours worked model in IL Fitness for Less
- Online support PT
- Conduct a program review at Greenock Sports Centre to ensure we are maximising usage
- Continue to develop CrossFit
- Review line charts
- Up-skill key staff

IL FITNESS FOR LESS: DD PROJECTED INCOME



IL FITNESS PLUS+ 3 YEAR DD INCOME PROJECTION



6.4 WATERFRONT AND SWIMMING POOLS

Waterfront Leisure Complex and Swimming Pools

The Operations Manager for the Waterfront Leisure Complex & Swimming Pools is responsible for overseeing the provision of services for Waterfront Leisure Complex, Gourcock Outdoor Swimming Pool & Fitness Gym (summer months) & Port Glasgow Swimming Pool. Delivering a wide and complex range of activities which include: indoor/ outdoor and leisure pools, ice rinks, fitness gyms, group fitness studios, health suites, swimming lessons, skating lessons, figure skating, café/licenced bar and children's parties etc.

Year 1

Swim & Skate School Development
 IL will continue to focus on continuous growth and development of the swim & skate schools to increase participation and income generation over the next 3 years. With the anticipated growth, IL need to recruit/train or upskill our swimming teachers to meet demand. A plan will be implemented and targets set are as follows:

WATERFRONT SWIM SCHOOL	USAGE	INCOME TARGET
Year 1	1408	£313,500
Year 2	1539	£376,200
Year 3	1623	£413,820

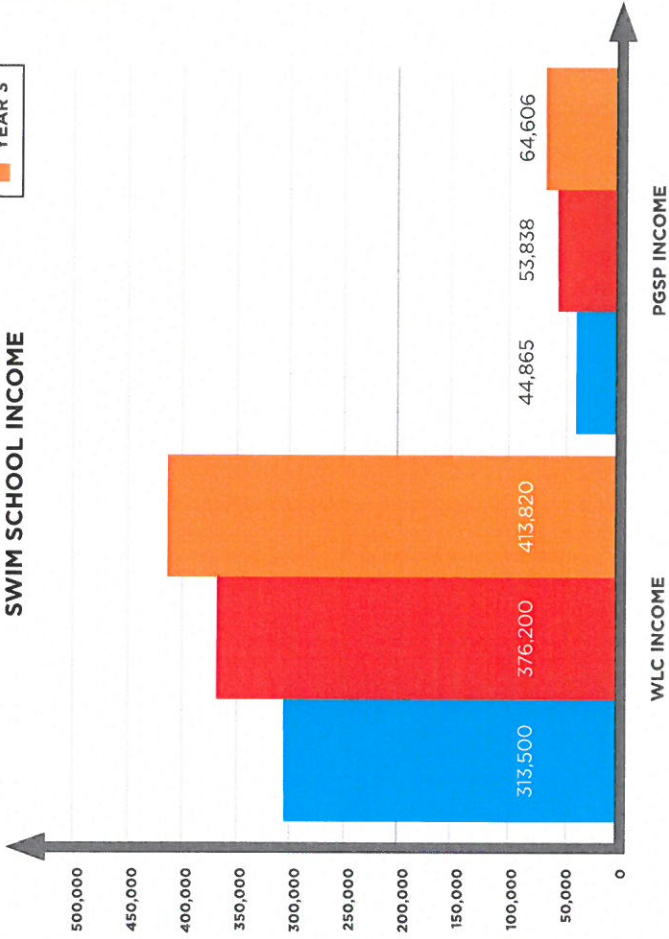
PGSP SWIM SCHOOL	USAGE	INCOME TARGET
Year 1	159	£44,865
Year 2	181	£53,838
Year 3	218	£64,606

■ YEAR 1
■ YEAR 2
■ YEAR 3

SWIM SCHOOL CLUB LIVE



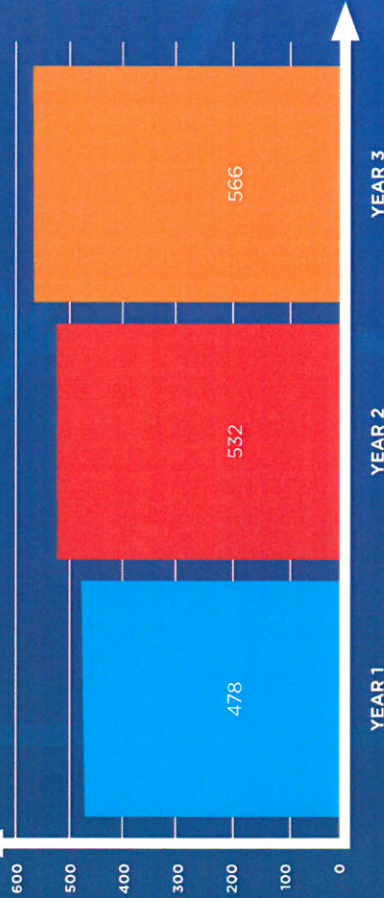
SWIM SCHOOL INCOME



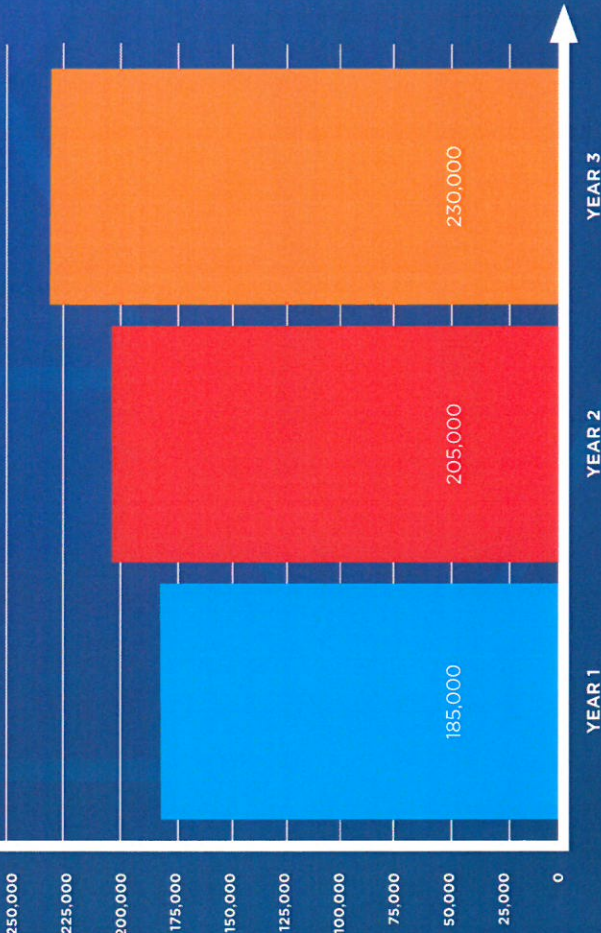


WATERFRONT SWIM SCHOOL	USAGE	INCOME TARGET
Year 1	478	£185,000
Year 2	532	£205,000
Year 3	566	£230,000

SKATE SCHOOL CLUB LIVE



SKATE SCHOOL INCOME



Eye on the Ice System for Ice Rink

As we continue to look for the latest innovations and be early adopters we will further embrace technology with the introduction of the eye on the ice system & TV/ cameras at the Polar Bar to enable spectators to view far end "houses"

Social Media

Increase Instagram, Twitter and Facebook presence with "live" footage of group fitness/ swimming & skating lessons.

Ice Equipment Replacement Plan

Quotes will be sought and consideration given to the replacement of the ice preparation/ maintenance equipment to ensure consistently high standards of ice is provided for all ice users from curling, figure skating and recreational skaters.

Waterfront Leisure Complex M&E Survey

IC have commissioned a full M&E survey of the Waterfront Leisure Complex with a view to implementing a capital investment strategy. Items that should be covered include: building management system, fire intruder alarm system, public announcement system, ice rink flooring, ice rink de-humidifiers and potentially high level lighting.

Recruitment Days

We will look to introduce annual recruitment fayres which will provide the opportunity for potential employees to find out about the various positions available in IL.

The introduction of this should ensure IL continue to grow/ offer and deliver high quality services throughout our portfolio. It will also ensure we can meet the expected increase in the uptake of physical activity.

Our focus now is to enhance our staffing

provision to ensure we have the right numbers of appropriately qualified staff available to work the required hours and deliver a quality service in all our facilities.

H&S Quality

Make year on year improvements on Health and Safety Audits and QMS quarterly audits.

Waterfront

- Improve timetable information to key areas including swimming crash courses and skating lessons
- Improve customer presentation of membership cards including capturing curling usage, ice hockey etc.
- Review free swimming with IC
- All courses to be invoiced through Legend
- Review all vending machines
- Promotion of SWIMTAG
- Develop incentive scheme for reception to generate new leads

Online Booking

Work will be done with our Front of House Management System provider to allow customers to book swimming and skating assessments online which will make it easier for customers to do business with us and break down barriers to participation in our swim and skate schools.

Smart Registers

We will engage more often with Legend with the main purpose of getting smart registers used on hand held touch screen tablets. This will be introduced to swimming teachers and skating coaches allowing them to record attendance, reasons for absences, lateness etc. at the touch of a button and will act as an early warning system for attrition prevention/ reduction. These tablets will be linked to the Front of House Management System via Wi-Fi and will also have a "parent portal" for swimming lessons which will enable parents to view their child's/ children's progress from the comfort of their home.

Advertising/ Marketing

A continued focus will be placed on the effective marketing and promotion of all areas of the business using methods such as radio, TV, billboards, ad-vans, social media as well as more traditional methods as IL continue to work closely with an external marketing company with a view to expanding/ developing and increasing participation.

Data Capture/ Lead generation improvements

Training will be given to our Front of House staff on the importance of capturing clean data and generating leads at the first interaction with our teams. By showing an interest in our business, those prospects who come through our doors with an enquiry are initiating the relationship with us versus us initiating the relationship with them. This makes it easier and more natural for them to want to do business with us further down the line.

Catering Contract Renewal Model

With the catering contract within the Waterfront Leisure Complex due for renewal in December 2017, other models will be explored in a bid to provide the best possible service to IL customers and maximise income generation. One option could be the potential to have an IL ran franchise like the Costa Proud to serve Model at Ravenscraig Activity Centre

Overhaul of Waterfront Leisure Complex

Swimming Pool Changing Village Lockers

As the lockers within the Waterfront Swimming Pool Changing Village are almost 20 years old and have been heavily used over that period our Partners at IC have agreed to fund the replacement.

Waterfront Leisure Complex Reception toilet upgrade

There is the potential to upgrade the toilet facilities at the Waterfront Leisure Complex to bring them up to the same high standards as the main reception area/ café area and the Fitness Gym changing rooms.

Waterfront Reception

Involve reception in the business development by giving them a better understanding of the overall business purpose in terms of data capture/ lead generation and growth.

Staffing Review

We will continue to monitor our staffing provision across all aspects of our business by looking at the charts to ensure we have the correct people in the correct places at the correct times and continue to deliver the highest possible level of service in the most cost effective way.

Year 3 Objectives for Waterfront Leisure Complex and Swimming Pools

Teaching Pool at the Waterfront Leisure Complex
With the increasing demand for pool space look at a feasibility study for teaching pool

H&S Quality

Make year on year improvements on Health and Safety Audits and QMS quarterly audits.

Micro CHP at Port Glasgow Swimming Pool

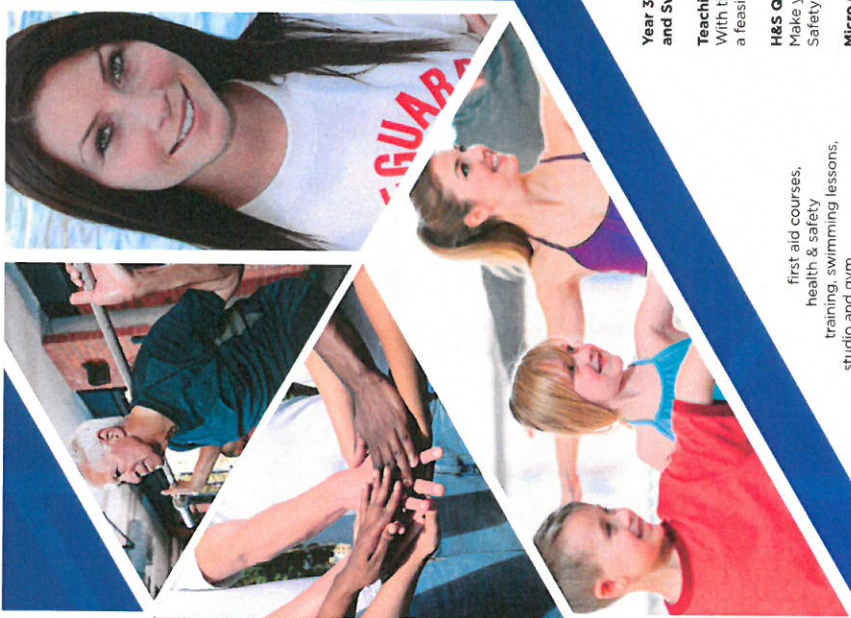
There could be the potential to explore the possibility of installing a Micro CHP unit at Port Glasgow Swimming Pool to reduce heating and power bills.

Gourock Outdoor Swimming Pool & Fitness Gym patio

Options will be explored for developing the bottom patio area at Gourock which would enable us to deliver more outdoor classes. Options may include the introduction of a functional rig / suspension training.

Waterfront Leisure Complex Group Fitness Studio's

We will look at options to upgrade the two group fitness studios within the Waterfront Leisure Complex.



Year 2 Objectives for Waterfront Leisure Complex and Swimming Pools

Group Fitness Studio at Gourock Outdoor Swimming Pool & Fitness Gym

We will explore the possibility of having a group fitness modular unit installed at Gourock Outdoor Swimming Pool & Fitness Gym which will bring this facility in line with our premium gym offering.

Bulk Chemical Delivery at Gourock Outdoor Swimming Pool

Bulk delivery of Swimming Pool Chemicals like the Waterfront will be looked at as a potential cost saving exercise.

Waterfront

- Strive to achieve 5 star visit Scotland status
- Arrange ice technician training for new shift leaders as when required

Potential Re-modelling of Port Glasgow Swimming Pool

As Port Glasgow Swimming Pool is heavily deficit funded, we will look at the potential to remodel by offering a different service. Possible options could be to create a "Training Hub" for pool lifeguard courses,

first aid courses, health & safety training, swimming lessons, studio and gym.

Port Glasgow Pool

Look at opportunities to outsource GP room at pool possible beauty therapy/ massage etc.

Skate School Accessories

As we have now taken control of the Waterfront Figure Skating Club will look at the "specialist" accessories for Skate School.

H&S Quality

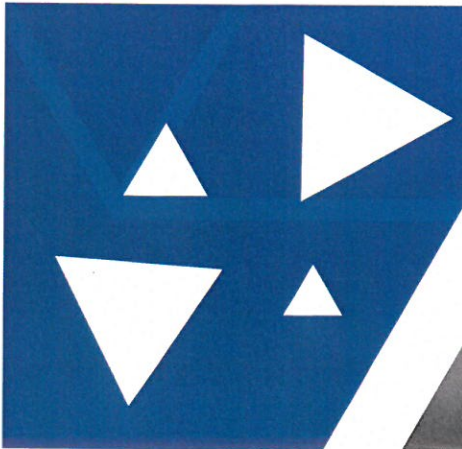
Make year on year improvements on Health and Safety Audits and QMS quarterly audits.

Contracts Review

As we are continually looking for efficiency savings, an exercise will be conducted where we will review all our services provided by external contractors. This will include fire, intruder, CCTV, hygiene provision, fire extinguishers, water tank inspections etc.

Retail Review

A review of the retail provision within the facilities which is currently provided by Sportmax will be carried out to test the market with a view to increasing income and providing the best possible service and product for our customers.



7.0 FINANCIAL OVERVIEW

Finance and Head Office is managed by our Finance Manager as well as being supported by a dedicated team of back office employees under the supervision of our Office Manager. Our head office team have responsibilities for general admin as well as specific responsibilities for accounts payable, accounts receivable, finance, debt management, invoice management, HR and IT.

7.1 FINANCIAL OVERVIEW

Head Office

Key functions delivered by our Head Office other than those listed above include our Finance Manager having responsibility as company secretary as well as was producing management accounts, the development of finance systems, working as part of the Executive Management Team, contributing to the overall business and reporting on any areas of risk in the business so we can react quickly if action is required. Other key functions include the administration of Freedom of Information requests and reporting to the Scottish Information Commissioner, all Board communication including the appointment of new Directors and termination of Directors to company's house, notes for external meetings and Board meetings, ensuring accounts are submitted to company's house, OSCR, IC and annual returns are completed.

Finance Systems

IL uses a computer based financial management systems. Our main accounting ledger system is Access Dimensions and we will be reviewing this over the next three years. We also use Legend Club Management System as our front of house system and for invoicing, during the business plan will be looking to linking Access to Legend through comma-separated value (CSV) file transfer.

Our purchasing system is Redro, a cloud based procurement system developed for companies that place orders with multiple suppliers and require budget control, a robust approved authorisation process and are looking to make cost savings. Redro eliminates paper orders and provides procurement efficiency and live management reporting on spend by supplier products, by location and nominal code.

Budget Control

The profile set by each individual user will determine what they can order and only show the suppliers and products that they are authorised to purchase. The lowest profile that can be set for a user is that they can only order from one supplier, with only one product and only allow a minimum quantity per order or per month. Reporting at all levels so companies have visibility and control of all purchases made.

Authorisation Process

If an order that is placed goes outside the parameters set for the user, an automatic email alert will be sent to relevant authoriser for them review and action.

Legend Front of House System

Legend's FOH module is designed to ensure the ultimate level of efficiency and speed in this key area of your business. The result - A Front

of house area, fast and efficient, with real-time processing of transactions across the key functions of electronic point of sale, access control, bookings and attendance.

The Legend FOH module is designed to increase throughput and ensure revenue maximisation. Legend offers a real-time, one view solution that makes the most important and frequent functions of the reception environment effective and manageable. Legend FOH enables point of sale activity, access control, course and class bookings and membership management to ensure best use of available resources.

KEY FEATURES:

- Powerful EPOS and Stock Control
- Multi-member transaction capability
- Intuitive "basket-based" screen layout
- Chip & Pin payment integration
- Shift Management and Banking
- Messaging and alerts
- One touch short cuts

KEY BENEFITS:

- Reduced queues at reception
- Secure and auditable cash handling
- More efficient access control
- Current 'user transaction' visibility
- Rapid & secure PDQ transactions
- Allows 'one to pay for many'
- Reciprocal access policies

Invoicing

Legend's invoicing and debt management system has been specifically developed to make it simpler to raise, manage and pay invoices directly from the Legend suite of core applications. The result - An accurate, effective, reportable method of maximising timely revenues. The Legend invoicing and debt management system is designed to increase automation through the establishment, management and payment of invoices, and through a database of debtors and terms, automate the debt aging and collection process. The system interprets directly with Legend's core applications. The system also incorporates online payment capability, with a one-click link directly to a secure payments page from any invoice, letter of demand or statement. Thus, invoice settlement administration is greatly reduced.

KEY FEATURES:

- Raise or pay invoices direct from Legend core apps
- Configurable automatic payment-date generation
- Automated credit control & debt recovery
- Secure and seamless online payments
- Scheduled detail & KPI reporting
- Mail & email-merge capability
- Full communication history for any user to see

KEY BENEFITS:

- Accurate revenue protection
- Easy customer-friendly processes
- More efficient debt handling
- Allows easy payments
- Reduced Administration overhead
- Clear transaction and communications visibility
- Effective management of the whole revenue process

Access Dimensions

Access Dimensions is our accounting software that houses the sales ledger and purchase ledger. Access dimension structures our ledgers in a way that best works for our company. Access is a snapshot of our key information with interactive nominal summaries this gives transparency across our trading activities, with completed transactions updating our whole financial system instantly.





Management Information

IL produces monthly management accounts. These accounts are gone through every month with the Finance Manager and Chief Executive. Subsequently, the Board are updated at every meeting. This information is then cascaded to all staff and backed up with regular monthly reporting to IC. The aim of this is to address financial issues as soon as they become apparent and reduce any arrears of financial risk by corrective action.

We employ a very robust accountability system with strict internal controls in terms of authorisation limits, segregation of duties and clear levels of financial security and responsibility.

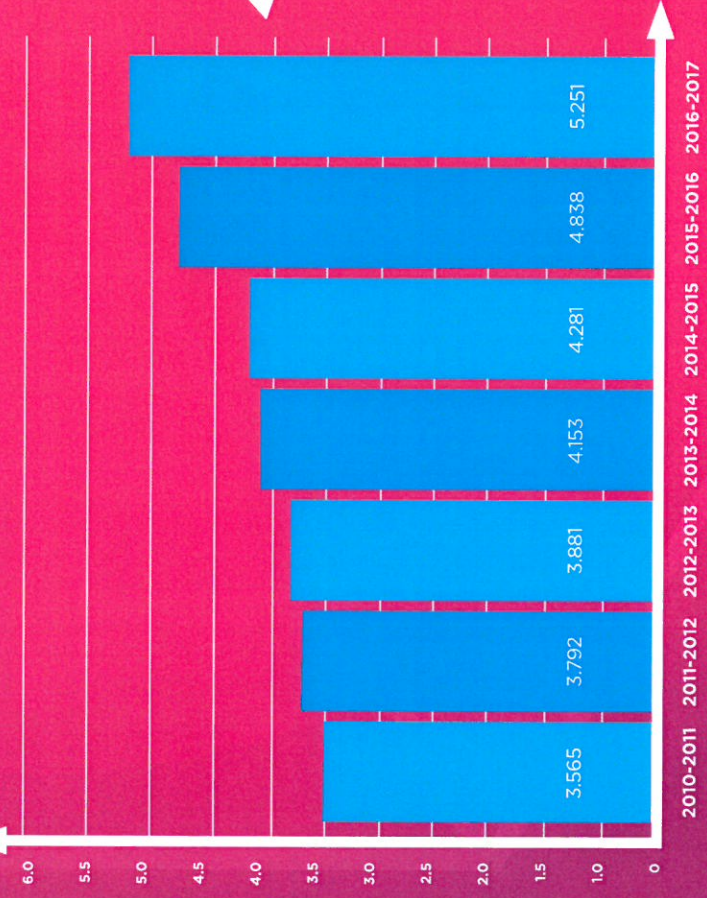
Income Growth

Income has grown significantly over the last few years and as may be seen from the forecast later in this section we plan for this to continue over the next three years. The graph below shows income growth without management fee

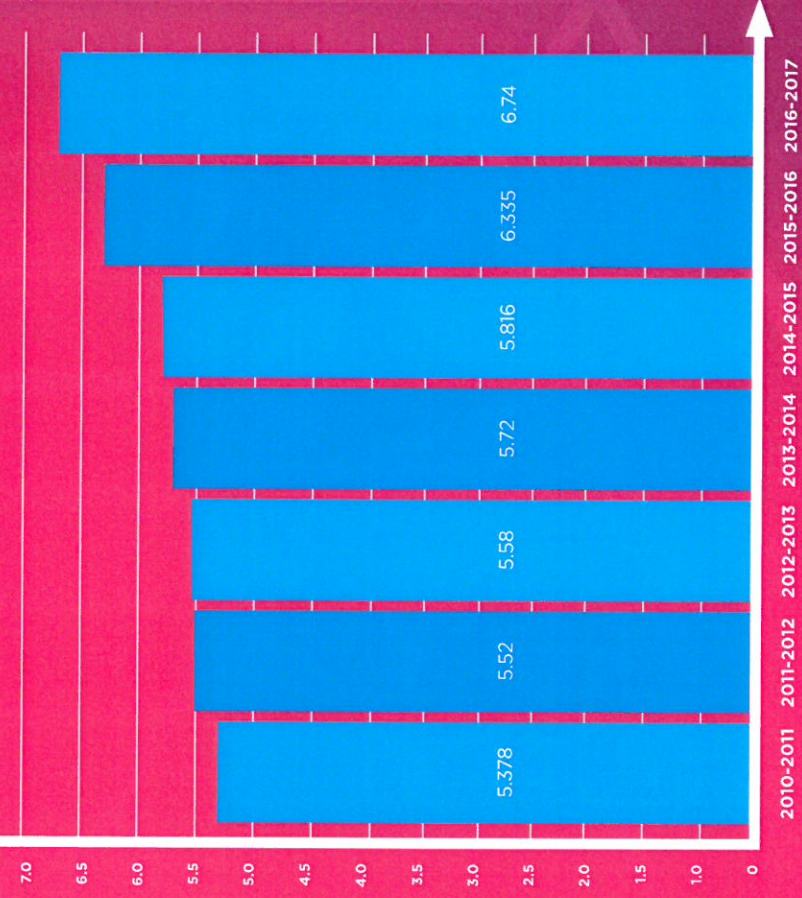
Income Growth with Management Fee

Below is a graph of income including management fee as may be seen this has shown good growth, especially in the last three years.

INCOME GROWTH



INCOME GROWTH WITH MANAGEMENT FEE



Management Fee

IL also receives a management fee from IC for the provision of leisure facilities in Inverclyde. The management fee currently sits at £1,489m and represents approximately 22% of our income. The fee has consistently reduced over the years from IL's initial 52% management fee.

The below graph shows how IL has reduced its management fee over the last few years. We plan further to reduce the management fee in the next three years by not only committing to the 2% saving target but working with IC to deliver further reductions in service considering the huge pressure the council has on its own funding.

7.2 FINANCIAL STRATEGY

IL will continue to drive income and increase profitability where possible. IL is also committed to minimising our dependence on Inverclyde Council's management fee by continuing to meet efficiency savings.

Pricing

IL will maximise pricing of commercially viable products and services while mindful of our charitable objectives.

Products and Services

IL will develop products and services with a view of retaining existing customer base aiming to keep our customer for as long as possible in our product

portfolio. But also, expanding and developing new products and services in our current business and potentially new business.

Diversification

One of the key strategies to growth will be further diversification of our product portfolio by segmenting the market to allow for better allocation of IL financial resources and more investment in growth areas of the business.

Income Development

IL is committed to increasing all revenue streams and will be striving to increase all income especially in areas such as direct debit memberships, swim school, skate school and our play products.

Tendering

IL will review all our current contracts over £25k a year and will schedule these to be put out to tender. All contracts under £25k will be investigated and 3 quotes will be obtained. We will also be reviewing all our tender documentation to ensure it is up-to-date

Financial Regulation

IL continues to review our financial regulations. These regulations will be further reviewed over the next 3 years in line with the QMS with all relevant changes implemented.

Freedom of Information

IL will ensure all Freedom of Information (FOI) requests are dealt with in the appropriate way.

VAT

IL will continue to review current VAT status and will look and seek advice to ensure that we are still treating all our income and expenditure in the correct way.

External Funding

IL will seek to increase access to external funding and will aim to further develop relations with key partners.

Accounting System

During the next three years, IL aim to review Access Dimension linking it to our FOH system or replacing it with a new system, the aim of this is to automate some of the processes.

Energy Reduction

IL will continue to look to reduce energy costs and will be working with both suppliers to get the best rates on the market and consultants to advise on energy efficient products.

Insurance

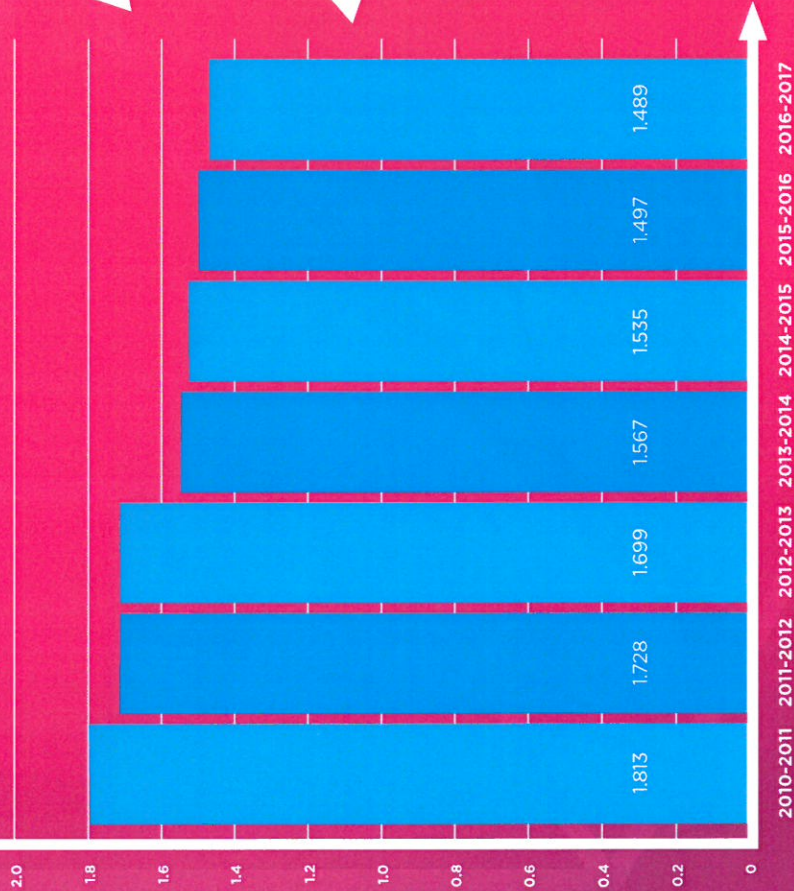
IL will continue to competitively price insurance for the company ensuring risks are underwritten to help protect the company against possible litigation.

Legal
Legal advice is sought for any contractual changes and company law issues. Our current legal advisors are Pattern and Prentice.

Reinvestment

IL will look to re-invest some of its surpluses possibly in the form of future capital investment for the aim of developing future revenue streams for the benefit of the organisation.

MANAGEMENT FEE



7.3 THREE YEARS' FORECAST

The forecast has been produced to be realistic and achievable, it does not take into consideration capital investment from the projects that we may undertake, as this will be managed on a project by project basis.

There will remain an increased focus and vigilance in reviewing performance each month and any necessary action will be carried out quickly. IL will continuously review its accounts, maximising income through competitive pricing structures and marketing plans combined with a determination to drive down costs.

Below is the three-year forecast including assumptions:-

INCOME	YEAR 1 2017/18	YEAR 2 2018/19	YEAR 3 2019/20
Trading Company	226000	226000	231000
Leisure	4288001	4374001	4444001
Communities	297600	297600	297600
Parks & Pitches	180000	180000	180000
Health & Vitality	90000	90000	90000
Interest	8000	8000	8000
Free Swimming IC	242000	242000	242000
Management Fee	1313754	1287459	1261710
TOTAL INCOME	6645335	6705060	6754311

EXPENDITURE	YEAR 1 2017/18	YEAR 2 2018/19	YEAR 3 2019/20
TRADING COST OF SALES	123500	123500	123500
Salaries	4090411	4151315	4172628
EMPLOYEES	4090411	4131315	4172628
Water	118800	121176	122388
Electricity	505700	515814	520972
Gas	195900	199818	201816
UTILITY COSTS	820400	836808	845176
Refuse Collection	32000	32000	32000
Birkmyre Rent	12000	12000	12000
Furniture & Fittings	2600	2600	2600
Cleaning	28000	28000	28000
Service Contracts	95600	95600	95600
Repairs & Maintenance	138800	138800	138800
OTHER PROPERTY COSTS	309000	309000	309000
Special Events	15000	15000	15000
Tools, Equipment & Maint Contracts	66500	66500	66500
Chemicals	19000	19000	19000
Clothing & Uniforms	10000	10000	10000
Licences	15500	15500	15500

SUPPLIES & SERVICES	126000	126000	126000
Telephones & Comms	28000	28000	28000
Cash Collection Service	39300	39300	39300
Sundries & Postages	28300	28300	28300
Other Expenditure	47300	47300	47300
TOTAL	142900	142900	142900
Loan Charges / Development	171000	171000	171000
Irrecoverable VAT	263000	263000	263000
Printing & Marketing	121000	121000	121000
Insurance	42000	42000	42000
Training	20000	20000	20000
Depreciation	178500	178500	178500
Audit Fee, Legal Fees, Bank Charges	57000	57000	57000
Software Licences	14000	14000	14000
PPL / PPS	30000	30000	30000
IT	35000	35000	35000
Legend FOH	40000	40000	40000
DD Collection Service	36000	36000	36000
Legal and Staff Support	15000	15000	15000
IC Payroll Service	11000	11000	11000

TOTAL SUPPORT COSTS 859500 862500 862500 **862500**

GROSS EXPENDITURE 6642711 6703023 6752704 **6752704**

NET SURPLUS 2624 2037 1607 **1607**

This three year projection has been set with the following assumptions:-

- Management Fee has been reduced by 2% each year
- Year 1 Management Fee further reduced by £146,000 to incorporate, withdrawal from Inverclyde Council HR support. Lease for Birkmyre Gym and targeted saving from the CHP project.
- The £12,000 rent cost relates to the payment due to the Birkmyre Trust
- A cost of £15,000 has been assumed for staff legal and support costs
- Inverclyde Leisure have assumed that all current facilities will remain open
- A £1 price increase for Fitness Plus members has been assumed.
- Sales growth has been assumed in some of IL centres
- Inverclyde Leisure have assumed no change to the free swimming grant received from Inverclyde Council
- Development costs remain flat as no projects are currently under review. Any potential projects are costed once reviewed and approved by the Board of Directors
- 3% pay award over the next 3 years
- Utilities are projected to be lower in year 1 due to the CHP project. A moderate increase has been projected for years 2 and 3.
- Irrecoverable VAT remains flat over the next 3 years as Inverclyde Leisure does not envisage a significant change in sales trend

7.4 RISKS

All business activities incur risk. Risk is central to the concept of enterprise and so all businesses have, to a greater or lesser extent, developed methods to anticipate and handle it.

IL has adopted a risk management approach which is designed to raise levels of awareness and develop risk management strategies that are critical to its corporate objectives.

IL have a risk register that is updated on a six-monthly basis discussed at senior level and cascaded to the Board depending on the nature of the risk.

Within the area of risk management, it is important to the various stakeholders within IL for different reasons:-

- Client / Partners - Business continuity and legal issues
- Employees - work
- Customers - continued service delivery

IL also has a business continuity plan to cover a disaster recovery in all areas of its operations. Integral to its business continuity plan are the risk assessments that IL carries out in all areas of the business.

Recognising that effective management of risk involves having monitoring processes in place, access to reliable information and appropriate control mechanisms, a risk management framework has been developed for the organisation.

This framework will sit at the centre of IL risk management approach to provide consistency and control throughout the process. It will also support a more efficient allocation of resources and allow investment to be focused into key operational areas. The protection of IL key assets can then be maintained and its reputation and image protected.

The basic requirements for the risk management framework are to:-

- Establish the organisation's risk policy
- Identify main stakeholders
- Clarify objectives
- Define the main approaches for identifying risks; assessing risks and reporting, and action to eliminate or reduce risks

- Define responsibilities for managing risk and reporting to senior management, especially risks which cut across core business activities and organisational boundaries
- Clear audit trail of decisions as the Risk Management Strategy further develops

IL is aiming to achieve the following:-

- Corporate objectives more widely known
- Significant risks known and monitored
- Less surprises
- Recognition of opportunities that would have otherwise been missed
- Improved forward planning

7.5 FINANCIAL OBJECTIVES

Year 1

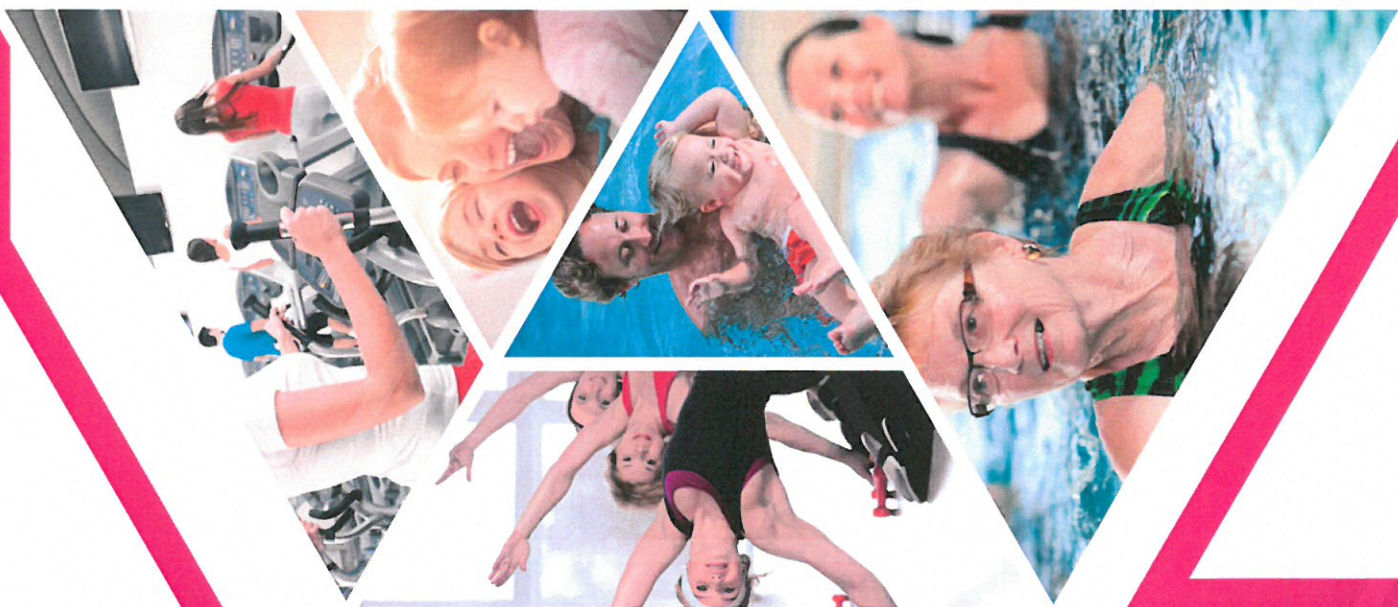
- Improve electronic payments through BACS and Legend invoicing
- Integrate new approach for HR process and systems into Head Office
- Ensure review of debt management process
- Return all FOI requests within parameters
- Ensure all control accounts are reconciled
- Update to internet banking
- Produce monthly accounts and end year accounts
- Create cash flow projections
- Review tender documentation

Year 2

- Look to re-tender insurance
- Consider invoice matching through Redro
- Review VAT with external advisor
- Review pricing to ensure maximum return
- Produce monthly accounts
- Return all FOI requests within parameters
- Review Budget authorisations on Redro
- Seek external funding
- Review risk register
- Review utilities costs and contracts
- Review bank charges and merchant services

Year 3

- Return all FOI requests within parameters
- Review Access Dimensions link to Legend or implement a new system
- Produce monthly accounts
- Review pricing to ensure maximum return
- Seek external funding
- Review risk register
- Review professional services, audit and legal



Report To:	Inverclyde Council	Date:	6 April 2017
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	RMcG/LP/028/17
Contact Officer:	Rona McGhee	Contact No:	01475 712113
Subject:	Treasury Management Strategy Statement and Annual Investment Strategy – 2017/18–2020/21: Remit from Policy & Resources Committee		

1.0 PURPOSE

- 1.1 The purpose of this report is to request the Council to consider a remit from the Policy & Resources Committee.

2.0 SUMMARY

- 2.1 The Policy & Resources Committee at its meeting on 21 March 2017 considered a report by the Chief Financial Officer on the Treasury Management Strategy Statement and Annual Investment Strategy for 2017/21, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, the Council's Prudential and Treasury Management Indicators for the next 4 years and the List of Permitted Investments.
- 2.2 A copy of the report to the Policy & Resources Committee as attached as Appendix 1. This provides background information and information on the capital/treasury management position, prudential indicators, treasury management indicators and policy limits.
- 2.3 The Committee decided that the following be remitted to the Inverclyde Council for approval:
- (a) Treasury Management Strategy and Annual Investment Strategy
 - (b) Authorised Limits for 2017/21
 - (c) Treasury Management Policy Statement set out in Paragraph 5.2 of the report
 - (d) Policy on repayment of Loans Fund advances set out in paragraph 8.2 of the report
 - (e) Treasury Policy Limits
 - (f) Prudential Indicators and Treasury Management Indicators
 - (g) List of Permitted Investments (including those for the Common Good Fund).

3.0 RECOMMENDATION

- 3.1 The Council is asked to consider the remit from the Policy & Resources Committee.

Report To:	Policy & Resources Committee	Date:	21 March 2017
Report By:	Chief Financial Officer	Report No:	FIN/21/17/AP/KJ
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY - 2017/18-2020/21		

1.0 PURPOSE

1.1 The purpose of this report is to present to the Committee the Treasury Management Strategy Statement and Annual Investment Strategy for 2017/21, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, the Council's Prudential and Treasury Management Indicators for the next 4 years and the List of Permitted Investments.

2.0 SUMMARY

- 2.1 The report sets out the Council's proposed Treasury Management Strategy and Annual Investment Strategy for 2017/21, Treasury Policy Limits, and Prudential and Treasury Management Indicators for the next 4 years including the proposed Authorised Limits.
- 2.2 The report also proposes a List of Permitted Investments listing the types of investments and limits for those investments. There are no changes to the list of permitted investments from that agreed in 2016.
- 2.3 The Treasury Management Strategy, Annual Investment Strategy, Treasury Policy Limits, Prudential Indicators, and Treasury Management Indicators have been set based on the Council's current and projected financial position (including projected capital expenditure) and the latest estimated interest rate levels. This includes the effect of the recently approved 2017/20 Capital Programme in which no new Prudential Borrowing was approved on the basis that, in light of projected funding pressures, further increases to the cost of Council debt servicing would place unnecessary strain on the Council's Budget.
- 2.4 The report also requests the annual approval of the Council's Treasury Management Policy Statement and approval of the Council's policy on the repayment of Loans Fund advances.
- 2.5 In line with the Council's Financial Regulations, the proposals in this report require approval by the Full Council.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee remits to the Inverclyde Council, for their approval, the following, as outlined in this report:
- Treasury Management Strategy and Annual Investment Strategy
 - Authorised Limits for 2017/21
 - Treasury Management Policy Statement set out in paragraph 5.2
 - Policy on repayment of Loans Fund advances set out in paragraph 8.2
 - Treasury Policy Limits
 - Prudential Indicators and Treasury Management Indicators
 - List of Permitted Investments (including those for the Common Good Fund).

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 This report presents, for approval, a Treasury Management Strategy Statement and Annual Investment Strategy, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, and Prudential and Treasury Management Indicators for 2017/21.
- 4.2 CIPFA produced the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management. Inverclyde Council has adopted the Code of Practice on Treasury Management and complies with the Prudential Code.
- 4.3 The Local Government in Scotland Act 2003 and supporting regulations (the Act) require the Council to 'have regard to' the CIPFA Prudential Code (the Prudential Code) and the CIPFA Code of Practice on Treasury Management (the Code) to set Prudential and Treasury Indicators for at least the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 4.4 The Act and supporting regulations require the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 4.5 It is a statutory requirement for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue are affordable within the projected income of the Council for the foreseeable future.
- 4.6 A glossary of treasury management terms is attached as Appendix 4.

5.0 SUMMARY OF ISSUES

- 5.1 The main issues from this report are:
 - a. The Capital/Treasury Management position, Prudential Indicators, Treasury Management Indicators and Policy Limits are shown in Section 6 below.
 - b. The proposed Treasury Strategy and Investment Strategy are shown in Section 7 below.
 - c. The Full Council is requested to approve the Authorised Limits for 2017/21 as shown in paragraph 6.5.
 - d. The Full Council is requested to approve the policy on the repayment of Loans Fund advances as shown in paragraph 8.2.
 - e. There remains considerable economic uncertainty affecting forecasts for interest rates.
 - f. There are no proposed changes to Permitted Investments from those approved in 2016 (permitted investment types, limits, risks, controls and objectives) as set out in Appendix 2.
 - g. The Council's Treasury Management Practices document, which sets out operational matters relating to Treasury Management operations, has been the subject of a 3-yearly review.
 - h. During the year Barclays (with whom the Council had 2 LOBO loans) amended the terms on those loans. The loans are now no longer LOBO loans and are instead fixed rate loans through to their maturity.
 - i. In the recently approved 2017/20 Capital Programme, the Council approved no new Prudential Borrowing on the basis that, in light of projected funding pressures, further increases to the cost of Council debt servicing would place unnecessary strain on the Council's Budget.

- 5.2 The Council has a formal Treasury Management Policy Statement as follows that is required to be approved by the Full Council:
1. This organisation defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
 2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
 3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council is being requested to approve this Treasury Management Policy Statement.

6.0 CAPITAL/TREASURY MANAGEMENT POSITION, PRUDENTIAL INDICATORS, TREASURY MANAGEMENT INDICATORS AND POLICY LIMITS

Current Treasury Management Position

- 6.1 The Council's treasury management position at 15 February 2017 comprised:

	Principal		Average Rate
	£000	£000	
Fixed rate funding	PWLB	105,155	3.87%
	Market	40,000	
Variable rate funding	PWLB	0	4.89%
	Market	62,946	4.18%
		208,101	
Other long term liabilities		66,054	---
TOTAL DEBT		274,155	
TOTAL INVESTMENTS		45,523	0.52%

In June 2016 Barclays (with whom the Council had 2 LOBO loans) advised that they were amending the terms of their loans to remove the LOBO aspects of the loans. These loans are now fixed rate loans through to their maturity and are shown under Market loans above.

Capital Expenditure and Borrowing

- 6.2 The Council's Gross Capital Expenditure is estimated as:

	2016/17	2017/18	2018/19	2019/20	2020/21
	Projected	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital Programme	29,281	32,629	40,146	15,883	10,106
PPP (accounting adjustments)	(1,908)	(2,039)	(1,591)	(1,723)	(1,758)
Total	27,373	30,590	38,555	14,160	8,348

- 6.3 The Council's borrowing requirement (which takes account of the estimated Capital Expenditure, borrowing maturing and requiring to be refinanced, and estimated future Council investment balances) is as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
	Projected	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
New borrowing	0	0	20,000	0	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	0	10,000	15,000	0
TOTAL	0	0	30,000	15,000	0

- 6.4 The Council's Gross Debt compared to the Capital Financing Requirement from this and previous Capital Expenditure as at each year-end (including the effect of the proposed borrowing in paragraph 6.3) is as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
	Projected	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
External Debt (Including PPP)	273,918	271,438	289,393	287,528	272,718
Capital Financing Requirement (CFR)	307,442	312,370	324,984	316,905	302,855
Under/(Over) Against CFR	33,524	40,932	35,591	29,377	30,137

The above table shows that the Council expects to be under borrowed each year. Under borrowing means that the Council is using cash it already has (e.g. in earmarked reserves and other balances) to cash flow capital expenditure rather than bringing in new funds from borrowing. The projected level of under borrowing is considered manageable but the position is kept under review in light of Council capital financing and other funding requirements.

- 6.5 The Council's Authorised Limit is a control on the maximum level of debt whilst the Operational Boundary is a limit that debt is not normally expected to exceed. It is proposed that the limits are:

	2016/17	2017/18	2018/19	2019/20	2020/21
	Limit	Limit	Limit	Limit	Limit
	£000	£000	£000	£000	£000
Authorised limit for external debt					
Borrowing	229,000	216,000	248,000	255,000	240,000
Other long term liabilities	68,000	66,000	64,000	63,000	61,000
TOTAL	297,000	282,000	312,000	318,000	301,000
Operational boundary for external debt					
Borrowing	219,000	211,000	240,000	245,000	230,000
Other long term liabilities	68,000	66,000	64,000	63,000	61,000
TOTAL	287,000	277,000	304,000	308,000	291,000

Approval is being sought for the Authorised Limits for 2017/18 to 2020/21.

- 6.6 The Council sets limits on the maturity of fixed rate borrowing for the coming financial year. The limits proposed for 2017/18 are:

Maturity Structure	Upper Limit	Lower Limit
Under 12 months	45%	0%
12 months and within 24 months	45%	0%
24 months and within 5 years	45%	0%
5 years and within 10 years	45%	0%
10 years and within 30 years	45%	0%
30 years and within 50 years	45%	0%
50 years and within 70 years	45%	0%

These limits are the same as set in 2016. They reflect the Treasury Management Code requirement that the Council's Market debt is treated based not on when the debt is due to actually mature but on when the lender could request an increase in the interest rate (when the Council could accept the increase or repay the debt).

6.7 The Council sets limits relating to the management of debt. The limits proposed are:

	2017/18	2018/19	2019/20	2020/21	2016/17
	Limit	Limit	Limit	Limit	Projected Outturn at Year-End
Upper limit for fixed interest rate exposure *	130%	130%	120%	120%	86.35%
Upper limit for variable rate exposure *	40%	40%	40%	40%	13.65%
Maximum percentage of debt repayable in any year	25%	25%	25%	25%	18.76%
Maximum proportion of debt at variable rates	45%	45%	45%	45%	30.25%
Maximum percentage of debt restructured in any year	30%	30%	30%	30%	0.00%

The proposed limits are the same as set in 2016.

* The Council's debt is largely at fixed rates (with some debt moving between fixed and variable) whilst its investments are at variable rates. As a result, the percentages produced can be above 100% for one limit and below 0% for the other limit.

6.8 In relation to affordability, the ratio of financing costs (including for PPP) to the Council's net revenue stream is estimated as:

	2016/17	2017/18	2018/19	2019/20	2020/21
	Projected	Estimate	Estimate	Estimate	Estimate
Ratio of financing costs (including PPP) to net revenue stream	12.99%	13.85%	14.67%	15.72%	16.16%

In the recently approved 2017/20 Capital Programme, the Council approved no new Prudential Borrowing on the basis that, in light of projected funding pressures, further increases to the cost of Council debt servicing would place unnecessary strain on the Council's Budget.

6.9 The incremental impact of capital investment decisions is estimated as:

	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
Incremental increase in council tax (band D) per annum	£1.15	£1.60	£0.53	£0.14

This reflects the year-on-year effect of prudential borrowing for capital expenditure (such as the schools acceleration). The costs of these capital investment decisions are budgeted for by the Council as part of the annual budget process and in the Financial Strategy.

Investments

6.10 The Council's estimated investments position (after the proposed borrowing in paragraph 6.3) is shown in Appendix 3 and includes transactions treated as investments under the Investment Regulations. Included in Appendix 3 (as Cash balances managed in house) are the following estimated Bank Deposits:

	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
Cash balances managed in house	£000	£000	£000	£000
1 April	40,000	19,590	12,519	13,883
31 March	19,590	12,519	13,883	13,123
Change in year	(20,410)	(7,071)	1,364	(760)

- 6.11 The Council sets upper limits for the total investments invested for over 364 days. The proposed limits are as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
	Limit	Limit	Limit	Limit	Limit
Upper limit for total principal sums invested for over 364 days	£000 10,000	£000 10,000	£000 10,000	£000 10,000	£000 10,000

The Council has not entered into any investments of more than 364 days during 2016/17 to date and does not expect to do so during the remainder of the year.

7.0 PROPOSED TREASURY STRATEGY AND INVESTMENT STRATEGY

Economic Background

- 7.1 Appendix 1 explains the Economic Background affecting the proposed Treasury Management Strategy and Annual Investment Strategy.

- 7.2 The Council has appointed Capita Treasury Solutions Limited as treasury advisers with part of their service being to assist the Council to formulate a view on interest rates. Capita's latest interest rate forecasts (as at 9 February 2017) are:

As At	Bank Rate	Investment (LIBID) Rates			PWLB Borrowing Rates			
		3 month	6 month	1 year	5 year	10 Year	25 year	50 year
	%	%	%	%	%	%	%	%
March 2017	0.25	0.30	0.40	0.70	1.60	2.30	2.90	2.70
June 2017	0.25	0.30	0.40	0.70	1.60	2.30	2.90	2.70
Sept 2017	0.25	0.30	0.40	0.70	1.60	2.30	2.90	2.70
Dec 2017	0.25	0.30	0.40	0.70	1.60	2.30	3.00	2.80
March 2018	0.25	0.30	0.40	0.70	1.70	2.30	3.00	2.80
June 2018	0.25	0.30	0.40	0.80	1.70	2.40	3.00	2.80
Sept 2018	0.25	0.30	0.40	0.80	1.70	2.40	3.10	2.90
Dec 2018	0.25	0.40	0.50	0.90	1.80	2.40	3.10	2.90
March 2019	0.25	0.50	0.60	1.00	1.80	2.50	3.20	3.00
June 2019	0.50	0.60	0.70	1.10	1.90	2.50	3.20	3.00
Sept 2019	0.50	0.70	0.80	1.20	1.90	2.60	3.30	3.10
Dec 2019	0.75	0.80	0.90	1.30	2.00	2.60	3.30	3.10
March 2020	0.75	0.90	1.00	1.40	2.00	2.70	3.40	3.20

- 7.3 As Appendix 1 and the interest rate forecast above indicates, there remains considerable economic uncertainty which suggests that investment returns are likely to continue to be relatively low and there will remain a cost of carry to any new borrowing that would cause an increase in investments (for the difference between borrowing and investment interest rates).

Treasury Strategy – Borrowing

- 7.4 The proposed borrowing is as shown in paragraph 6.3 whilst the proposed authorised limit for 2017/18 is shown in paragraph 6.5. No new borrowing is planned for 2017/18.
- 7.5 Any borrowing will depend on an assessment by the Chief Financial Officer based on the Council's requirements and financial position, adopting a cautious but pragmatic approach and after seeking advice and interest rate/economic forecasts from the Council's treasury advisers.

Any borrowing decisions will be reported to the Policy & Resources Committee.

7.6 Policy on Borrowing in Advance of Need

The Council does not and will not borrow more than its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will:

- Consider the definition of such borrowing within the Code on the Investment of Money By Scottish Local Authorities
- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and for the budgets have been considered
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- Consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk and other risks and the level of such risks given the controls in place to minimise them.

The maximum extent to which borrowing in advance would be undertaken by this Council is the borrowing requirement identified in paragraph 6.3 above for 2017/2020.

Treasury Strategy - Debt Rescheduling

- 7.7 PWLB-to-PWLB debt restructuring, whilst an option and having been done in the past before changes to PWLB rules in 2007 and 2010, would give rise to large premiums that would be incurred by prematurely repaying existing PWLB loans. It is possible but very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.
- 7.8 As short term borrowing rates are expected to be considerably cheaper than longer term rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.
- 7.9 The Council is more likely to look at making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on currently held debt.
- 7.10 The reasons for any rescheduling to take place will include:
- The generation of cash savings and/or discounted cash flow savings but at minimum risk;
 - Helping to fulfil the strategy outlined above; and
 - Enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).
- 7.11 Any debt rescheduling will be reported to the Policy & Resources Committee and the Full Council and will be within the Treasury Policy Limits.

Investments – Policies/Strategy

7.12 Investment Policy

The Council will have regard to the Local Government Investment (Scotland) Regulations 2010 and accompanying finance circular and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (“the CIPFA TM Code”). The Council’s investment priorities are:

- (a) The security of capital
and
- (b) The liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to the security of its investments.

7.13 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

7.14 Counterparty limits will be as set through the Council’s Treasury Management Practices.

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

7.16 Permitted Investment Types

There are a large number of investment instruments that the Council could use, each having different features and risks.

The list of investment instruments proposed for possible use by the Council (including those for the Common Good Fund) and for which Council approval is being sought are listed in Appendix 2 along with details of the risks from each type of investment.

The list of proposed investments reflects a low risk appetite and approach to investments by the Council.

There are no changes to the proposed list of permitted investments from that agreed in 2016.

7.17 Creditworthiness Policy

The Council’s proposed Creditworthiness Policy for 2017/18, as follows, is unchanged from that agreed in 2016.

7.18 The Council uses the creditworthiness service provided by Capita Treasury Solutions Limited. This service uses a sophisticated modelling approach using credit ratings from the three main rating agencies - Fitch, Moody’s, and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies (indicating the likelihood of ratings changes for a counterparty or the expected direction of ratings for a counterparty)
- Credit Default Swap (“CDS”) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

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

The approach is reviewed by Capita as required in light of banking system and regulatory changes e.g. the reduction in importance of support ratings for individual banks due to the removal of implied government support to banks.

- 7.20 The Council will use counterparties within the following durational bands and with the following limits per counterparty (bands and limits as set through the Council's Treasury Management Practices):

Colour Category	Maximum Period for Individual Investments	Current Limit for Total Investments with Individual Counterparty
Purple	2 Years	£15m
Blue (Nationalised or Semi-Nationalised UK Banks)	1 Year	£15m
Orange	1 Year	£15m
Red	6 Months	£15m
Green	100 Days	£10m
No Colour	Not To Be Used	£NIL

The maximum period for individual investments with the Council's own bankers will be as in accordance with the above table whilst the limit for total investments will be £50m or as agreed by Committee.

Members should note that these are the maximum periods for which any investment with a counterparty meeting the criteria would take place but subject to the Council's policy on Permitted Investments and instruments.

- 7.21 The Capita creditworthiness service uses a wider array of information than just primary ratings and, by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

- 7.22 All credit ratings are monitored on an ongoing basis. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap spreads against a benchmark (the iTraxx index) and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. The Council also uses (where available) market data and market information, information on government support for banks and the credit ratings of that government support.

- 7.23 It is proposed that the Council will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if not issued by Fitch). Countries currently meeting this criterion include Australia, Canada, France, Germany, Sweden, the USA, and the UK.

- 7.24 Investment Strategy

Appendix 3 includes forecasts of investment balances.

- 7.25 The Bank Rate was cut to 0.25% in August 2016, the first change since March 2009. It is forecast to remain at this level until quarter 2 of 2019 and not rise above 0.75% by quarter 1 of 2020. Bank Rate forecasts for financial year ends (March) are as follows:
- 2017/18 0.25%
 - 2018/19 0.25%
 - 2019/20 0.75%.

If expectations for economic growth weaken then increases in the Bank Rate could be delayed. If, however, the pace of growth quickens and/or forecasts for inflation rise then there could be an upside risk i.e. Bank Rate increases occur earlier and/or at a quicker pace.

- 7.26 Capita advise that, for 2017/18, clients should budget for an investment return of 0.25% on investments placed during the financial year for periods of up to 100 days.
- 7.27 The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Council.
- 7.28 As part of the process of strengthening banks and the increased regulation of banks following the banking and financial crisis, the banking regulatory authorities in the UK and the EU introduced directives and regulations relating to issues such as bank capital and reserves to be held in case the banks hit financial problems. The regulators also undertake stress tests of individual banks to test the resilience of their financial position if there were to be particular economic scenarios e.g. a significant drop in house prices accompanied by an increase in unemployment at the same time as an increase in interest rates/funding costs.
- 7.29 Members should note that the some of the changes in banking regulations being implemented in the UK and the EU to further strengthen banks will further reduce the interest rates that they are likely to see on their own bank deposit accounts as individuals (relative to the Bank Rate) and will also impact on the rates receivable by the Council on its investments. It is likely that the Council and private individuals will receive much lower rates for call monies (instant access investments) or very short term investments than it/they will for investments of 32 days and above.
- 7.30 At the moment the Council receives the Bank Rate of 0.25% on call monies from the Bank of Scotland under the terms of its current banking contract but we have been advised that the regulatory changes mean that the rate is likely to be reduced in the future once the current contract ends. A rate reduction will have an impact, in due course, on Council investment returns and therefore budgets and thereby making it increasingly more attractive for the Council to reduce, as far as practicable, its investment balances.

Policy on Use of External Service Providers

- 7.31 The Council uses Capita Treasury Solutions Limited as its external treasury management advisers and uses the services of brokers for investment deals as required. The Council's current contract with Capita finishes on 30 June 2018 with an option for a further one year extension.
- 7.32 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.
- 7.33 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Policy on Scrutiny, Monitoring and Change of Investment Policies and Practices

- 7.34 The Treasury Management Practices (TMPs) of the Council set out the operational policies and procedures in place to implement the treasury management strategy and the principles set out in the treasury management policy statement. They are intended to minimise the risk to the capital sum of investments and for optimising the return on the funds consistent with those risks.
- 7.35 The TMPs are kept under review, with a full revision every 3 years, with the latest review having taken place this year.
- 7.36 A copy of the TMPs may be obtained from Finance Services.

Training for Members

- 7.37 A specific training session on Treasury Management was held for Members on 4 November 2015. Further training will be organised later this year following the Council Elections.

8.0 LOANS FUND ADVANCES

- 8.1 Where capital expenditure is funded by borrowing (referred to as loans fund advances), the debt financing costs are paid from the Revenue Budget as loan charges comprised of the repayment of debt and interest and expenses costs on the borrowing. The following paragraphs in relation to loans fund advances are included to meet new requirements introduced from 2016/17 onwards.
- 8.2 The Council is required to set out its policy for the repayment of loans fund advances.

For loans fund advances made before 1 April 2016 the policy will be to maintain the practice of previous years and use the Statutory Method (option 1) with annual principal repayments being calculated using the annuity method.

The same method is proposed for loans fund advances made after 1 April 2016 for the permitted 5 year transitional period. In applying the annuity method to new advances in any year, the interest rate used in the annuity calculation will be the Council's loans fund pool rate for the year (including expenses) as rounded up to the nearest 0.01%.

- 8.3 The outstanding loans fund advances (representing capital expenditure still to be repaid from the Revenue Budget) are:

	2015/16	2016/17	2017/18
	Actual	Projected	Estimated
	£000	£000	£000
Balance As At 1 April	233,975	234,027	241,216
Add: Advances For The Year	9,095	17,773	18,328
Less: Repayments For The Year	9,043	10,584	11,360
Balance As At 31 March	234,027	241,216	248,184

- 8.4 For the projected loans fund advances outstanding as at 31 March 2017, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	11,385
Years 2-5	43,678
Years 5-10	38,878
Years 10-15	39,152
Years 15-20	37,230
Years 20-25	28,034
Years 25-30	24,682
Years 30-35	13,017
Years 35-40	3,972
Years 40-45	947
Years 45-50	241
TOTAL	241,216

9.0 IMPLICATIONS

Finance

- 9.1 Adopting the Treasury Strategy and the Investment Strategy for 2017/18 and the following three years will allow a balance to be maintained between opportunities to continue to generate savings for the Council and minimising the risks involved.

Legal

- 9.2 There are no legal implications arising from this report.

Human Resources

- 9.3 There are no HR implications arising from this report.

Equalities

- 9.4 There are no equalities implications arising from this report

Repopulation

- 9.5 There are no repopulation implications arising from this report.

10.0 CONSULTATIONS

- 10.1 This report has drawn on advice from the Council's treasury advisers (Capita Treasury Solutions Limited).

11.0 LIST OF BACKGROUND PAPERS

- 11.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2011 Edition
CIPFA – The Prudential Code for Capital Finance in Local Authorities – 2011 Edition
Scottish Parliament – The Local Government Investments (Scotland) Regulations 2010 (Scottish Statutory Instrument 2010 No. 122)
Scottish Government - Finance Circular 5/2010 - Investment of Money by Scottish local authorities 1.4.10
Scottish Parliament – The Local Government (Capital Finance and Accounting) (Scotland) Regulations 2016 (Scottish Statutory Instrument 2016 No. 123)
Scottish Government - Finance Circular 7/2016 - The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 – Loans Fund Accounting

ECONOMIC BACKGROUND

The following economic background is a summary based on information from the Council's treasury advisers, Capita Treasury Solutions Limited:

Economic forecasting remains difficult with so many external influences weighing on the UK. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. The degree of any upward pressure is likely to be determined by how strong or weak the prospects for economic growth and rising inflation are (depending on the economic situation in the UK and globally), and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is possible that these exceptional levels of volatility could continue to occur for the foreseeable future.

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

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national elections in several European countries including France and Germany.
- A resurgence of the Eurozone sovereign debt crisis, including in Greece.
- Weak capitalisation of some European banks.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation being weaker than anticipated.
- Weak growth or recession in the EU and US.

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

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Federal Reserve rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Federal Reserve rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Appendix 2

PERMITTED INVESTMENTS AND RISKS/CONTROLS/OBJECTIVES FOR EACH TYPE OF PERMITTED INVESTMENT

The Council approves the following forms of investment instrument for use as Permitted Investments:

	Minimum Credit Criteria	Liquidity Risk	Market Risk	Max % of Total Investments	Max. Maturity Period
Deposits					
Debt Management Agency Deposit Facility (DMADF)	---	Term	No	Unlimited	6 Months
Term Deposits – Local Authorities	---	Term	No	80%	2 Years
Call Accounts – Banks and Building Societies	Capita Colour Category GREEN	Instant	No	Unlimited	Call Facility
Notice Accounts – Banks and Building Societies	Capita Colour Category GREEN	Notice Period	No	50%	6 Months
Term Deposits – Banks and Building Societies	Capita Colour Category GREEN	Term	No	95%	2 Years
Deposits With Counterparties Currently In Receipt of Government Support / Ownership					
Call Accounts – UK Nationalised/ Part-Nationalised Banks	Capita Colour Category BLUE	Instant	No	Unlimited	Call Facility
Notice Accounts – UK Nationalised/ Part-Nationalised Banks	Capita Colour Category BLUE	Notice Period	No	50%	6 Months
Term Deposits – UK Nationalised/ Part-Nationalised Banks	Capita Colour Category BLUE	Term	No	95%	1 Year
Securities					
Certificates of Deposit – Banks and Building Societies	Capita Colour Category GREEN	See Note 1 Below	See Note 1 Below	80%	2 Years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds	AAAmmf with Fitch or equivalent with Moody's/Standard & Poors	See Note 2 Below	See Note 2 Below	50%	Call Facility

Notes:

1. The Liquidity Risk on a Certificate of Deposit is for the Term of the Deposit (if the Certificate is held to maturity) or the Next Banking Day (if sold prior to maturity). There is no Market Risk if the Certificate is held to maturity, only if the Certificate is sold prior to maturity (with an implied assumption that markets will not freeze up and so there will be a ready buyer).
2. The objective of Money Market Funds is to maintain the value of assets but such Funds hold assets that can vary in value. The credit ratings agencies, however, require the unit values to vary by almost zero.

Investments will only be made with banks/building societies that do not have a credit rating in their own right where the Council's treasury advisers have confirmed that any obligations of that bank/building society are guaranteed by another bank/building society with suitable ratings.

The Council will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). Countries currently meeting this criterion include Australia, Canada, France, Germany, Sweden, the USA, and the UK.

Non-Treasury Investments

In addition to the table of treasury investments above, the definition of “investments” under the Investment Regulations includes the following items:

- “(a) All share holding, unit holding and bond holding, including those in a local authority owned company, is an investment.
- (b) Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment.
- (c) Loans made to third parties are investments.
- (d) Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975 are not investments.
- (e) Investment property is an investment.”

The Council approves items in categories (a), (b), (c), and (e) above as Permitted Investments as set-out below:

	Minimum Credit Criteria	Liquidity Risk	Market Risk	Max % of Total Investments	Max. Maturity Period
Non-Treasury Investments					
(a) Share holding, unit holding and bond holding, including those in a local authority owned company	Assessment would be made of company in which any holding was to be made	Period of holding	Yes	10%	Unlimited
(b) Loans to a local authority company or other entity formed by a local authority to deliver services	Assessment would be made of company or entity to which any loan was to be made	Period of loan	No	20%	Unlimited
(c) Loans made to third parties	Assessment would be made of third party to which any loan was to be made	Period of loan	No	25%	Unlimited
(e) Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	10%	Unlimited

In relation to the above, Members should note that the Council is unlikely to become involved with category (a), has a loan under category (b) (to Inverclyde Leisure), will have loans to third parties under category (c) arising from decisions on such loans made by the Council, and may have investment property under category (e) should there be a reclassification, due to accounting rules, of individual properties held by the Council.

Permitted Investments – Common Good

The Common Good Fund’s permitted investments are approved as follows:

	Minimum Credit Criteria	Liquidity Risk	Market Risk	Max % of Total Investments	Max. Maturity Period
Funds deposited with Inverclyde Council	---	Instant	No	Unlimited	Unlimited
Share holding, unit holding and bond holding, including those in a local authority owned company	Assessment would be made of company in which any holding was to be made	Period of holding	Yes	10%	Unlimited
Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	95%	Unlimited

Treasury Risks Arising From Permitted Instruments

All of the investment instruments in the above tables are subject to the following risks:

1. **Credit and counter-party risk**

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

2. **Liquidity risk**

This is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. The column in the above tables headed as 'market risk' will show each investment instrument as being instant access, notice period i.e. money is available after the notice period (although it may also be available without notice but with a loss of interest), or term i.e. money is locked in until an agreed maturity date.

3. **Market risk**

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

4. **Interest rate risk**

This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Prudential Indicators and Treasury Management Indicators in this report.

5. **Legal and regulatory risk**

This is the risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

The risk exposure of various types of investment instrument can be summarised as:

- low risk = low rate of return
- higher risk = higher rate of return.

For liquidity, the position can be summarised as:

- high liquidity = low return
- low liquidity = higher returns.

Controls on Treasury Risks

1. **Credit and counter-party risk**

This Council has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes.

2. **Liquidity risk**

This Council undertakes cash flow forecasting to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk**

The only instruments that the Council may purchase that can have market risk are Certificates of Deposit. Although they have a market value that fluctuates, the market risk does not arise if the Certificates are retained until maturity - only if they were traded prior to maturity if the need arose.

4. Interest rate risk

This Council manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing.

5. Legal and regulatory risk

This Council will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations.

Unlimited Investments

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

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

1. Debt Management Agency Deposit Facility (DMADF)

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

2. High Credit Worthiness Banks and Building Societies

See paragraphs 7.17 to 7.23 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will seek to ensure diversification of its portfolio with the following limits:

- Limit for any single institution (except Council's bankers): £15m
- Limit for Council's bankers (Bank of Scotland): £50m (or as approved by the Council or Committee)
- Limit for any one group of counterparties: £30m (£50m or as approved by the Council or Committee for the group including the Council's bankers).

3. Funds Deposited with Inverclyde Council (for Common Good funds)

This has been included so that, under the Permitted Investments, all funds belonging to the Common Good can be deposited with Inverclyde Council (and receive interest from the Council) rather than requiring the Common Good funds to be invested under separate Treasury Management arrangements.

Objectives of Each Type of Investment Instrument

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

1. Deposits

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

a) Debt Management Agency Deposit Facility (DMADF)

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

b) Term deposits with high credit worthiness banks and building societies

See paragraphs 7.17 to 7.23 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Council will seek to ensure diversification of its portfolio of deposits as practicable and as explained above. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

c) Notice accounts with high credit worthiness banks and building societies

The objectives are as for 1.b) above but there is access to cash after the agreed notice period (and sometimes access without giving notice but with loss of interest). This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit.

d) Call accounts with high credit worthiness banks and building societies

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

2. Deposits With Counterparties Currently In Receipt of Government Support/Ownership

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

a) Term deposits, notice accounts and call accounts with high credit worthiness banks which are fully or semi nationalised

As for 1.b), 1.c) and 1.d) above but Government ownership implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This Council considers that this indicates a low and acceptable level of residual risk.

3. Securities

a) Certificates of Deposit

These are shorter term investments issued by deposit taking institutions (mainly banks) so they can be sold if the need arises. However, that liquidity (and flexibility) comes at a price so the interest rate on a Certificate of Deposit is less than placing a Fixed Term Deposit with the same bank.

4. Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)

a) Money Market Funds (MMFs)

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

5. Non-Treasury Investments

b) Share holding, unit holding and bond holding, including those in a local authority owned company

The objectives for the holding of shares, units, or bonds (including those in a local authority owned company) will vary depending on whether the Council wishes to undertake actual investments in the market or has the holding as a result of a previous decision relating to the management or provision of Council services. This Council will not undertake investments in the market in shares, units, or bonds but may, if required, hold shares, units, or bonds arising from any decisions taken by the Council in relation to the management or provision of Council services.

c) Loans to a local authority company or other entity formed by a local authority to deliver services

Having established a company or other entity to deliver services, a local authority may wish to provide loan funding to assist the company or entity. Any such loan funding would be provided only after consideration of the reasons for the loan, the repayment period for the loan, and the likelihood that the loan would be able to be repaid by the company or entity. Such loan funding would be provided from Council Revenue Reserves rather than from borrowing.

d) Loans made to third parties

Such loans could be provided for a variety of reasons such as economic development or to assist local voluntary groups. Any such loan funding would be provided only after consideration of the reasons for the loan, the repayment period for the loan, and the likelihood that the loan would be able to be repaid by the third party concerned.

e) Investment property

An investment in property would give the Council exposure to risks such as market risk (movements in property prices), maintenance costs, tenants not paying their rent, leasing issues, etc. This Council does not undertake investments involving property but may have investment property should there be a reclassification, due to accounting rules, of individual properties held by the Council.

FORECASTS OF INVESTMENT BALANCES

Investment Regulation 31 requires the Council to provide forecasts for the level of investments for the next three years, in line with the time frame of the Council's capital investment programme. The following forecasts are for the next four years:

INVESTMENT FORECASTS	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000
Cash balances managed in house				
1 April	40,000	19,590	12,519	13,883
31 March	19,590	12,519	13,883	13,123
Change in year	(20,410)	(7,071)	1,364	(760)
Average daily cash balances	29,795	16,055	13,201	13,503
Holdings of shares, bonds, units (includes authority owned company)				
1 April	2	2	2	2
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	2	2	2	2
Loans to local authority company or other entity to deliver services				
1 April	602	564	525	484
Advances	0	0	0	0
Repayments	38	39	41	42
31 March	564	525	484	442
Loans made to third parties				
1 April	2,194	2,094	2,065	2,047
Advances	10	0	0	0
Repayments	110	29	18	1,283
31 March	2,094	2,065	2,047	764
Investment properties				
1 April	0	0	0	0
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	0	0	0	0
TOTAL OF ALL INVESTMENTS				
1 April	42,798	22,250	15,111	16,416
31 March	22,250	15,111	16,416	14,331
Change in year	(20,548)	(7,139)	1,305	(2,085)

The movements in the forecast investment balances shown above are due largely to ongoing treasury management activity in accordance with the Council's treasury management strategy or, for loans made to third parties, in accordance with Council decisions made in respect of such loans.

All of the Council's cash balances are managed in-house with no funds managed by external fund managers.

The "holdings of shares, bonds, units (includes authority owned company)" are for Common Good whilst the Investment properties includes Council property and Common Good property.

TREASURY MANAGEMENT
GLOSSARY OF TERMS

Affordable Capital Expenditure Limit

The amount that the Council can afford to allocate to capital expenditure in accordance with the requirements of the Local Government in Scotland Act 2003 and supporting regulations.

Authorised Limit for External Debt

This is a limit for total Council external debt as set by the Council based on debt levels and plans.

Bail In

The use of funds held by a bank or other financial institution (whether in the form of customer bank deposits or bonds) to help prevent the collapse of a bank and in place of Governments stepping in with funds/support. The introduction of Bail In powers is part of the implementation of the Bank Recovery and Resolution Directive.

Bank of England

The central bank for the UK with ultimate responsibility for setting interest rates (which it does through the Monetary Policy Committee or “MPC”).

Bank Rate

The interest rate for the UK as set at regular meetings of the Monetary Policy Committee (“MPC”) of the Bank of England. This was previously referred to as the “Base Rate”.

Bank Recovery and Resolution Directive (BRRD)

The Bank Recovery and Resolution Directive is a European legislative requirement which sets out a common approach within the EU to how countries will deal with any banks and financial institutions that get into financial difficulty. It includes the use of Bail In powers and was implemented in the UK, Germany and Austria on 1 January 2015 and in most of the other EU countries in 2016.

Call Date

A date on which a lender for a LOBO loan can seek to apply an amended interest rate to the loan. The term “call date” is also used in relation to some types of investments with a maturity date where the investments can be redeemed on call dates prior to the maturity date.

Capita

Capita Treasury Solutions Limited who are the Council’s treasury management advisers who were previously named Sector Treasury Services Limited (and were normally referred to as Sector).

Capital Expenditure

Expenditure on or for the creation of fixed assets that meets the definition of Capital Expenditure under the accounting rules as set-out in the Code of Practice on Local Authority Accounting in the United Kingdom and for which the Council are able to borrow.

Capital Financing Requirement

The Capital Financing Requirement (sometimes referred to as the “CFR”) is a Prudential Indicator that can be derived from the information in the Council’s Balance Sheet. It generally represents the underlying need to borrow for capital expenditure (including PPP schemes).

CDS Spread

A CDS Spread or “Credit Default Swap” Spread is the cost of insuring against default by a Counterparty. Increases in the CDS Spread for a Counterparty may indicate concerns within the market regarding a Counterparty.

Certificates of Deposit

Certificates of Deposit (or CDs) are a form of investment and similar to Fixed Term Deposits in that the investment is with a named Bank or Financial Institution, matures on a set date, and is repaid with interest on the maturity date. Unlike a Fixed Term Deposit, a CD can also be traded in the market prior to maturity.

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy who produce guidance, codes of practice, and policy documents for Councils.

Counterparty

Another organisation involved in a deal i.e. if the Council enters a deal with a bank then the bank would be referred to as the "Counterparty".

Credit Ratings

Credit ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an opinion on the relative ability of a financial institution to meet its financial commitments. Credit ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

The highest credit rating is AAA.

European Central Bank

Sometimes referred to as "the ECB", the European Central Bank is the central bank that sets interest rates for the Eurozone. It is the equivalent of the Bank of England.

Eurozone

This is the name given to the countries in Europe that have the Euro as their currency. Interest rates in the Eurozone are set by the European Central Bank. The Eurozone is comprised of the following 19 countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Federal Reserve

Sometimes referred to as "the Fed", the Federal Reserve is the central bank for the US and is the equivalent of the Bank of England. The Federal Reserve sets interest rates for the US.

Fixed Rate Funding/Investments

This term refers to funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments is fixed and does not change.

Fixed Term Deposit

A Fixed Term Deposit or Fixed Term Investment is an investment with a named bank or financial institution which matures on a set date and which is repaid with interest on the maturity date. Fixed Term Deposits cannot be traded and cannot be terminated before the maturity date without the payment of a penalty (if at all).

Gilt Yields

A gilt yield is the effective rate of return that someone buying a gilt at the current market price will receive on that gilt. Since the market price of a gilt can vary at any time, the yield will also vary.

Gilts

Gilts are bonds (i.e. debt certificates) that are issued (i.e. sold) by the UK Government. When they issue gilts the Government sets the interest rate that applies to the gilt, sets when they will repay the value of the gilt, and it agrees to make interest payments at regular intervals until the gilt is repaid or redeemed. Gilts are traded in the financial markets with the price varying depending on the interest rate applicable to the gilt, when the gilt will be repaid (i.e. when it will mature), on Bank Rate expectations, and on market conditions.

Gross Domestic Product

Gross Domestic Product ("GDP") is a measure of the output of goods and services from an economy.

Inflation

Inflation is the term used for an increase in prices over time. It can be measured in various ways including using the Consumer Prices Index ("CPI") or the Retail Prices Index ("RPI").

Investment Regulations

The Local Government in Scotland Act 2003 allows the Scottish Ministers to introduce Regulations to extend and govern the rules under which Scottish Councils may invest funds. The Local Government Investments (Scotland) Regulations 2010 came into effect on 1 April 2010.

LIBID

This is the London Interbank Bid Rate – an interest rate that is used between banks when they wish to attract deposits from each other.

LIBOR

This is the London Interbank Offering Rate – an interest rate that is used as a base for setting interest rates for deals between banks.

Liquidity

In relation to investments, liquidity relates to the ability to access invested funds. If funds are in a call account they have high liquidity (because the funds are readily accessible) whilst if funds are invested in bonds the bonds would need to be sold in order to access the funds (lower liquidity).

LOBO

This is a form of loan that the Council has with some lenders. The term is short for the phrase “Lender Option/Borrower Option”. A LOBO loan allows the lender to propose adjustments to the loan interest rate at various call dates during the period of the loan (the “lender option”) but the borrower does not need to accept the adjustments and can instead redeem the loan (the “borrower option”).

Money Market Fund

A Money Market Fund (or MMF) is a highly regulated investment product into which funds can be invested. An MMF offers the highest possible credit rating (AAA) whilst offering instant access and the diversification of risk (due to the MMF’s balances being investing in selected and regulated types of investment product with a range of different and appropriately credit-rated counterparties).

MPC

The MPC or Monetary Policy Committee is a committee of the Bank of England that meets regularly during the year (in a meeting over 2 days) to set the Bank Rate for the UK.

Net Borrowing Requirement

This is the difference between the Council’s net external borrowing and its capital financing requirement. Under the Prudential Code the Council’s net external borrowing should not, except in the short term, exceed its capital financing requirement. The Net Borrowing Requirement should therefore normally be a negative figure.

Operational Boundary

This is a level of debt set by the Council at lower than the Authorised Limit and which Council debt levels should not normally exceed during normal operations.

Prudential Code

Councils are required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements include the production of Prudential Indicators. The Prudential Code was last revised in November 2011.

Prudential Indicators

Indicators set-out in the Prudential Code that will help Councils to meet requirements in relation to borrowing limits or which will help Councils demonstrate affordability and prudence with regard to their prudential capital expenditure.

PWLB

The Public Works Loan Board is a government agency and part of the Debt Management Office. The PWLB provides loans to local authorities and other specified bodies.

PWLB Certainty Rates

PWLB rates for new borrowing at a 0.20% discount to standard PWLB rates for local authorities that submit annual information on their long-term borrowing and capital spending plans. The PWLB Certainty Rates came into effect on 1 November 2012.

PWLB Rates

These are the interest rates chargeable by the Public Works Loan Board for loans. The rates for fixed rate loans are determined by the day on which the loan is agreed. The rates to be charged by the PWLB for loans are set each day based on gilt yields at the start of business each day and then updated at least once during the day.

Quantitative Easing

This is the creation of money by a central bank (such as the Bank of England) in order to purchase assets from banks and companies and boost the supply of money in an economy.

Ratings

Ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an indication of the financial or operational strength of entities including financial institutions and even countries. Ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

Ring Fencing

In banking terms, the proposal (currently expected by 2019) that those parts of a bank that undertake riskier activities (such as investment banking) be kept legally separate from those parts that undertake less risky/safer activities (such as the accepting of customer deposits).

Security

In relation to investments, security refers to the likelihood that invested funds will be returned to the investor when due.

Stress Tests

Reviews of the assets and liabilities of banks and financial institutions carried out by regulators such as the European Banking Authority (EBA) and the Prudential Regulation Authority (PRA) in the UK to identify the impact of potential economic scenarios, assess the strength of those banks/financial institutions, and determine any action required by banks/financial institutions to strengthen their financial positions.

Treasury Management Code

This is the "Treasury Management in the Public Services: Code of Practice". It is produced by CIPFA and was last revised in November 2011.

Treasury Management Indicators

These are Prudential Indicators specifically relating to Treasury Management issues.

Treasury Management Practices (TMPs)

This is a Council document that sets out Council policies and procedures for treasury management as required by the Treasury Management Code. The Council also agrees an annual treasury management strategy that is submitted to Committee in accordance with the Treasury Management Practices.

Variable Rate Funding/Investments

Funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments varies on an agreed basis.

Yield

The yield is the effective rate of return on an investment.

THE INVERCLYDE COUNCIL

AGENDA AND ALL PAPERS TO:

All Councillors 20

Officers:

Chief Executive	1
Corporate Communications & Public Affairs	1
Chief Officer, Health & Social Care Partnership	1
Head of Children & Families & Criminal Justice	1
Head of Community Care & Health	1
Head of Planning, Health Improvement & Commissioning	1
Head of Mental Health & Addictions	1
Clinical Director	1
Corporate Director Education, Communities & Organisational Development	1
Head of Education	1
Head of Inclusive Education, Culture & Corporate Policy	1
Head of Safer & Inclusive Communities	1
Head of Organisational Development, Human Resources & Communications	1
Corporate Director Environment, Regeneration & Resources	1
Chief Financial Officer	1
Head of Legal & Property Services	1
S Lang, Legal & Property Services	1
R McGhee, Legal & Property Services	1
N Duffy, Legal & Property Services	1
F Denver, Legal & Property Services	1
L Carrick, Legal & Property Services	1
Members' Services Manager	1
Chief Internal Auditor	1
Head of Environmental & Commercial Services	1
Head of Regeneration & Planning	1
Audit Scotland	1
File Copy	1

TOTAL 47

AGENDA AND ALL NON-CONFIDENTIAL PAPERS TO:

Community Councils 10

TOTAL 10