

A meeting of the Policy & Resources Committee will be held on Tuesday 7 August 2018 at 3pm within the Municipal Buildings, Greenock.

GERARD MALONE
Head of Legal & Property Services

BUSINESS

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PERFORMANCE MANAGEMENT	
2. Workforce Information and Activity Report (WIAR) 2017/2018 Report by Head of Organisational Development, Policy & Communications NB There will also be a presentation on this item	p
3. Revenue Budget Outturn 2017/18 - Unaudited Report by Chief Financial Officer	p
4. 2017/18 Capital Programme Performance Report by Chief Financial Officer	p
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NEW BUSINESS	
8. European Charter of Local Self Government – Private Member’s Bill – Request by Councillor McCabe Report by Corporate Director Environment, Regeneration & Resources	p
9. Developing Participatory Budgeting in Inverclyde Report by Head of Inclusive Education, Culture & Communities	p

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13.	Amendment to Communities Facilities Service Review: Exceptional School Lets to Non Uniformed and Commercial Organisations not entitled to Waivers Report by Head of Inclusive Education, Culture & Communities	p
The documentation relative to the following item has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in paragraphs 1 and 12 of Part I of Schedule 7(A) of the Act.		
14.	Equal Pay Claims Report by Head of Legal & Property Services on the detailed review undertaken in respect of a number of equal pay claims	p

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

Report To:	Policy and Resources Committee	Date:	7 August 2018
Report By:	Head of Organisational Development, Policy & Communications	Report No:	HR/11/18/SMcN
Contact Officer:	Steven McNab	Contact No:	2015
Subject:	Workforce Information and Activity Report (WIAR) 2017/2018		

1.0 PURPOSE

1.1 The purpose of this report is to advise the Policy and Resources Committee of key workforce information and activity for the year 1 April 2017 to 31 March 2018. This annual report has been provided to the Corporate Management Team in recent years to support workforce planning and was submitted to the Policy and Resources Committee last year to provide members with a useful overview of workforce activity and analysis.

2.0 SUMMARY

2.1 The Workforce Information and Activity Report is designed to be informative and to encourage participation in organisational development and workforce planning Activity. The content includes key information on attendance, performance and workforce demographics.

2.2 Workforce Information and Activity Reports are published quarterly for the full Council and by Directorate too. A yearly WIAR (Full Council) is also produced at the end of each (financial) year which includes comparison with other years in the interests of showing trends and other developments.

2.3 At the Policy & Resources Committee in August 2017 it was agreed that the Workforce Information and Activity Report would be submitted here on an annual basis.

2.4 The latest yearly Workforce Information and Activity Report for the year 1 April 2017 to 31 March 2018 is attached as Appendix 1 which includes a comparison with the previous two years in some key areas.

3.0 RECOMMENDATIONS

3.1 It's recommended that the Policy and Resources Committee:

- Notes the content of the Workforce Information and Activity Report for 2017/2018 outlined in Appendix 1.

Steven McNab
Head of Organisational Development,
Policy and Communications

4.0 BACKGROUND

- 4.1 Workforce Information and Activity Reports (WIAR) were first produced in 2013 to help inform workforce planning decisions by the Extended Corporate Management Team and also to inform management of key performance information in relation to the workforce. The content of the reports has been expanded in recent years to encourage organisational development and workforce planning activity across a range of workforce analytics. It is recognised that the continued success of Organisation Development (OD) across the Council very much depends on good workforce data which helps to identify needs in key areas.
- 4.2 Workforce Information and Activity Reports are developed quarterly for the full Council and by Directorate too. A Yearly WIAR (Full Council) is also produced at the end of each (financial) year which includes comparison with other years in the interests of showing trends and other developments. Reports are distributed widely via senior officers and come with a separate 'to do' activity check list. The Health and Social Care Partnership quarterly WIAR also includes NHS side information and is presented to the Staff Partnership Forum.
- 4.3 Over time the report content has become standard and includes attendance, performance and workforce demographics which assist in focussing on and analysing trends across the workforce. The content of these WIAR reports is considered by the Corporate Workforce Planning and Development Group to help inform key workforce planning actions and HR policy decisions. The content of these reports is also shared and discussed with the trade unions at regular liaison meetings.

5.0 KEY WORKFORCE INFORMATION AND ACTIVITY SUMMARY

- 5.1 Attendance is reported annually alongside many other measures via the Local Government Benchmarking Framework (LGBF), each measure is commonly referred to as a Statutory Performance Indicator (spi). The most recent publication for the period 2016/2017 placed Inverclyde in the second quartile against attendance levels in other councils, that is, in the top half of Councils at an average of 9.4 workdays lost per employee. It should be noted that there has been a slight improvement in attendance levels reported for 2017/2018 with 9.2 workdays lost per employee. It should be noted that around 40% of employees had no days of sick leave for the period 2016/2017.
- 5.2 Performance Appraisal is reported annually as a Key Performance Indicator (kpi) that is, for our own internal purposes and the target for completed appraisals is 90%. The 2017/18 analysis shows that 94% of performance appraisals were completed. The appraisal process is supported by 7 core competencies which are applicable to all employees, with senior managers subject to additional 3 competencies.
- 5.3 Employee Demographics and Workforce Planning – provides factual information concerning the composition of our workforce:
 - Number of employees – although the trend has been an overall reduction in employee numbers over the past 4 years our employee numbers increased from 3996 in 2016/17 to 4102 in 2017/18. The main reasons for the increase relates to additional staff being employed as part of attainment and pupil equity funding.
 - 51% of our employees are full time and 49% are part time
 - 85% of our employees have permanent employee status and 15% of our employees have temporary employee status
 - Employee turnover sits at just above 7.53% which is typical across the sector
 - 26% of our employees are aged over 55 years old compared to 4% aged under 25 years old – this is typical of the sector but we have seen a 1% increase in employees

aged under 25 working for the Council in the past year.

- 75% of our employees are female and 25% are male

5.4. Other HR/OD Support Activity –

- The number of disciplinary hearings has reduced from 50 in 2016/17 to 43 in 2017/18.
- There were 14 grievances submitted in 2017/18 compared to 19 in 2016/17
- Approximately 40% of our workforce pay trade union subscriptions via the payroll system. It is estimated that approximately 53% of our work force are trade union members
- Worklife balance requests show an upward trend sitting at 83 received for 2017/2018
- 169 employees have utilised the buy and bank leave scheme which is also indicative of an upward trend
- 76 employees have taken advantage of our cycle to work scheme which is also indicative of an upward trend
- 117 employees participate in our child care voucher scheme which is also indicative of an upward trend

Further detail on the above areas is covered in the full Workforce Information and Activity Report attached at Appendix 1.

6.0 PROPOSALS

6.1 It is proposed that the Policy and Resources Committee notes the content of the Workforce Information and Activity Report for 2017/2018 outlined in Appendix 1.

7.0 IMPLICATIONS

7.1 Finance

N/A

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

7.2 Legal

N/A

7.3 Human Resources

The content of the Workforce Information and Activity Report will assist to inform organisational development actions and HR Policy.

7.4 Equalities

Has an Equality Impact Assessment been carried out?

YES (see attached appendix)

NO - This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

8.0 CONSULTATIONS

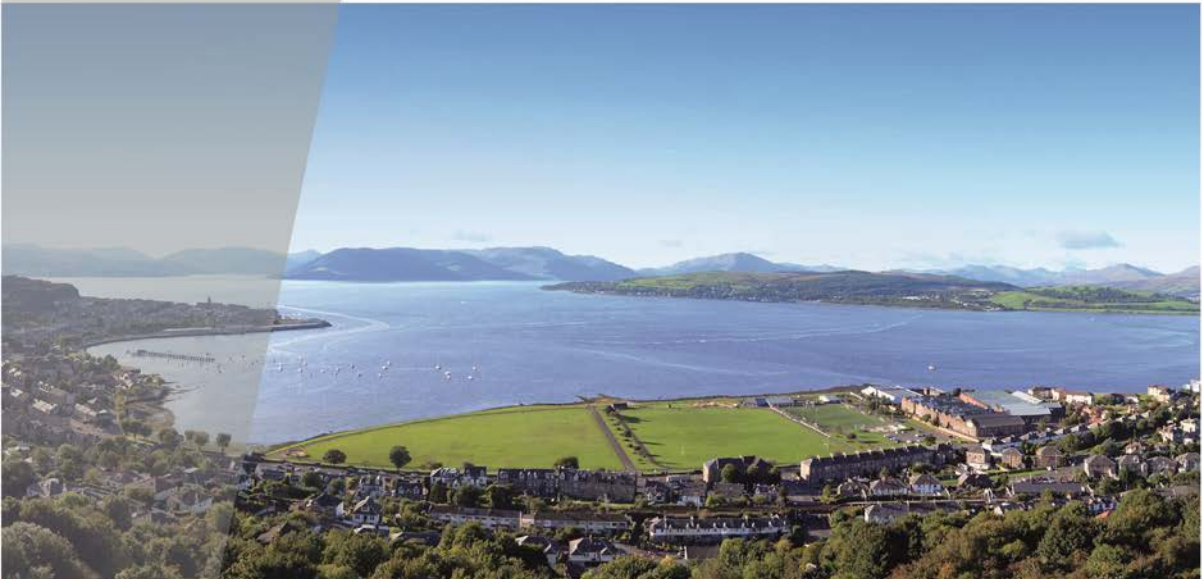
8.1 WIAR reports are widely distributed:

- Chief Executive/Corporate Directors/Heads of Service
- Service Managers/Team Leaders (+ pass on to all employees)
- Trade Union Liaison Group
- HSCP – Staff Partnership Forum

9.0 LIST OF BACKGROUND PAPERS

9.1 Yearly Workforce Information and Activity Report Full council version 2017/2018 (Appendix 1)

Yearly Workforce Information
and Activity Report (WIAR)
Full Council



April 2017 - March 2018

Inverclyde
council

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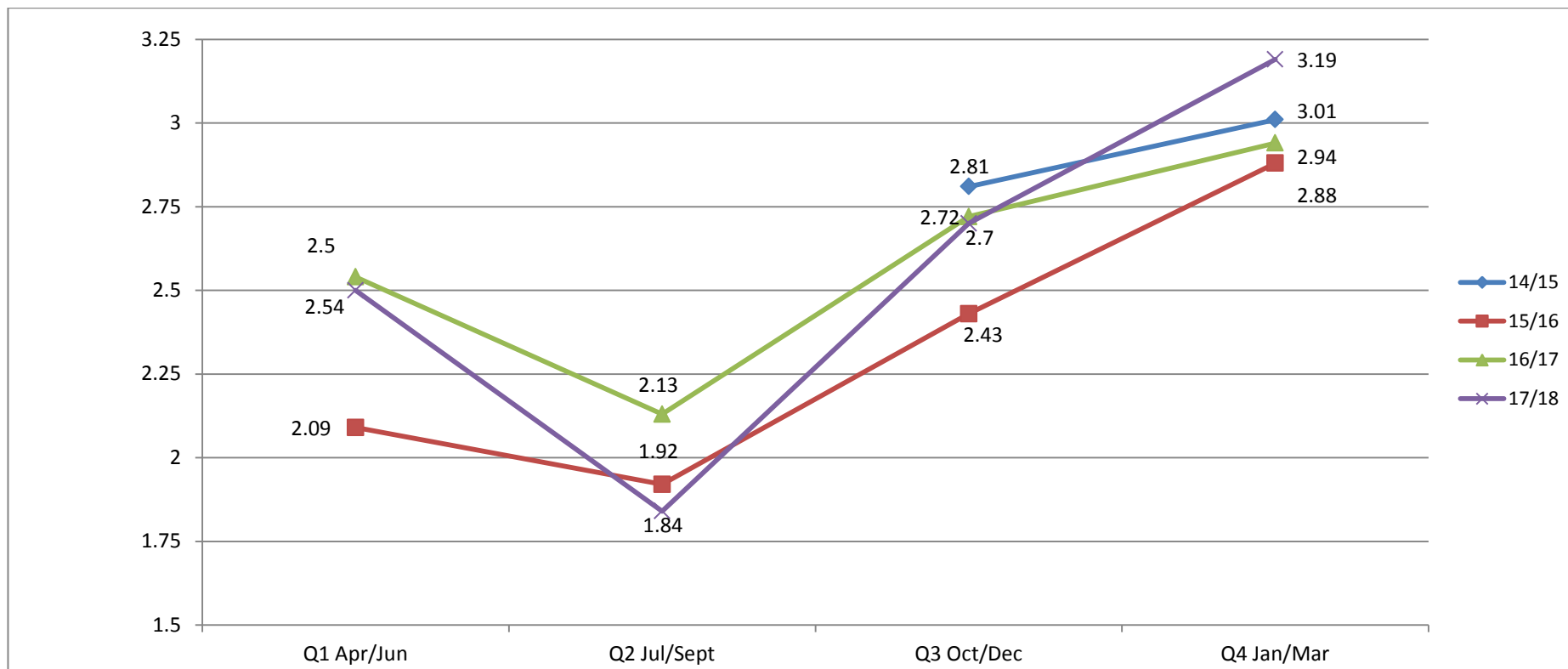
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This Yearly WIAR includes 2017/2018 information and also a comparison against 2014/2015, 2015/2016 and 2016/2017 (where possible).

1. Attendance and Performance Appraisal Information

a. Absence Chart & Breakdown

This shows the 4 quarters in 15/16, 16/17 and 17/18 for comparison.



A full years data for 14/15 workdays lost per FTE employee is not available for comparison.

Inverclyde Council Yearly Target:	9
Overall Council Position 17/18:	9.22

b. Absence Rates by Directorate Breakdown

Directorate	Workdays lost per FTE employee in 17/18	Workdays lost per FTE employee in 16/17	Workdays lost per FTE employee in 15/16	Workdays lost per FTE employee in 14/15
HSCP	14.57	11.96	10.15	13.95
Education, Communities & OD	6.58	7.72	7.76	8.44
Environment, Regeneration & Resources	9.84	10.59	8.64	9.18
Chief Executive	3.96	1.77	2.08	4.59
Full Council	9.22	9.45	8.58	10.03

c. Absence Rate Breakdown by Reason for Absence

Reason for Absence	% of Workdays lost per FTE employee in 17/18	% of Workdays lost per FTE employee in 16/17
Accidents	1.88%	0.67%
Major Medical/Surgery	20.61%	21.08%
Maternity Related Illness	1.38%	0.63%
Mental Health	26.40%	25.23%
Musculoskeletal	19.70%	23.34%
Virus/Short Term	30.03%	29.05%

d. Employees Days Absence

Number of days off sick	Number of Employees 17/18
9 days or less	1451 (35%)
10 days or more	1007 (25%)
Zero Days absence	1644 (40%)

e. Performance Appraisals

The target for 17/18 was 90%; the final overall position for 17/18 was 94%.

<u>Service</u>	<u>% Received</u> <u>17/18</u>	<u>% Received</u> <u>16/17</u>	<u>% Received</u> <u>15/16</u>	<u>% Received</u> <u>14/15</u>
HSCP	96%	81%	89%	76%
Education, Communities & OD	90%	97%	84%	80%
Environment, Regeneration & Resources	96%	99%	99%	94%
Chief Executive	100%	100%	100%	100%
Total	94%	93%	91%	83%

2. Employee Demographics and Workforce Planning

a. Employee Numbers & Variances

Table includes actual number of employees (full time, part time, temporary & permanent).

<u>Service</u>	<u>Mar 2018 -</u> <u>No. of</u> <u>employees</u>	<u>Mar 2017 -</u> <u>No. of</u> <u>employees</u>	<u>Mar 2016 -</u> <u>No. of</u> <u>employees</u>	<u>Mar 2015 -</u> <u>No. of</u> <u>employees</u>	<u>Full Time</u> <u>Equivalent</u> <u>(FTE*) 2018</u>	<u>Full Time</u> <u>Equivalent</u> <u>(FTE*) 2017</u>	<u>Full Time</u> <u>Equivalent</u> <u>(FTE*) 2016</u>	<u>Full Time</u> <u>Equivalent</u> <u>(FTE*) 2015</u>
HSCP	1044	1038	1055	1064	840.1	834.69	848.76	862.79
Education, Communities & OD	2064	1963	1950	1961	1686.4	1616.38	1606.25	1533.37
Environment, Regeneration & Resources	986	986	1032	1080	810.37	808.40	846.93	891.08
Chief Executive	8	9	9	10	7.8	9.81	8.81	9.81
TOTAL	4102	3996	4046	4115	3344.67	3269.28	3310.75	3297.05

*Full Time Equivalent is number of full time posts

	March 2018	% of total workforce 2018	March 2017	% of total workforce 2017	March 2016	% of total workforce 2016	March 2015	% of total workforce 2015
Part Time Employees	2022	49	1936	48	1948	48	1934	47
Full time Employees	2080	51	2060	52	2098	52	2181	53

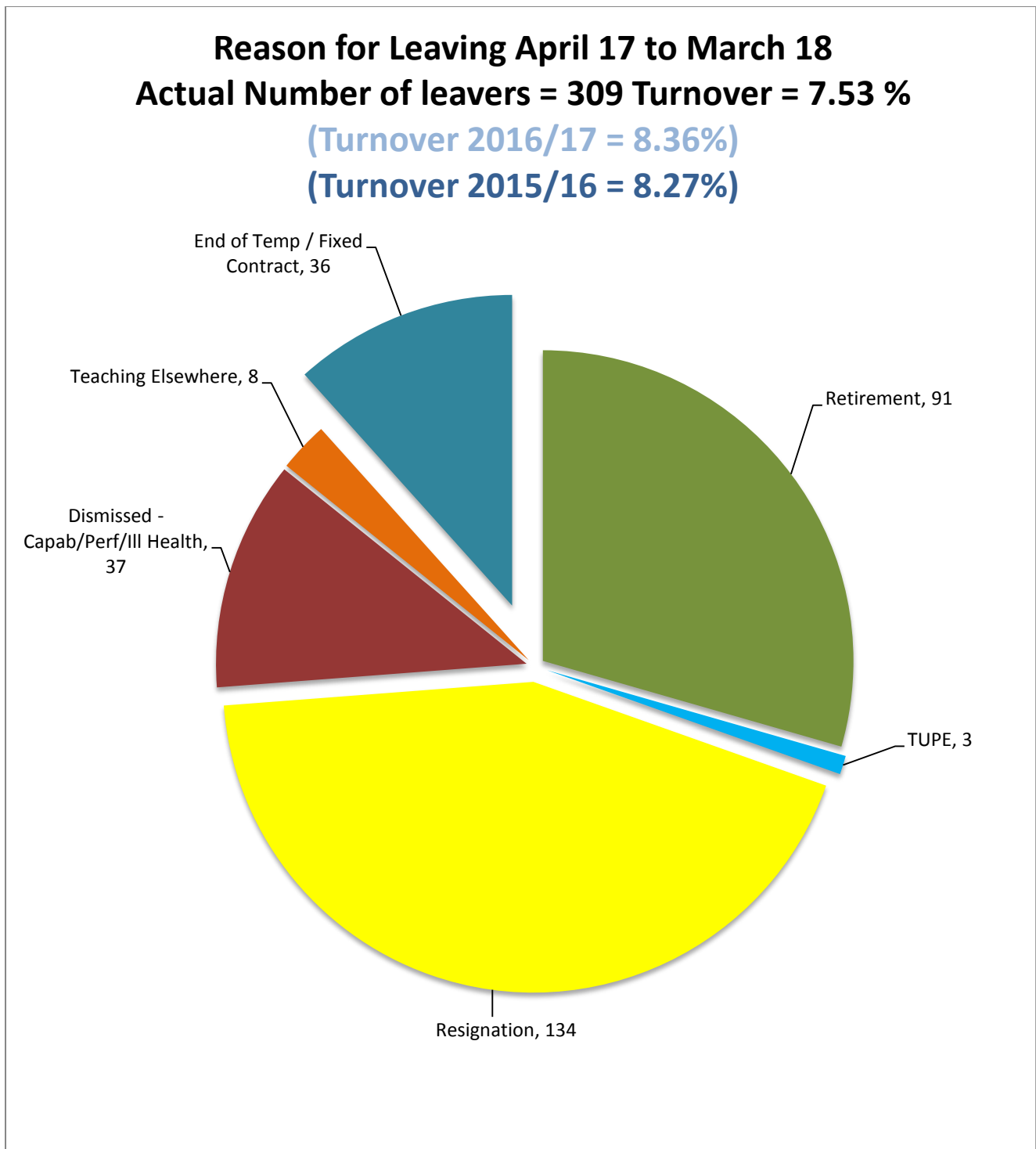
	March 2018	% of total workforce 2018	March 2017	% of total workforce 2017	March 2016	% of total workforce 2016	March 2015	% of total workforce 2015
Permanent Employees (includes Temp Occupied by Perm)	3494	85	3528	88	3493	86	3547	86
Temporary Employees	608	15	468	12	553	14	568	14

Modern Apprentice Breakdown

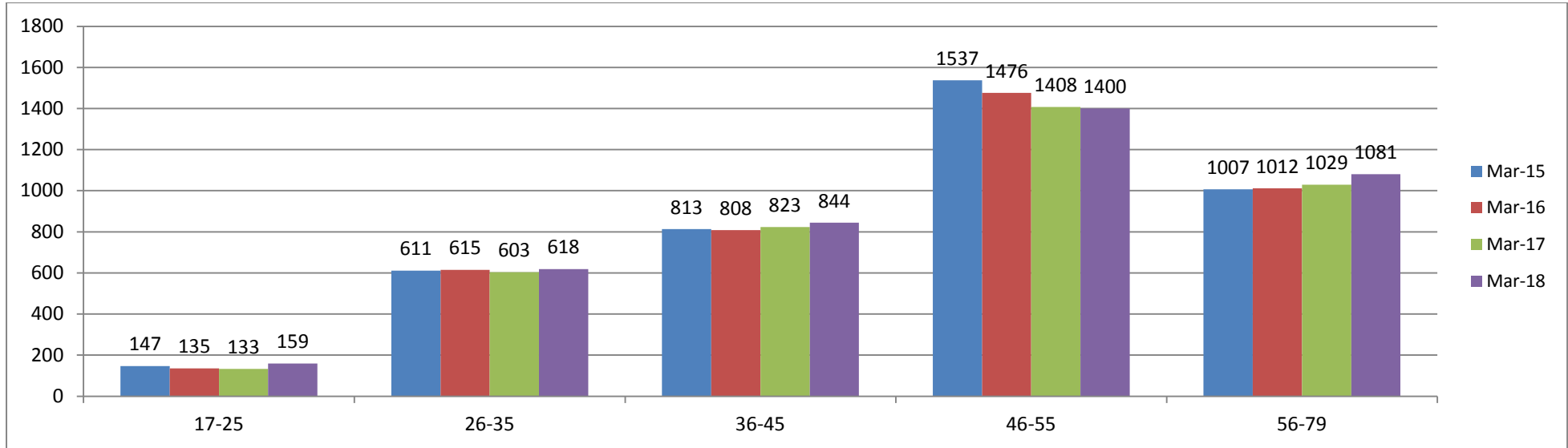
Directorate	No. of Modern Apprentices 17/18	No. of Modern Apprentices 16/17
HSCP	4	4
Education, Communities & OD	7	7
Environment, Regeneration & Resources	13	11
Chief Executive	1	1
TOTAL	25	23

b. Reason for Leaving – Turnover

The pie chart below displays the number of leavers for 17/18 and reasons for leaving.



c. Age Profile



	% 17-25	% 26-35	% 36-45	% 46-55	% 56-79
March 2015	4	15	20	37	24
March 2016	3	15	20	37	25
March 2017	3	15	21	35	26
March 2018	4	15	21	34	26

d. Grade Breakdown

Grade Range	Employees in Range March 18	Employees in Range March 17	Employees in Range March 16	Employees in Range March 15	% of Workforce March 18	% of Workforce March 17	% of Workforce March 16	% of Workforce March 15
A - G	2711	2622	2669	2720	65	65	65	66
H - J	359	358	363	378	9	9	9	9
K and Above	145	142	145	162	4	4	4	4
Basic Teacher	607	629	624	619	15	15	15	15
Principal Teacher	171	147	145	141	4	4	4	3
Head Teacher/Depute Head Teachers	78	69	70	68	2	2	2	2
Psychologists	10	9	9	9	0.3	0.3	0.2	0.3
QIO	6	6	7	5	0.2	0.2	0.3	0.3
Chief Officers	15	14	14	13	0.5	0.5	0.5	0.4

e. Employees Covered by the Living Wage – New Addition

Directorate	Number of Employees	% of Total Employees in Directorate
HSCP	137	13%
Education, Communities & OD	482	23%
Environment, Regeneration & Resources	399	40%
Chief Executive	0	0%
TOTAL	1,018	25%

f. Employees in Pension Scheme – New Addition

Directorate	Number of Employees	% of Total Employees in Directorate
HSCP	927	89
Education, Communities & OD	1871	91
Environment, Regeneration & Resources	771	78
Chief Executive	8	100
TOTAL	3577	87

g. Salary Protection/Responsibility Allowance

Within 17/18 there were **14** employees paid responsibility allowances, **34** employees' paid conserved salaries and **6** employees were paid salary protection. Please note that the figures in brackets are those that are still live and ongoing.

<u>Directorate</u>	<u>Resp Allowance – No of Employees 17/18</u>	<u>Conservation–No of Employees 17/18 (teachers only)</u>	<u>Salary Protection (1 yr) – no of Employees 17/18 (LGE only)</u>
HSCP	0	0	1 (1)
Education, Comm & OD	14 (8)	34 (16)	2 (1)
Env, Reg & Res	0	0	3 (1)
Chief Executive	0	0	0
TOTAL	14	34	6

h. Contractual Overtime

Over 17/18 there were **25** paid contractual overtime. Please note that the figures in brackets are those that are still live and ongoing.

<u>Directorate</u>	<u>No. of Employees 17/18</u>	<u>No. of Employees 16/17</u>
HSCP	0	0
Education, Comm & OD	10 (10)	10
Env, Reg & Res	15 (14)	20
Chief Executive	0	0
TOTAL	25	30

i. Night Work (Atypical Night Payments) – New Addition

Please note that the figures in brackets are those that are still live and ongoing.

Directorate	No. of employees working nights as normal work pattern	No. of employees occasionally undertaking night work
HSCP	33 (31)	25
Education, Communities & OD	4 (3)	2
Environment, Regeneration & Resources	0	11
Chief Executive	0	0
TOTAL	37 (34)	38

j. Contractual Atypical Allowances – New Addition

Contractual Allowance – not paid by timesheet in 17/18.

Directorate	Number of Employees	Amount Paid £
HSCP	337	179,948.43
Education, Comm & OD	45	40,458.53
Env, Reg & Res	10	4,126.26
Chief Executive	0	0
TOTAL	392	224,533.22

k. Gender Breakdown

Gender	No. Of Employees March 18	No. Of Employees March 17	No. Of Employees March 16	No. Of Employees March 15	% of Workforce March 18	% of Workforce March 17	% of Workforce March 16	% of Workforce March 15
Female	3089	3002	3027	3058	75.30	75.12	74.81	74.32
Male	1013	994	1019	1057	24.70	24.88	25.19	25.68

3. Sessional Worker Activity – Workforce Planning

Directorate	No of Sessional Workers March 18	No of Sessional Workers March 17	No of Sessional Workers March 16	No of Sessional Workers March 15
HSCP	98	108	94	78
Edu, Comm & OD	354	246	212	220
(Supply Teachers)	205	214	238	316
Env, Reg & Res	1	2	1	1
TOTAL	658	570	545	615

Quarterly reports are sent out to all services on sessional usage and supply stats are down at the end of every term.

4. Human Resources Support Activity

a. Vacancies Handled

There were **507** posts advertised:

Posts Status	Total 17/18	%	Total 16/17	% 16/17
Open	79	15.58	124	18.96
Closed / Filled	367	72.38	429	65.60
Unfilled / Held	8	1.58	24	3.66
Withdrawn	53	10.46	77	11.78
TOTAL	507	100	654	100

Note: in Quarter 4 of the full council WIAR we started to identify those who gained posts and whether they are external v internal, we do not have a full years data. Of the 23 closed adverts in Quarter 4; 9 of them were filled by internal applicants

b. HR Admin & Payroll Activity

	17/18	16/17
Change Forms, New Starts & Leavers Processed	1852	1497

Timesheets Processed In:	2017/2018	2016/2017	2015/16	2014/15
Paper	8,251	8,347	8,570	10,951
Electronic Timesheets	86,695	82,612	75,198	58,066
TOTAL	94,946	90,959	83,768	69,017

c. Overtime Hours Worked in 17/18 – New Addition

Directorate	Additional Basic At Plain Time		Overtime At 1.5		OT Pub Hols At 2.0		Grand Total	
	£	Hours	£	Hours	£	Hours	£	Hours
HSCP	£528,858.37	52,052.57	£242,133.79	12,203.99	£11,316.10	472.25	£782,308.26	64,728.81
Education, Communities & OD	£185,818.02	19,341.95	£42,314.76	2,588.07	£565.77	34.50	£228,698.55	21,964.52
Environment, Regeneration & Resources	£213,444.89	27,773.56	£549,544.21	34,775.65	£4,982.85	246.17	£767,971.95	62,795.38
Chief Executive	0	0	0	0	0	0	0	0
TOTAL	£928,121.28	99,168.08	£833,992.76	49,567.71	£16,864.72	752.92	£1,778,978.76	149,488.71

Note: the above figures do not include the additional 8.3% holiday pay

d. Employee Relations Activity

	2017/18		2016/17		2015/16		2014/15	
Investigations (relating to Disc, Grie & BVH)	58		52		24		51	
Disciplinary	43		50		59		76	
Grievance	14		19		31		31	
Absence Cases Supported (AM forms received - not all cases require HR involvement)	295		426		277		291	
Letters of Concern Issued	113		129		83		n/a	
Union Members (figures collected from check off only (excluding EIS members)*	1638 (39.93%)		1631 (40.81%)		1889 (46.69%)		1927 (47%)	
Trade Union Activity (hours)	3890.20		3696.25		4140.27		n/a	
Work Life Balance Request	Received	83	Received	70	Received	74	Received	59
	Approved	73	Approved	62	Approved	68	Approved	48
Grades of those approved for Work Life Balance	A-G	42	A-G	37	A-G	42	A-G	36
	H & Above/Teacher	31	H & Above/Teacher	25	H & Above/Teacher	26	H & Above/Teacher	12
TOIL Request for Approval	114		120		42		n/a	
TOIL Taken (days)	64.5		49		21		n/a	

Note: EIS numbers not available as not paid by payroll deduction, also some members moved to check off.
Recording of Letter of Concern, Trade Union Activity Hours and TOIL only introduced in 15/16.

e. New Start and Leavers Survey - New Addition

Number of New Starts and Leavers Surveys sent and completed in 17/18

Directorate	Leavers Survey Sent	Leaver Survey Completed	New Employee Survey Sent	New Employee Survey Completed
Chief Exec	1	0	2	1
HSCP	42	11	70	23
Edu, Comm & OD	117	44	159	44
Env, Reg & Res	31	7	54	12
Not Known	0	25	0	10
Total	191	87	285	90

New Start and Leaver Job Satisfaction Responses in 17/18

Overall, how would you rate your employment experience to date?

Answer Choices	Responses	
	Leavers	New Starts
Excellent	13	34
Good	59	42
Average	6	3
Poor	9	2
Not Answered	0	9
Total	87	90

5. Organisational Development Support Activity

a. Training, Employee Participation & Job Evaluation Activity

	17/18	16/17
Port Glasgow Training Suite Open (Days)	249	253
Computer Room Booked (Days)	206	200
Room 1 Booked (Days)	204	188
Room 2 Booked (Days)	223	208.5

Corporate Training Course Attended	730	261
E-Learning Courses Completed	4502	5747
% of Employees who have completed GDPR training	78	

Employees Registered as First Aiders	108
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Employees in Buy & Bank Leave Scheme 2018	169	Amount:	£80,771.11
Employees in Buy & Bank Leave Scheme 2017	127	Amount:	£62,969.41
Employees in Buy & Bank Leave Scheme 2016	78	Amount:	£37,974.41
Employees in Buy & Bank Leave Scheme 2015	59	Amount:	£29,506.22

Employees in Cycle to Work Scheme	17/18	76	16/17	58	15/16	30	14/15	55
Employees in Childcare Voucher Scheme	17/18	117	16/17	93	15/16	75	14/15	75

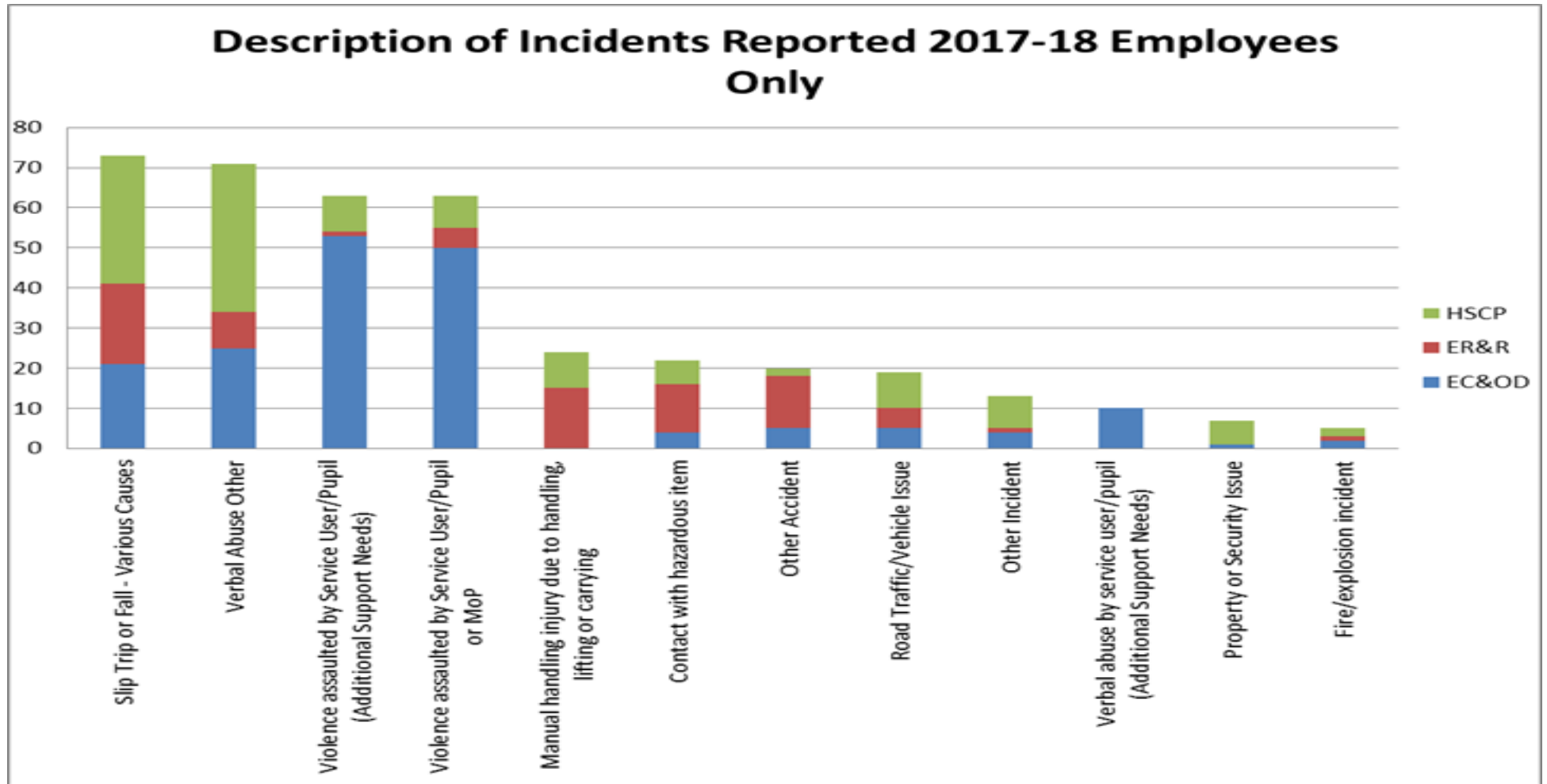
Job Evaluation Requests Received	17/18	55	16/17	43	15/16	117	14/15	78
Job Evaluation Appeals Received	17/18	1	16/17	2	15/16	0	14/15	1

6. Health and Safety Activity

Guidance: consider training needs and ensuring employees have the appropriate training and that it is recorded. Ensure risk assessments are carried out and are reviewed after accidents and incidents and that employees have been briefed on the contents.

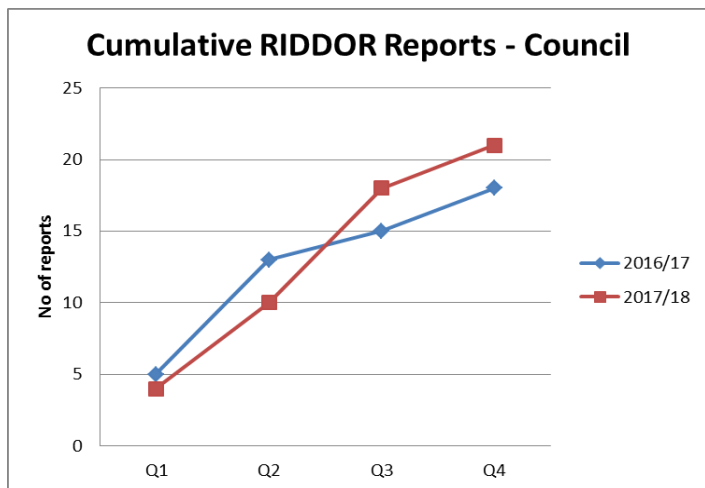
a. Causes of Accidents

The graph below shows the causes of accidents to employees by Directorate.



b RIDDOR 2013

The Graph shows the cumulative number of incidents which have been reported to the Health and Safety Executive under the requirements of the Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013



The table below shows the cumulative number of RIDDOR incidents reported by directorate.

Directorate	2017/18	2016/17	2015/16	2014/15
ERR	9	13	11	10
HSPC	8	3	4	7
ECOD	4	2	2	6
TOTAL	21	18	17	23

Report To:	Policy & Resources Committee	Date:	7 August 2018
Report By:	Chief Financial Officer	Report No:	FIN/69/18/AE/AP
Contact Officer:	Angela Edmiston	Contact No:	01475 712143
Subject:	Revenue Budget Outturn 2017/18 - Unaudited		

1.0 PURPOSE

1.1 The purpose of the report is to advise the Committee of the unaudited outturn of Service Committee Budgets for the year ending 31 March 2018 and to highlight any significant variances between revised budgets, period 11 reports and outturn per the 2017/18 Unaudited Accounts.

2.0 SUMMARY

2.1 Appendix 1 details the outturn (excluding earmarked reserves) per the unaudited accounts for 2017/18 and the variance between the outturn and the period 11 reports presented to the Policy & Resources Committee for all Service Committees 22 May 2018.

2.2 The outturn per the unaudited accounts shows an underspend for 2017/18 of £2,797,000 (Appendix 1) for all Service Committees (Inclusive of HSCP). This represents an underspend of 1.7% against 2017/18 revised budget of £167,681,000. The main areas of underspend relate to:

- Additional turnover savings achieved across the Council of £970,000.
- Release of contingencies not required throughout 2017/18 of £1,021,000.
- Additional Internal Resources Interest earned of £108,000.
- Over recovery of Statutory Additions Income and DWP income received of £92,000 relating to Welfare Reforms.
- Over recovery of income from Other Local Authorities and Early Years Wraparound Service of £76,000.
- Net over recovery of income across Environment, Regeneration & Resources Directorate of £149,000.
- Over recovery of prior years' Council Tax collection income of £96,000.
- Underspend within contract cleaning costs across Education and Communities Directorate of £120,000.
- Early achievement of 2018/20 savings within HSCP Directorate of £173,000

2.3 Appendix 1 shows a small increase in the underspend reported to the last Policy & Resources Committee (Period 11) of £159,000 (0.09%). Appendix 2 provides the material variances for individual Committees and further explanations for the significant variances during the year.

2.4 Many of the areas of underspend were addressed when preparing the 2018/19 budget or are being reviewed as part of the 2019/20 budget process. As part of the 2018/19 budget, various historic underspends were removed from the budget as approved by the September 2017 Policy and Resources Committee and further efficiencies were identified and removed from the budget as approved by the November 2017 Policy and Resources Committee. Appendix 2 highlights those areas that were adjusted during the 2018/19 budget process including a £200,000 increase in Council Tax Income Account.

- 2.5 The Council currently utilises smoothing earmarked reserves to deal with pressures arising from demand led services. This approach helps smooth out budget pressures over a number of years. Current smoothing earmarked reserves include Winter Maintenance, Residential Childcare, Older People Residential Care Homes, Microsoft Licensing and Loans Charges.
- 2.6 Overall, the unaudited accounts position reflects a free reserves position of £4.595m which is an increase of £1.343m since the budget was set in March 2018 and £0.544m greater than the position reported to the Policy & Resources Committee in May 2018. This excludes the Health & Social Care underspend as this will be retained by the IJB. The Committee has already agreed that any decision on the use of remaining free reserves will be deferred until the consideration of the 2019/20 Budget.

3.0 RECOMMENDATIONS

- 3.1 That the Committee notes the underspend per the unaudited accounts for 2017/18 of £2,797,000, the reasons for the material variances from budget and the 0.09% movement from Period 11 to Final Outturn.
- 3.2 That the Committee note that officers will identify any opportunities to adjust budgets from 2019/20 and include proposals in future Budget Reports.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The purpose of this report is to advise the Committee of the outturn position per the unaudited accounts for 2017/18 and to highlight the main issues contributing to the underspend of £2,797,000. The report also informs the Committee of the movement since the last report to the Committee and the main issues contributing to the movement.

5.0 2017/18 UNAUDITED OUTTURN

5.1 It can be seen from Appendix 1 that the outturn per the unaudited accounts for 2017/18 is an underspend of £2,797,000 for all Service Committees. The outturn comprises an underspend of £1,645,000 within Policy & Resources Committee, £354,000 within Environment & Regeneration Committee, £364,000 within Education & Communities and £434,000 within Health & Social Care. It should be noted that the underspend within Health & Social Care will be retained by the IJB and not form part of the Council's reserves.

5.2 The main areas of underspend relate to additional turnover savings achieved, the release of inflation contingencies not required, an over-recovery in prior years Council Tax collection, early achievement of 2018/19 savings, an over recovery of income across all services and additional Internal Resources Interest earned. Appendix 2 provides more detailed material variances and reasons behind the underspend on a Committee by Committee basis.

5.3 Further underspends below £50,000 were incurred across all Services. The underspend in year has been partly offset by increased costs for client care package cost within Social Care Services.

5.4 It can be seen in Appendix 1, that the outturn (per the unaudited accounts) of £2,797,000 is a small movement of £159,000 since the last report to the Policy & Resources Committee in May 2018. Appendix 1 details the movement in underspend per Service Committee. Appendix 2 provides more details regarding the material variances since the Period 11 Policy & Resources Committee report and the reasons for these movements.

5.5 Further details on the 2017/18 outturn will be submitted to individual Committees with the first Revenue Monitoring Report for 2018/19 in the next Committee cycle.

5.6 The unaudited accounts position reflects free reserves of £4,595,000 at 31 March 2018. This is an increase in the reserves position of £1,343,000 since the budget was set in March 2018 and £544,000 greater than the position reported at the Policy & Resources Committee in May 2018. The free reserves position excludes the Health & Social Care underspend as this will be retained by the IJB. The Committee has already agreed that decisions on the use of remaining free reserves will be deferred until the consideration of the 2019/20 Revenue Budget.

6.0 OTHER INFORMATION

6.1 The accuracy of budgeting and projections is an important measure of the Council's Financial Management performance. The percentage variance for 2017/18 increased slightly from 2016/17 but remains at a significantly lower percentage than 2015/16. The increase in percentage underspend in 2017/18 is mainly due to the early implementation of savings planned for 2018/19 budget. Efficiencies and historic underspends were identified in 2017/18 to be removed as part of the 2018/19 budget and have been reported as underspends within the 2017/18 final outturn. The following shows the variance for the last 4 years and the percentage against revised revenue budget for the relevant year.

Year	Variance	Percentage Variance
2014/15	Underspend £4.395m	2.61%
2015/16	Underspend £5.814m	3.41%
2016/17	Underspend £2.243m	1.38%
2017/18	Underspend £2.797m	1.67%

- 6.2 As part of the 2018/19 budget process, decisions were taken to address underspends. Directorates identified a number of historic underspends and efficiencies within the budgets that have been removed as part of the 2018/19 budget process.
- 6.3 Officers will however use this latest information to identify further potential budget adjustments in order to reduce the funding gap over 2019/20.

7.0 IMPLICATIONS

7.1 FINANCE

All financial implications are discussed in detail within the report and presented in attached appendices.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

7.2 LEGAL

There are no specific legal implications arising from this report.

7.3 HUMAN RESOURCES

There are no specific human resources implications arising from this report.

7.4 EQUALITIES

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

7.5 REPOPULATION

There are no repopulation issues arising from this report.

8.0 CONSULTATIONS

- 8.1 The Corporate Management Team has been consulted in the preparation of this report.

9.0 BACKGROUND PAPERS

9.1 There are no background papers for this report.

POLICY & RESOURCES**REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO FINAL OUTTURN**

OBJECTIVE ANALYSIS	Approved Budget 2017/18 £000	Period 11 Revised Budget 2017/18 £000	Period 11 Projection 2017/18 £000	Period 11 Projected Over/(Under) Spend 2017/18 £000	Final Over/(Under) Spend 2017/18 £000	Movement from Probable Outturn £000	Variance as % of Revised Budget
Policy & Resources	17,234	15,925	14,549	(1,376)	(1,645)	(269)	-10.33%
Education & Communities	90,127	83,865	83,524	(341)	(364)	(23)	-0.43%
Environment & Regeneration	21,397	20,836	20,617	(219)	(354)	(135)	-1.70%
Health & Social Care	47,420	47,055	46,353	(702)	(434)	268	-0.92%
COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES	176,178	167,681	165,043	(2,638)	(2,797)	(159)	-1.67%

Reasons: Final Outturn**POLICY & RESOURCES**

Additonal Turnover Savings Achieved	(58)
Improved collection for prior years council tax	(96)
Inflation Contingencies not used	(1,021)
Pension Costs Underspend	(57)
2017/18 Final Audit Fee Accrual Correction	72
Internal Resources Interest Over Recovery	(108)
Over Recovery of Statutory Additions Income & DWP Income	(92)
Various (Underspends)/Overspends all under £50k	(285)

(1,645)**Reasons: Movement Period 11 to Final Outturn****POLICY & RESOURCES**

2017/18 Final Audit Fee	77
Internal Resources Interest Over Recovery	(108)
Various (Underspends)/Overspends all under £50k	(238)

(269)

POLICY & RESOURCES**REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO FINAL OUTTURN****EDUCATION & COMMUNITIES**

Additional Turnover Savings Achieved	(274)
Over Recovery of Income from Other Local Authorities & Wrapround	(76)
CCTV Line Rental overspend	52
Early Achievement of 2018/20 Savings	(120)
Various (Underspends)/Overspends all under £50k	54
	(364)

HEALTH & SOCIAL CARE

Additional Turnover Savings achieved	(398)
Overspend in client package costs across all Services	123
Early achievement of 2018/20 savings	(173)
Various (Underspends)/Overspends all under £50k	14
	(434)

ENVIRONMENT & REGENERATION

Additional Turnover Savings achieved	(240)
Underrecovery of Industrial, Commercial income	69
Overrecovery of Planning Income	(76)
Overspend within Central Repairs	65
Catering Provisions Underspend	(69)
Reduction in Residual Waste Contract	(67)
Over Recovery of Income across Directorate	(142)
Various (Underspends)/Overspends all under £50k	106
	(354)

EDUCATION & COMMUNITIES

Internal Catering Underspend	(55)
Underspend within Telephones and EMA Contribution	(53)
ASN Resources Overspend	80
Underspend in Internal Cleaning Charges	(60)
Various (Underspends)/Overspends all under £50k	65
	(23)

HEALTH & SOCIAL CARE

Funding set aside for 18/19 CFCR	260
Various (Underspends)/Overspends all under £50k	8
	268

ENVIRONMENT & REGENERATION

Central Repairs overspend	54
Over Recovery of Income across Directorate	(81)
Underspend within Building Service Unit	(73)
Various (Underspends)/Overspends all under £50k	(35)
	(135)

MATERIAL VARIANCES FROM BUDGET (OVER £50,000)**POLICY & RESOURCES COMMITTEE****1. Contingencies – Outturn Underspend £1,021,000 (37.4%)**

Due to a lower than anticipated requirement for non-pay and pay inflationary pressures, the Council underspent by £1,021,000. As part of the 2018/19 budget process, £1 million of non-pay inflation has been released over the 2018/20 budget period. A further £190,000 of pressures contingency was released in the 2018/19 budget.

2. Internal Resources Income – Outturn Over Recovery £108,000 (72%)

Due to an increase in interest rates, Internal Resources Interest received was £108,000 more than budgeted in 2017/18. A review of this budget will be undertaken as part of the 2019/20 budget process.

3. Turnover Savings – Outturn Underspend £58,000 (0.69%)

Turnover savings of £58,000 was achieved by the Committee for 2017/18. An increase in turnover target was approved during the 2018/19 budget process and as a result turnover targets have been increased by £92,000 for 2018/19.

4. Council Tax Prior Years Income – Outturn Over Recovery £96,000 (31%)

Due to improved collection rates, the Council over recovered prior years Council Tax Income for debts 2012/13 or earlier by £96,000. A budget increase of £50,000 was approved September 2017 as part of the 2018/19 budget process.

ENVIRONMENT & REGENERATION COMMITTEE**1. Turnover Savings – Outturn Over Recovery £240,000 (1.4%)**

The Services within the Environment & Regeneration Committee achieved additional Turnover Savings of £240,000 in 2017/18. An increase in turnover target was agreed as part of the 2018/19 budget and as a result turnover targets have been increased by £92,000 for 2018/19.

2. Planning Income – Outturn Over Recovery £76,000 (12.7%)

The Committee over recovered on planning income of £76,000 due to an increase in planning applications. A budget adjustment of £33,000 additional income was approved September 2017 as part of the 2018/19 budget process.

3. Crematorium and Burial Grounds – Outturn Over Recovery £73,000 (9.8%)

An over recovery of income for cremations was achieved during 2017/18 due to a higher number of cremations than budgeted. This was offset partly by an under recovery of income for Burials. This reflects recent trends and a virement between Crematorium Income and Burial Grounds Income has been reflected within the 2018/19 budget.

4. Building Services Unit – Outturn Over Recovery £67,000 (4.3%)

A net over recovery of income within Building Services Unit of £67,000 due to a reduction in projected use of sub-contractors.

5. Commercial and Industrial Rent – Outturn Under Recovery £69,000 (9.9%)

Due to a higher than budgeted level of voids, there is an under recovery of income for Commercial and Industrial Rent of £69,000. £60,000 was reported to the last Committee and represents an ongoing budget pressure which is being reviewed by Officers.

EDUCATION & COMMUNITIES**1. Turnover Savings – Outturn Over Recovery £274,000 (0.31%)**

The Committee achieved additional Turnover Savings of £274,000. An increase in turnover target was agreed as part of the 2018/19 budget process and as a result turnover targets have been increased by £123,000 for 2018/19. A further increase in teachers' turnover target of £100,000 was also approved as part of the 2018/19 budget process.

2. Income from Other Local Authorities and Early Years Wrapround – Outturn Over Recovery £76,000 (0.09%)

The Committee over recovered in income from Other Local Authorities and Wrapround in 2017/18 by £76,000 mainly due to children from out with Inverclyde placed within Garvel and Craigmarloch. This was largely offset by increases in employee costs.

3. Contract Cleaning Charges – Outturn Underspend £120,000 (0.14%)

An underspend of £120,000 was achieved within Contract Cleaning charges across the Directorate due to early achievement of a saving due in 2018/19. £60,000 of this underspend was reported to the last Education Services Committee.

HEALTH & SOCIAL CARE COMMITTEE**1. Turnover Savings – Outturn Over Recovery £398,000 (1.51%)**

The Committee produced additional turnover savings for 2017/18 of £398,000. An increase in turnover target was agreed as part of the 2018/19 budget process and as a result turnover targets have been increased by £193,000 for 2018/19.

2. Client Commitments – Outturn Overspend £123,000 (1.12%)

Client Commitments overspent by £123,000 during 2017/18. Increased costs were incurred due to increased client packages mainly within Learning Disability. During 2017/18, the Directorate commenced a review on care packages to address the overspend. A budget pressure of £292,000 was approved as part of the budget process in order to address the rising costs of care packages within the Learning Disability Client group.

3. Early Achievement of Savings – Outturn Underspend £173,000 (100%)

During the 2018/19 budget process, a number of budget adjustments or efficiencies were approved by Committee to be removed from the 2018/19 budget. As a result, the Directorate reported no spend against these areas for 2017/18 and this was reported to Committee during 2017/18.

GENERAL FUND**1. Council Tax Income Account – Outturn Over Recovery of £333,000 (1.16%)**

Due to an increase in Council Tax base within Inverclyde, Council tax income was over recovered by £290,000. An over recovery of £43,000 was achieved as a result of the premiums charged to second homes and long term empty properties. An increase to the Council Tax Income budget of £200,000 was approved September 2017 as part of the 2018/19 budget process.

2. General Revenue Grant/Non Domestic Rates – Over Recovery of £208,000 (0.13%)

Due to additional grant redeterminations from the Scottish Government as part of the January funding announcement, £149,000 of funding received was not required by Services in 2017/18. This additional funding has been either addressed during the 2018/19 budget process or was received on a one off basis. An additional £59,000 was retained by the Council for exceeding the Business Rates Incentivisation Scheme target for Non-Domestic Rates Income. This is the first time the Council has achieved the target and has been classed as one off income for 2017/18.

Report To:	Policy & Resources Committee	Date:	7 August 2018
Report By:	Chief Financial Officer	Report No:	FIN/72/18/MT/AP
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	2017/18 Capital Programme Performance		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the performance in respect of the delivery of the 2017/18 Capital Programme.

2.0 SUMMARY

- 2.1 The Committee receives an annual report detailing the Capital Programme out-turn against approved budget. Achieving budgeted capital spend has been raised at a Scotland wide level by Auditors for many years and officers have previously reported action taken to reduce levels of slippage.
- 2.2 In 2017/18 there was net slippage of 1.2% following on from net acceleration of 9.2% in 2016/17. Appendix 1 summarises the reduction in slippage since 2013/14 following the action taken and it can be seen that the 5 year average slippage is 4.5%. Slippage should be kept under 10% and likewise for acceleration, as greater than this would indicate issues with initial budget setting.
- 2.3 Appendix 2 provides a summary of the main causes for slippage/advancement with reasons for the slippage being provided by Lead Officers. As has previously been the case, it is clear that variations are not attributable to either a single project or a single reason.
- 2.4 Appendix 3 provides more detail on an individual project basis whilst Appendix 4 shows the movement in projections throughout the year. It can be seen that there was significant movement in projections reported to the Environment & Regeneration Committee and the Communities part of the Education & Communities Committee whereas the SEMP , Policy & Resources and HSCP projections were far more accurate.
- 2.5 Overall the Capital Programme delivery performance was good with slippage in certain projects being largely cancelled out by advancement of spend in others. The Corporate Director Environment, Regeneration & Resources will continue to work with relevant officers throughout the year to monitor project delivery and update Committee as required.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the 2017/18 Capital Out-turn Position of 1.2% slippage.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The issue of Capital Slippage had previously been an area identified and reported on by the Council's External Auditors. This situation was not unique to Inverclyde Council.
- 4.2 Following a significant level of slippage reported as part of the 2011/12 accounts, the Corporate Director Environment, Regeneration & Resources undertook action as part of the budget setting process to reduce slippage and further actions were identified in 2014 to continue this improvement. These actions included setting performance targets for Chief Officers as part of the annual Appraisal process, early notification of slippage and identification of projects which could be accelerated.

5.0 2017/18 CAPITAL DELIVERY PERFORMANCE

- 5.1 Subject to the audit of the Final Accounts, the Capital out-turn for 2017/18 is reporting slippage of 1.2% (9.2% acceleration reported in 2016/17). Overall slippage remains well within acceptable levels; as stated this is partly as a result of the actions taken by Officers to reduce slippage and partly as a result of Council policies accelerating capital spend such as the advancement of the School Estate Programme and the Road Asset Management Plan.
- 5.2 Appendix 2 provides an analysis prepared by Officers of the main reasons for any slippage whilst Appendix 3 contains a commentary by the Lead Officer where appropriate and a categorisation of the type of slippage. This latter issue is not an exact science, but does give an indication of the main reasons for the slippage.
- 5.3 It can be seen that slippage of £6.24million (87% of all slippage) arose from internal slippage and slippage involving 3rd Parties. This was offset by projects accelerated by Officers to actively offset slippage of £6.812m (21.11%).
- 5.4 Directorate performance was as follows:

Corporate Director, Environment, Regeneration & Resources – overall slippage 16.2% (2016/17: 11.2% advancement) this was mainly due to slippage within Flooding, Bakers Brae re-alignment, Depot refurbishment, District Court Room restoration and the King George VI Building partially offset by advancement of projects through the Roads Asset Management Plan and Office Refurbishment. This is a significant increase in slippage from 2016/17.

Corporate Director, Education, Communities & Organisational Development – overall project advancement of 14.1% (2016/17: 10.7%) mainly as a result of acceleration of spend on projects within the School Estate Programme offsetting slippage within Safer Communities.

Corporate Director, Health & Social Care – overall slippage of 38.9% (2016/17: 25.2%). The actual value of slippage was £663,000 and related mainly to a single project, the Crosshill Children's Home replacement.

- 5.5 Allied to the early identification of slippage is the potential to identify alternative projects which could be accelerated. Roads investment in particular lends itself to this approach where projects can be developed and delivered in a far shorter timescale than many other capital projects. During 2017/18 a total of £6.812m (21.11%) (2016/17: £5.267m (18.84%)) was advanced. Much of this was as a result of Council policies such as the advancement of the School Estate Programme and the Road Asset Management Plan.

6.0 IMPLICATIONS

Finance

- 6.1 Whilst there are no direct financial implications which can be quantified arising from general slippage, there can be an opportunity cost to the Council from the late delivery of projects. Acceleration of projects is largely a positive outcome however it can result in earlier incurring of borrowing costs albeit at present interest rates are at historically low levels.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

Legal

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

Human Resources

- 6.3 The Corporate Director, Environment Regeneration and Resources and his Heads of Service regularly review resourcing levels to ensure sufficient resources are in place to deliver the capital programme supported by the use of framework agreements where appropriate to access resources timeously.

Equalities

- 6.4 There are no direct equalities implications arising from this report.

Repopulation

- 6.5 Delivery of projects on time and within budget helps increase public confidence in the Council will improve the perception of Inverclyde and as such reducing Capital Slippage and improving delivery performance will make the area more attractive to residents and potential incomers.

7.0 CONSULTATIONS

- 7.1 This report has been produced in consultation with the relevant budget holders as well as technical officers from Legal & Property Services and Environmental & Commercial Services and has been approved by the Corporate Management Team.

8.0 LIST OF BACKGROUND PAPERS

- 8.1 None.

Annual Slippage Summary

Appendix 1

<u>Year</u>	<u>Budget</u> <u>£000's</u>	<u>Slippage</u> <u>£000's</u>	<u>%age</u>
2013/14	38,975	5,632	14.5%
2014/15	29,772	4,566	15.3%
2015/16	30,070	(903)	(3.0)%
2016/17	27,955	(2,560)	(9.2)%
2017/18	32,271	398	1.2%
5 year average	31,809	1,427	4.5%

Summary of Reported Slippage by Category

Appendix 2

Committee	Policy Decision		Project Cost Reduced		Internal Slippage		Delay involving 3rd Party		Minor Slippage		Accelerated Projects		Total	
	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age	£000	%age
Policy & Resources	-	0.0%	-	0.0%	-	0.0%	-	0.0%	18	7.0%	-	0.0%	18	7.03%
Environment, Regeneration & Resources	-	0.0%	87	0.7%	1,415	10.8%	2,436	18.6%	247	1.9%	(2,038)	(15.6)%	2,147	16.39%
Education & Lifelong Learning	321	9.0%	199	5.6%	539	15.1%	400	11.2%	(7)	(0.2)%	-	0.0%	1,452	40.76%
School Estate	-	0.0%	91	0.7%	801	5.9%	-	0.0%	-	0.0%	(4,774)	(35.0)%	(3,882)	(28.43)%
Health & Social Care	-	0.0%	-	0.0%	653	38.3%	-	0.0%	10	0.6%	-	0.0%	663	38.93%
Total	321	1.0%	377	1.2%	3,408	10.6%	2,836	8.8%	268	0.8%	(6,812)	(21.1)%	398	1.23%
Directorate														
Environment, Regeneration & Resources	-	0.0%	87	0.7%	1,415	10.6%	2,436	18.2%	265	2.0%	(2,038)	(15.3)%	2,165	16.2%
Education, Communities & Organisational Development	321	1.9%	290	1.7%	1,340	7.8%	400	2.3%	(7)	(0.0)%	(4,774)	(27.7)%	(2,430)	(14.1)%
Health & Social Care	-	0.0%	-	0.0%	653	38.3%	-	0.0%	10	0.6%	-	0.0%	663	38.9%
Total	321	1.0%	377	1.2%	3,408	10.6%	2,836	8.8%	268	0.8%	(6,812)	(21.1)%	398	1.2%

	Approved Budget 2017/18 £000's	Draft 2017/18 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Policy Decision £000's	2 Project Cost Reduced £000's	3 Internal Slippage £000's	4 Delay involving 3rd Party £000's	5 Minor Slippage £000's	6 Accelerated Projects £000's	Variation Category	Additional Comments
Policy & Resources												
Various Projects	256	238	18	7.03%					18		5 Minor Slippage	
TOTAL Policy & Resources	256	238	18	7.03%	0	0	0	0	18	0		
Environment & Regeneration												
Environmental Services - Roads												
Traffic Measures	121	28	93	76.86%			93				3 Internal Slippage	
SPT	229	113	116	50.66%					116		5 Minor Slippage	
Flooding Strategy - Greenock Central	443	70	373	84.20%			373				3 Internal Slippage	Internal re design of proposed scheme
Flooding Strategy - Future schemes	726	25	701	96.56%				701			4 Delay involving 3rd Party	Delay in external Consultants proposals and designs.
Various Projects	160	109	51	31.88%					51		5 Minor Slippage	Slight delay in delivery of small projects, now programmed to be delivered start of next financial year
Roads Asset Management Plan												
Carriageways	1,655	1,766	(111)	(6.71)%						(111)	6 Accelerated Projects	
Footways	688	1,031	(343)	(49.85)%						(343)	6 Accelerated Projects	
Structures	323	242	81	25.08%				81			4 Delay involving 3rd Party	Delay in external Consultants design.
Lighting	637	1,345	(708)	(111.15)%						(708)	6 Accelerated Projects	
Staff Costs	398	481	(83)	(20.85)%						(83)	6 Accelerated Projects	
Environmental Services												
Sir Michael Street Play Area - Phase 2	92	0	92	100.00%				92			4 Delay involving 3rd Party	Scheme complicated due to location over railway line and due to agreement needed with River Clyde Homes.
Park, Cemeteries & Open Spaces AMP	200	107	93	46.50%			93				3 Internal Slippage	
Various Projects	1,218	1,138	80	6.57%					80		5 Minor Slippage	
Regeneration and Planning												
Bakers Brae Re-alignment/Broomhill Regeneration	983	274	709	72.13%				709			4 Delay involving 3rd Party	Delay following tender return due to requirement to carry out more detailed evaluation of tender as well as due to resolution of land ownership issues.
Port Glasgow Town Centre Regeneration	72	164	(92)	(127.78)%						(92)	6 Accelerated Projects	
Various Projects	26	6	20	76.92%			20				3 Internal Slippage	
Property Services												
District Court Room Restoration	396	0	396	100.00%				396			4 Delay involving 3rd Party	Complications arising from approval required from Historic Scotland due to complexity of project.
Waterfront Leisure Centre Lifecycle Works	226	352	(126)	(55.75)%						(126)	6 Accelerated Projects	
King George VI Refurbishment	490	33	457	93.27%				457			4 Delay involving 3rd Party	Community group ceasing to be interested in building combined with increase in costs estimate for full refurbishment.
Waterfront Leisure Complex Combined Heat and Power Plant	29	71	(42)	(144.83)%						(42)	6 Accelerated Projects	
Various Projects	1,503	1,503	0	.00%					0		5 Minor Slippage	
Greenock Municipal Buildings - District Court Offices	361	814	(453)	(125.48)%						(453)	6 Accelerated Projects	No appropriate category - project cost increased which utilised AMP contingency.
William St	950	1,018	(68)	(7.16)%						(68)	6 Accelerated Projects	No appropriate category - project cost increased which utilised AMP contingency.
AMP Offices Complete on site	46	58	(12)	(26.09)%						(12)	6 Accelerated Projects	
Vehicle Wash Installation	264	19	245	92.80%			245				3 Internal Slippage	
Fuel Installation	264	17	247	93.56%			247				3 Internal Slippage	
Pottery Street Offices & Depot Refurbishment	295	13	282	95.59%			282				3 Internal Slippage	
Complete on Site (Salt Dome Phase 1, Phase 3 Veh Maint Shed and Ena	86	24	62	72.09%			62				3 Internal Slippage	Combination of delay in agreeing final accounts and final accounts agreed below projection.
Various Projects - AMP Depots	215	128	87	40.47%		87					2 Project Cost Reduced	Allocation is a lifecycle fund which is rolled into future years if not spent/required in the year projected.
TOTAL Environment & Regeneration	13,096	10,949	2,147	16.39%	0	87	1,415	2,436	247	(2,038)		

	Approved Budget 2017/18 £000's	Draft 2017/18 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Policy Decision £000's	2 Project Cost Reduced £000's	3 Internal Slippage £000's	4 Delay involving 3rd Party £000's	5 Minor Slippage £000's	6 Accelerated Projects £000's	Variation Category	Additional Comments
Education & Lifelong Learning												
Non-SEMP												
Education & Communities (Non-SEMP)												
Pitches/MUGA's Complete on Site	58	10	48	82.76%		48					2 Project Cost Reduced	Final accounts agreed below projection.
Safer Communities												
Scheme of Assistance	889	738	151	16.99%		151					2 Project Cost Reduced	Demand led budget
Watt Complex Refurbishment	986	447	539	54.67%			539				3 Internal Slippage	Combination of internal slippage (later on site than planned) but also tenders returned below budget (project cost reduced) and element of weather delay.
New Community Facility Broomhill	897	740	157	17.50%				157			4 Delay involving 3rd Party	Delayed by partner planning issues
Contribution to Birkmyre Park Pitch Improvements	262	19	243	92.75%				243			4 Delay involving 3rd Party	Delayed due to legal aspect (agreements with private owners) + Private School contribution negotiations.
Public Space CCTV	321	0	321	100.00%	321						1 Policy Decision	Unable to commence until budget decision finalised
Various Projects	149	156	(7)	(4.70)%					(7)		5 Minor Slippage	
TOTAL Education & Lifelong Learning (excl School Estate)	3,562	2,110	1,452	40.76%	321	199	539	400	(7)	0		
SEMP												
Bluebird Family Centre - Refurbishment	1003	912	91	9.07%		91					2 Project Cost Reduced	
Greenock West Early Years Facility - New Build	1476	2611	(1,135)	(76.90)%						(1,135)	6 Accelerated Projects	
Glenbrae Children's Centre - Aberfoyle Rd Refurbishment	725	453	272	37.52%			272				3 Internal Slippage	Slow progress on site and part weather delay.
Hillend Children's Centre - Refurbishment	96	7	89	92.71%			89				3 Internal Slippage	Design stage delay.
Larkfield Children's Centre - Upgrade	0	100	(100)	-						(100)	6 Accelerated Projects	Land acquisition cost put through receipts model.
Balance of Lifecycle Fund	949	804	145	15.28%			145				3 Internal Slippage	
Moorfoot PS Refurbishment	2102	3920	(1,818)	(86.49)%						(1,818)	6 Accelerated Projects	
St Ninian's PS - New Build	4679	6201	(1,522)	(32.53)%						(1,522)	6 Accelerated Projects	
Gourock PS Extension	126	38	88	69.84%			88				3 Internal Slippage	Design stage delay
St Mary's PS - Refurb & Extension	150	324	(174)	(116.00)%						(174)	6 Accelerated Projects	
Early Years 1140 Hours Capital	384	177	207	53.91%			207				3 Internal Slippage	
Various Projects	1964	1989	(25)	(1.27)%						(25)	6 Accelerated Projects	
TOTAL SEMP	13,654	17,536	(3,882)	(28.43)%	0	91	801	0	0	(4,774)		
Health & Social Care Committee												
Crosshill Childrens Home Replacement	760	107	653	85.92%			653				3 Internal Slippage	Delay in design stage and in connection with Neil Street project delay which impacted the ability to decant Crosshill.
Various Projects	943	933	10	1.06%					10		5 Minor Slippage	John Street allocation not fully expended with some minor works completed in following financial year.
Total Health & Social Care	1,703	1,040	663	38.93%	0	0	653	0	10	0		
Council Total												
	32,271	31,873	398	1.23%	321	377	3,408	2,836	268	(6,812)		
%age Variation												
					.99%	1.17%	10.56%	8.79%	.83%	(21.11)%		

Summary of Reported Slippage by Period

Appendix 4

	<u>Sept'17 - Period 4</u>		<u>Nov'17 - Period 6</u>		<u>Feb'18 - Period 8</u>		<u>March'18 - Period 10</u>		<u>June'18 - Period 12</u>		<u>Provisional Outturn</u>	
	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>
Policy & Resources	-	0.00%	-	0.00%	(61)	-21.40%	(20)	-7.81%	(20)	-7.81%	18	7.03%
Environment, Regeneration & Resources	(1,487)	-11.35%	(1,083)	-8.30%	834	6.37%	1,406	10.74%	1,965	15.00%	2,147	16.39%
Education & Lifelong Learning	-	0.00%	306	8.59%	685	19.23%	1,300	36.50%	1,478	41.49%	1,452	40.76%
School Estate	-	0.00%	(4,000)	-29.30%	(3,551)	-26.01%	(1,949)	-14.27%	(3,729)	-27.31%	(3,882)	-28.43%
Health & Social Care	-	0.00%	610	36.81%	610	36.81%	715	43.15%	720	42.28%	663	38.93%
Total	(1,487)	(4.6)%	(4,167)	(13.0)%	(1,483)	(4.6)%	1,452	4.5%	414	1.3%	398	1.2%

	<u>Movement Nov'17</u> <u>(Period 6) v Outturn</u>	
	<u>£000's</u>	<u>%</u>
Policy & Resources	18	7.0%
Environment, Regeneration & Resources	3,230	24.7%
Education & Lifelong Learning	1,146	32.2%
School Estate	118	0.9%
Health & Social Care	53	2.1%
Total	4,565	14.2%

Report To: Policy & Resources Committee **Date:** 7 August 2018
Report By: Chief Financial Officer **Report No:** FIN/73/18/AP/KJ
Contact Officer: Alan Puckrin **Contact No:** 01475 712223
Subject: TREASURY MANAGEMENT – ANNUAL REPORT 2017/18

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the operation of the treasury function and its activities for 2017/18 as required under the terms of Treasury Management Practice 6 (“TMP6”) on “Reporting Requirements and Management Information Arrangements”.

2.0 SUMMARY

- 2.1 As at 31 March 2018 the Council had gross external debt (including PPP) of £271,127,549 and investments of £33,395,618. This compares to gross external debt (including PPP) of £273,735,658 and investments of £38,935,922 at 31 March 2017.

- 2.2 The Council’s Capital Financing Requirement at 31 March 2018 was £308,123,000. The gross external debt was £36,995,451, (12%) less than the Capital Financing Requirement meaning that the Council was in an underborrowed position and remains so. This position is attributable to the level of cash-backed reserves held by the Council.

The Council’s Loans Fund Pool Rate for Interest for 2017/18 (which reflects the actual interest cost of the Council’s Treasury activities) is the lowest since at least 1988/89.

- 2.3 The average rate of return achieved on investments during 2017/18 was 0.632% which exceeds the benchmark return rate for the year of 0.286% by 0.346% and resulted in £136,000 of additional interest on investments for the Council.
- 2.4 During 2017/18 and in 2018/19 to date the Council did not undertake any debt restructuring and operated within the required treasury limits and Prudential Indicators for the year set out in the Council’s Treasury Policy Statement, annual Treasury Strategy Statement, and the Treasury Management Practices.
- 2.5 There remains significant economic uncertainty in the UK and around the world, resulting in continuing volatility in the financial markets and uncertainty on UK interest rates. Given this position, the economic situation continues to be closely monitored for both risks and opportunities.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the contents of the annual report on Treasury Management for 2017/18 and the ongoing work to seek to ensure the delivery of financial benefits for the Council during the current uncertainty and beyond.
- 3.2 It is recommended that the Annual Report be remitted to the Full Council for approval.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18.
- 4.2 Treasury Management in this context is defined as: “The management of the local authority’s 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.”
- 4.3 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The report also includes a section on Loan Fund Advances (section 7) which includes information required by regulations that came into effect on 1 April 2016.

A glossary of treasury management terms is attached as Appendix 1.

5.0 ANNUAL REVIEW

- 5.1 The treasury management issues arising during the year were:
 - a. The Council’s debt (including PPP) has reduced during the year by £2.608m due to repaying maturing debt without undertaking new borrowing. Council investments reduced by £5.540m in the year.
 - b. As at 31 March 2018 the Council had under borrowed against its capital financing requirement by £36.995m. The only borrowing undertaken during 2018/19 to date has been £5m of temporary borrowing for 3 months between April and July from another Scottish local authority at 0.70%. This borrowing was done to provide additional short-term liquid funds.
 - c. The Council did not undertake any debt restructuring during 2017/18 and remained within its Prudential Indicator and Treasury Management limits during the year.
 - d. In February 2017 the Treasury Advisers forecast that the Bank rate would remain unchanged at 0.25% until the second quarter of 2019. The economic position during the year led to the Bank Rate being increased in November 2017 from 0.25% back to the 0.50% rate that it had been at from March 2009 until August 2016. The amount of Quantitative Easing remained unchanged.
 - e. PWLB rates for new borrowing were expected to increase only by up to 0.10% but rates for new short-term borrowing increased by up to 0.68% for short-term whereas long-term rates fell by 0.05%. These movements were not uniform during the year. Volatility resulted in the difference in rates for some loan periods between their highest and lowest levels during the year being 0.87% for some short-term loans but 0.39% for longer periods.
 - f. The interest rates for investments remained low during the year but were increased following (and largely in line with) the Bank Rate increase in November 2017.
 - g. The Council’s investments earned a rate of return of 0.632% during the year and outperformed the benchmark return of 0.346% resulting in additional income to the Council of £136,000.
 - h. All investments were in accordance with the Council’s investment policy and no institutions with which investments were made had any difficulty in repaying those investments and interest in full during the year.
 - i. The Council’s investment performance is due to undertaking fixed term and notice account investments at interest rates that were above the benchmark with counterparties which have high creditworthiness (the Bank of Scotland and Santander UK) and in accordance with the Council’s investment strategy.

- 5.2 There remains significant economic uncertainty in the UK and around the world which, as the above information on PWLB rates indicates, has resulted in continuing volatility in the financial markets and uncertainty on UK interest rates.

Given this position, the economic situation continues to be closely monitored for both risks and opportunities.

- 5.3 The Council's Year End debt position was as follows:

	At 31 March 2017	At 31 March 2018
	£	£
Total Excluding PPP	208,047,658	207,389,549
PPP Debt	65,688,000	63,738,000
Total Including PPP	273,735,658	271,127,549

Further detail is given in the following table:

	At 31 March 2017		At 31 March 2018		Movement 2017/18
	Principal	Rate	Principal	Rate	Principal
	£000		£000		£000
Fixed Rate Funding:					
- PWLB	105,155		104,714		(441)
- Market *	40,000		71,000		31,000
	145,155	3.87%	175,714	4.04%	30,559
Variable Rate Funding:					
- PWLB	0		0		0
- Market *	62,400		31,400		(31,000)
- Temporary #	493		276		(217)
	62,893	4.90%	31,676	4.94%	(31,217)
Total Debt (Excl PPP)	208,048	4.18%	207,390	4.18%	(658)
PPP Debt	65,688		63,738		(1,950)
Total Debt (Incl PPP)	273,736		271,128		(2,608)

* - Market Loans are shown as variable when they have less than 1 year to go until their next call date. The total value of Market Loans has not changed between financial years, just the split between fixed and variable.

- Temporary Loans includes funds held by the Council on behalf of the Common Good and Trust Funds and that are to be treated as borrowing for Treasury Management purposes under Scottish Government requirements.

5.4 The Council's investment position was as follows:

	At 31 March 2017		At 31 March 2018		Movement 2017/18
	Principal £000	Return	Principal £000	Return	Principal £000
Investments:					
- Fixed Term Deposits	16,000	0.62%	11,500	0.77%	(4,500)
- Notice Accounts	14,603	0.70%	15,000	0.70%	397
- Deposit Accounts	8,333	0.25%	6,896	0.50%	(1,437)
Totals	38,936	0.57%	33,396	0.68%	(5,540)

Maximum level of investments in 17/18: £48,502,017 on 15 September 2017

Minimum level of investments in 17/18: £30,241,718 on 27 March 2018

Daily average for the year 17/18: £39,303,294

5.5 2017/18 Outturn Compared to Estimates in 2017/18 Strategy

The 2017/18 outturn compared to the estimates in the 2017/18 strategy:

	2017/18 Estimate	2017/18 Outturn
	£000	£000
<u>Borrowing Requirement</u>		
New borrowing	0	0
Alternative financing requirements	0	0
Replacement borrowing	0	0
TOTAL	0	0
<u>Prudential/Treasury Management Indicators</u>		
	£000	£000
Gross external debt including PPP (As at 31 March 2018)	271,438	271,128
Capital financing requirement (As at 31 March 2018)	312,370	308,123
(Under)/over borrowing against CFR	(40,932)	(36,995)
Capital expenditure	£000	£000
• Capital Programme	32,629	30,751
• PPP (accounting adjustments)	(2,039)	(1,950)
Total	30,590	28,801
Ratio of financing costs (including PPP) to net revenue stream	13.85%	14.04%
Incremental impact of capital investment decisions - incremental increase in council tax (band D) per annum at Loans Fund rate (cost of use of capital receipts and prudential borrowing for capital expenditure)	£13.79	£6.96

5.6 2017/18 Outturn Compared to Limits in 2017/18 Strategy

The 2017/18 outturn compared to limits in the 2017/18 strategy:

Prudential/Treasury Management Indicators

Authorised limit for external debt

- Borrowing
- Other long term liabilities

Operational boundary for external debt

- Borrowing
- Other long term liabilities

Upper limit for fixed interest rate exposure
(Actual is as at 31 March 2018)

Upper limit for variable rate exposure
(Actual is as at 31 March 2018 – value is negative due to having more variable rate investments than variable rate debt as at that date)

Upper limit on sums invested for periods longer than 364 days (Actual is maximum in period)

Limits on fixed rate borrowing maturing in each period (LOBOs included based on call dates and not maturity dates) at 31 March 2018

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and within 30 years
- 30 years and within 50 years
- 50 years and within 70 years

Council Policy Limits

Maximum Percentage of Debt Repayable In Any Year (Actual is as at 31 March 2018)

Maximum Proportion of Debt At Variable Rates (Actual is as at 31 March 2018)

Maximum Percentage of Debt Restructured In Year (Actual is as at 31 March 2018)

2017/18 Limits	2017/18 Outturn
£000	£000
216,000	207,390
66,000	63,738
282,000	271,128
£000	£000
211,000	207,390
66,000	63,738
277,000	271,128
130%	101%
40%	-1%
£000 10,000	£000 0
45%	5.9%
45%	17.2%
45%	22.0%
45%	5.0%
45%	4.3%
45%	22.8%
45%	22.8%
25%	19.3%
45%	15.3%
30%	0.0%

The forecast Investment Balances for 2017/18 required under Investment Regulation 31 and the actual position at 31 March 2018 is shown in Appendix 2. The investment balances had been expected to fall during the year and did but not by as much as forecast.

5.7 The forecast from the Treasury Advisers in the Strategy for the Bank Rate as at 31 March and the latest forecast are:

	Forecast Per 2017/18 Strategy	Actual/ Latest Forecast
2017/18	0.25%	0.50% (Actual)
2018/19	0.25%	0.75% (Forecast)
2019/20	0.75%	1.00% (Forecast)
2020/21	---	1.50% (Forecast)

5.8 The Council's Loans Fund Pool Rate for Interest is used to allocate interest charges to the General Fund and reflects the actual cost of the Council's Treasury activities. The rates for the last 5 years (excluding expenses) are as follows:

Year	Loans Fund Pool Rate
2013/14	3.831%
2014/15	3.934%
2015/16	3.843%
2016/17	3.659%
2017/18	3.557%

The Loans Fund Pool Rate for 2017/18 is the lowest since at least 1988/89.

It is expected that there will be a small increase in the Pool Rate in the medium term.

5.9 The Council's investment policy for the year is governed by Scottish Government Investment Regulations and was implemented in the annual investment strategy approved by the Council on 6 April 2017. This policy sets out the approach for choosing investment categories and counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks, credit default swaps, bank share prices etc.

All investments in 2017/18 and 2018/19 to date were in accordance with the policy and no institutions with which investments were made had any difficulty in repaying investments and interest in full.

5.10 The result of the investment strategy undertaken by the Council in 2017/18 is as follows:

Average Investment	Rate of Return (gross of fees)	Benchmark Return (3 month LIBID uncompounded)
£39,303,294	0.632%	0.286%

The Council has outperformed the benchmark by 0.346% resulting in additional income to the Council of £136,000. It is expected that investment returns will continue to fall.

6.0 OTHER ISSUES – AS REPORTED IN 2018/19 STRATEGY STATEMENT

6.1 Revised CIPFA Codes

In December 2017 CIPFA revised both the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management.

The revised Prudential Code requires the preparation of a formal Capital Strategy that is “intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability”. The Capital Strategy will be prepared as required by the Prudential Code and will be submitted to Committee as part of the budget process for 2019/20.

6.2 MIFID II

On 3 January 2018 an EU Directive (MIFID II) came into effect that required banks/financial organisations to categorise the Council as a “retail” client but allowed the Council to opt up to be a “professional” client provided it meets criteria set by the Financial Conduct Authority. The Chief Financial Officer was given delegated approval for decisions on whether to opt up for individual banks/financial organisations. So far the Council has opted up to “professional” client status for 2 brokerage firms (in case their services are needed) and for the Council’s treasury advisers.

6.3 Banking Contract

The Council’s contract with the Bank of Scotland for banking services is for 5 years from 1 April 2012 until 31 March 2017 with an option to extend for a further two 1 year periods until 31 March 2019. The Council has now exercised both of these options.

The Council will issue tenders during 2018/19 for banking services for the 5 year period from 1 April 2019 to 31 March 2024 and with an option to extend for a further two 1 year periods until 31 March 2026.

6.4 Treasury Advisers Contract

The Council’s current contract with its treasury advisers ends on 30 June 2019. During 2018/19 the Council will issue tenders for treasury management advisers services for the three year period from 1 July 2019 with an optional one year extension until 30 June 2023.

7.0 LOANS FUND ADVANCES

7.1 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 the repayments of debt along with interest and expenses costs on the borrowing.

7.2 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%.

This policy was approved by the Full Council at its meeting on 6 April 2017.

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

	2017/18
	Actual
	£000
Balance As At 1 April	243,438
Add: Advances For The Year	13,987
Less: Repayments For The Year	11,382
Balance As At 31 March	246,043

7.4 For the loans fund advances outstanding as at 31 March 2018, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	11,728
Years 2-5	41,105
Years 5-10	39,998
Years 10-15	40,566
Years 15-20	36,992
Years 20-25	31,027
Years 25-30	26,997
Years 30-35	12,370
Years 35-40	4,350
Years 40-45	738
Years 45-50	172
TOTAL	246,043

8.0 IMPLICATIONS

Legal

8.1 None. Any borrowing or lending is done under the Council's legal powers.

Finance: Through the achievement of exceeding the investment benchmark return rate, the Council has benefited from additional returns of £136,000. The Council utilises Treasury Management as part of the overall Financial Strategy. Officers will continue to investigate borrowing and investment opportunities to bring financial benefits to the Council, all within the Treasury Management Policy.

Human Resources

8.2 There are no HR implications arising from this report.

Equalities

8.3 There are no equalities implications arising from this report.

Repopulation

8.4 There are no repopulation implications arising from this report.

9.0 CONSULTATIONS

- 9.1 This report has been produced based on advice from the Council's treasury advisers (Link Treasury Services Limited).

10.0 LIST OF BACKGROUND PAPERS

- 10.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition
Inverclyde Council – Treasury Management Strategy 2017/18.

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.

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.

Link

Link Treasury Services Limited who are the Council's treasury management advisers who were previously named Capita Treasury Solutions Limited.

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").

MIFID II

The Markets in Financial Instruments Directive (MIFID II) is an EU Directive that came into force on 3 January 2018.

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.

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 December 2017.

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 December 2017.

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.

**FORECAST OF INVESTMENT BALANCES
ESTIMATE FOR 2017/18 AND ACTUAL AT 31 MARCH 2018**

Investment Regulation 31 requires the Council to provide forecasts for the level of investments. The estimate for 2017/18 and the actual as at 31 March 2018 are:

	2017/18 Estimate	2017/18 Actual At 31 March 2018
Cash balances managed in-house		
- At 1 April 2017	40,000	38,936
- At 31 March 2018	19,590	33,396
- Change in year	(20,410)	(5,540)
- Average daily cash balances	29,795	39,303
Holdings of shares, bonds, units (includes local authority owned company)		
- At 1 April 2017	2	2
- Purchases	0	0
- Sales	0	0
- At 31 March 2018	2	2
Loans to local authority company or other entity to deliver services		
- At 1 April 2017	602	564
- Advances	0	0
- Repayments	38	40
- At 31 March 2018	564	524
Loans made to third parties		
- At 1 April 2017	2,194	2,179
- Advances	10	70
- Repayments	110	30
- At 31 March 2018	2,094	2,219
Total of all investments		
- At 1 April 2017	42,798	41,681
- At 31 March 2018	22,250	36,141
- Change in year	(20,548)	(5,540)

Report To:	Policy & Resource Committee	Date:	7 August 2018
Report By:	Chief Financial Officer	Report No:	FIN/64/18/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Northamptonshire County Council Best Value Inspection		

1.0 PURPOSE

- 1.1 The purpose of this report is to highlight to Committee the recently issued Best Value inspection report for Northamptonshire County Council and to highlight relevant matters.

2.0 SUMMARY

- 2.1 The Council has a regular practice of reporting the main messages from Best Value reports in Scottish Local Authorities to the Policy & Resources Committee. This allows the Committee to consider whether there are opportunities for the Council to amend its approaches, thus demonstrating continuous improvement and self awareness.
- 2.2 Given the challenging financial situation faced by Scottish Local Authorities in recent years, the Chief Financial Officer has on a regular basis highlighted the need for the Council to set a balanced budget and give careful consideration to the use of one off sums such as Reserves when seeking to meet recurring revenue commitments. Members have on occasion quite rightly challenged whether, given the level of the Council reserves, the Council could use one off funding for a period of time in order to reduce the immediate impact of potential funding reductions.
- 2.3 Members will probably be aware of recent media coverage regarding Northamptonshire County Council and specifically the recommendation to break up the Council following an extremely critical Best Value inspection. The Corporate Management Team reviewed the Best Value inspection report for Northamptonshire County Council which is attached at Appendix 1.
- 2.4 As Members commence what is likely to be another challenging budget process, Officers would wish to highlight a real life example of what can happen to a Council if it does not have strong governance in place when setting budgets, developing and delivering savings, does not allow adequate scrutiny by Councillors and does not operate medium term financial planning.
- 2.5 Whilst it is accepted that the situation in Northamptonshire is without precedent in Local Government it is important that Members recognise the potential outcomes in the event that the current rigour is not continued.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the contents of the Northamptonshire Best Value Inspection report

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council has a regular practice of reporting the main messages from Best Value reports in Scottish Local Authorities to the Policy & Resources Committee. This allows the Committee to consider whether there are opportunities for the Council to amend its approaches, thus demonstrating continuous improvement and self-awareness.
- 4.2 Northamptonshire County Council received an extremely critical Best Value Inspection earlier in 2018 in relation to all aspects of its Budget preparation, delivery and management. The net result, as widely reported in the media at the time, was the recommendation to break up the County Council into 2 Unitary Councils.
- 4.3 As Members commence what is likely to be another challenging budget process, Officers would wish to highlight a real life example of what can happen to a Council if it does not have strong governance in place when setting budgets, developing and delivering savings, does not allow adequate scrutiny by Councillors and does not operate medium term financial planning.

5.0 MAIN CONCERNS AND INVERCLYDE COUNCIL'S POSITION

- 5.1 **Use of Reserves to meet funding gaps** - Over a 3 year period earmarked reserves reduced from £57.7m to £8.8m including reducing its "Minimum Reserves" level by £22million. Table 2 illustrates the extent of this on Page 10 of the report.

This Council has a policy of Minimum Reserves being 2 % of turnover and has only exceptionally used relatively small amounts of reserves to meet recurring costs and always in the context of a plan to balance the budget without the use of reserves.

- 5.2 **Non-Delivery of / Shortfall in savings** – Table 3 in the report shows the shortfall in savings delivered. The level of savings grew as there appeared to be little rigour at officer and member level to ensure savings were delivered or alternative savings approved where a saving could not be achieved.

In Inverclyde, the CMT and Change Boards review delivery of savings every cycle and any shortfalls are flagged up via the Committee monitoring reports. The Council has a strong record of delivering savings but as savings become more contentious this is an area which will continue to require focus.

- 5.3 **Identification of "unavoidable" service pressures** - At Northamptonshire the practice was not to rigorously challenge whether pressures were unavoidable as opposed to non management of savings/demand. Pages 23 & 24 of the report gives more detail.

Within Inverclyde there is a rigorous process at CMT level and thereafter at Member level via the MBWG prior to proposing any unavoidable budget pressures. This does not preclude the identification of recurring spend on Policy Priorities but the 2 areas must be kept apart.

- 5.4 **Lack of clarity on transformation savings/ mis-use of receipts** - The Council appeared to set a transformation target, include this in a bid to allow them to use capital receipts to meet the costs associated with the delivery of the savings, then simply used most of these receipts to plug the savings gap. The amount involved was £42million.

As has been previously reported to Members, Inverclyde operates a "ground up" approach to transformation savings and this is reported through the Delivering Differently agenda. This avoids the situation (which is not unique to Northamptonshire) where high level unsubstantiated savings targets are attributed to transformation but not delivered.

The Council has strong governance in the application, use and claiming of grant and therefore it is difficult to see how the situation outlined re the mis-use of receipts could arise here.

- 5.5 **Structure** - Northamptonshire had a complex delivery model whereby many services (including aspects of Finance) were delivered by an arm's length body (LGSS) with the Section 151 officer (Sec 95 in Scotland) having no staff supporting him directly. This made oversight difficult and clearly led to delays in budgetary matters being highlighted/managed.

Inverclyde Council centralised all Finance employees in 2010 and operates a hub & spoke model whereby each Directorate is supported by a Finance Manager who works directly to the CFO.

- 5.6 **Member Oversight** - There is a clear message coming through the report that most members did not feel they were getting the information they needed to fulfil their Governance/Scrutiny duties. The lack of challenge appeared to encourage a culture of non-compliance with basic rules of financial management and a lack of recognition of the seriousness of the situation by senior officers and senior members.

Inverclyde Council has well established scrutiny arrangements in place and from a budget perspective, this is bolstered by the MBWG. Members have access to senior officers and channels to allow concerns/questions to be raised. The Council has an open and self-aware approach on reporting inspection outcomes and this is recognised as a strength by the Council's auditors.

6.0 IMPLICATIONS

6.1 Finance

None

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

6.2 Legal

There are no direct legal implications arising from the report.

6.3 Human Resources

There are no HR implications arising from this report.

6.4 Equalities

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

6.5 Repopulation

There are no repopulation issues arising from this report.

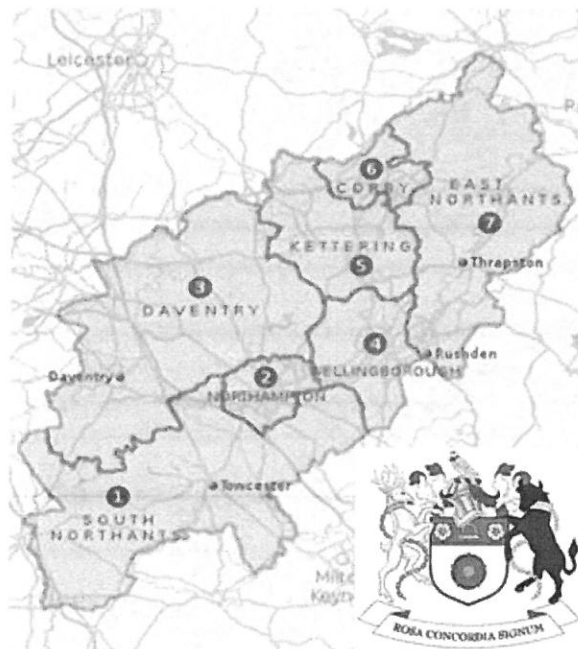
7.0 LIST OF BACKGROUND PAPERS

7.1 None

Northamptonshire County Council Best Value Inspection

January - March 2018

Max Caller CBE
Lead Inspector



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1. Executive Summary

- 1.1 Northamptonshire County Council (NCC) has failed to comply with its duty under the Local Government Act 1999 (as amended) to provide best value in the delivery of its services.

In essence, the road to failure has a simple cause.

- 1.2 Following the Ofsted inspection report published in August 2013 which resulted in an 'inadequate' judgment and the subsequent Statutory Direction, NCC lost tight budgetary control and appeared to abandon strong and effective budget setting scrutiny. Instead of taking steps to regain control, the Council was persuaded to adopt a 'Next Generation' model structure as the solution. There was not then and has never been any hard edged business plan or justification to support these proposals, yet Councillors, who might well have dismissed these proposals for lack of content and justification in their professional lives, adopted them and authorised scarce resources in terms of people, time and money to develop them. This did not and could not address the regular budget overspends which were covered by one off non-recurring funding sources.
- 1.3 When the use of capital receipts to fund transformation was introduced by central government, this was seized on as a way of supporting revenue spend by classing some expenditure as transformative. Until this budget cycle, there had been no report to full council, or anywhere else, which set out the specific transformation that was to be achieved, on a project by project basis, as required, nor has there been any report to full council which sets out the actual outcome compared to the prediction. This means the Statutory Guidance has not been complied with putting in doubt the use of capital receipts for this purpose. The first comprehensive report that addresses the requirements of the Direction and Guidance will be reported to Cabinet on 13th March 2018.
- 1.4 Appropriate advice in setting and managing budgets and the necessary control mechanisms to ensure that the Council complied with the law and good practice are only just now being introduced.
- 1.5 Even following the issue of the Section 114 notice in February 2018 and the KPMG Advisory Notice on the Budget also in February 2018, the Council still appears to struggle to take the necessary decisions at both member and officer level to control and restrain expenditure to remain within budget constraints.

- 1.6 Each one of the concerns highlighted above would require determined intervention from both members and officers. Taken together they demonstrate the failure to comply with the best value duty.
- 1.7 NCC employs many good, hardworking, dedicated staff who are trying to deliver essential services to residents who need and value what is offered and available. The problems the council faces are not their fault.
- 1.8 In Local Government there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate.
- 1.9 The Inspection team believe that a new start is required for the residents of Northamptonshire which can deliver confidence and quality in the full range of Local Government services. This can best be achieved by the creation of two new Unitary Councils, one covering the area of Daventry, Northampton and South Northamptonshire and the other encompassing Corby, East Northamptonshire, Kettering and Wellingborough. These should be established following elections to be held in May 2020 and be in operation commencing at their first annual meeting.
- 1.10 In the meantime the Secretary of State should give serious consideration to whether Commissioners should take over the running of all services save planning currently provided by Northamptonshire County Council and on what basis.

2. Introduction

- 2.1 The Secretary of State for Housing, Communities and Local Government, by way of letter dated 9th January 2018, appointed Max Caller CBE as the person to undertake an Inspection of the compliance of Northamptonshire County Council (NCC) with the requirements of Part 1 of the Local Government Act 1999 (as Amended) in relation to the Authority's governance functions, particularly those functions under Section 151 of the Local Government Act 1972.
- 2.2 In making this appointment, the Secretary of State noted that he had had regard to the external auditor's (KPMG) adverse value for money opinion in the Annual ISA 260 reports relating to the 2015/16 and 2016/17 accounts, publically available budget documents and the Local Government Association's (LGA) Peer Review report dated September 2017 into the Council's financial planning and management.
- 2.3 Subsequently, at the request of the Lead Inspector, the Secretary of State appointed Julie Parker as Assistant Inspector with effect from 18th January 2018.
- 2.4 The Secretary of State provided the following Directions in relation to the undertaking of the review, requesting consideration as to whether the authority:
- Has the right culture, governance and processes in place to make robust decisions on resource allocation and to plan and manage its finances effectively,
 - Provides clear, useful and sufficiently detailed information to councillors to inform their decision making,
 - Allows for adequate scrutiny by councillors,
 - Has strong processes in place to manage services within the budget constraints – within the Council's finance department and also within service areas,
 - Has and shares appropriately the right data to support spending decisions and to support the management of services,
 - Is organised and structured appropriately to ensure value for money in delivery of its functions.
- 2.5. It was also directed that the findings of the inspection be reported by 16th March 2018.
- 2.6 The full text of the letter of appointment of the Lead Inspector can be found at Appendix 1.

2.7 Max Caller is a former London Borough Chief Executive and has, most recently, been one of the Intervention Commissioners following the imposition of Directions on the London Borough of Tower Hamlets. He was also the Chief Executive of London Borough of Hackney, the first authority to be subject to the Direction regime. Julie Parker is a former London Borough Director of Resources (Section 151 Officer) and was part of the LGA peer review team that produced the September 2017 report.

2.8 In assessing how to undertake the review the inspection team decided to segment the activity into 3 elements.

To look back to 2013/14 to see how the council had complied with its Best Value duty,

To determine whether there was a recovery plan for the future or in its absence what might that plan be, and

To determine the most appropriate configuration of political and managerial leadership that would have the best chance of delivering the required plan.

2.9 2013/14 was chosen as the starting point as from the published information it was at that point, following the Ofsted inspection, the council appeared to lose control of its budget. It was reported that the Council had abandoned its Star Chamber process for challenging and validating budget inclusions, only reinstating it in 2017 and the ability to use capital receipts from 2016/17 to support revenue spend became a favoured policy option.

2.10 The inspection has been undertaken by an extensive document review which encompassed both published documents and working papers where they existed; a programme of interviews involving councillors of all 3 parties represented on the council, both in leadership positions and on the back benches, meetings with Borough and District Council Leaders and Chief Executives, Trade Union representatives, NHS partner organisations, the Police and Crime Commissioner, senior and middle ranking council staff and former councillors. The Local Government and Health Ombudsman also sought a meeting with the inspection team and presented evidence and members of the public wrote in with their observations. The inspection team also attended Cabinet and Council meetings. Overall, the inspection team consider that there is sufficient evidence to support and underpin our findings and recommendations. The inspection team are very grateful to all those who have contacted us and met with us to share what in the vast majority of cases were very frank and honest views supported by key documents. Some of the information that was provided appeared to be outside the scope of the inspection but still required investigation. These issues were referred to External or Internal Auditors for formal investigation or to the Council's complaints process.

2.11 The legislation, noted above in the appointment letter, states:-

“A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. (Local Government Act 1999 Part 1 section 3(1))”

“Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. (Local Government Act 1972 Section 151)”

2.12 The concept of continuous improvement must mean that the best value duty must be a process. It must mean that even in the best performing authorities errors will occur, failures of policy or practice may result despite good intentions and that an instance of this would not automatically mean a failure to comply with the best value duty. However, it must mean that an authority will learn from its past performance, rectify defects and not continue along a path when failure is evident. Such events should be clearly isolated and exceptional rather than regular and repeated and should be immaterial in value or wider implications. A continued failure to comply with say, a Statutory Direction, is not an isolated matter and capable of being considered a failure to make the necessary arrangements that the legislation envisages.

2.13 Two events of significance took place during the course of this inspection:-

- The Council’s Section 151 officer issued a Section 114 notice on 2nd February 2018. (Local Government Finance Act 1988) This was because in his opinion the Council was at risk of not being able to balance its budget by the year end and, as a consequence, imposed spending controls to attempt to restore the situation pending a full Council consideration of the position and how it should be rectified.
- The Council’s external auditors, KPMG, issued an Advisory Notice (20th February 2018) under the provisions of Paragraph 2(3) Schedule 8 Local Audit and Accountability Act 2014 on the basis that they believed the Council was about to set a potentially unlawful budget.

2.14 Both of these events are extremely rare in local government and are signals of systemic failure, as neither can come about by a single isolated event, even if the event is major in size and impact. The inspection process did not direct these events nor had the power to do so, but both events followed after lines of questioning and enquiry which held a mirror up to the policies and practices of the Council.

3. Northamptonshire County Council – Context

- 3.1 NCC is one of the smaller shire counties with a population estimate of just over 733,000 (mid 2016).
- 3.2 During the period under review NCC's performance has been characterised by three elements: poor budget management, the 'Next Generation Council' and a claim that NCC was specifically and unusually disadvantaged by the funding formula (the 'Mind the Gap' lobby strategy).
- 3.3 Like all of English local government it has experienced a substantial reduction in the value of central government support. Across the whole of the country, this has resulted in individual councils taking difficult decisions but has also generated some extraordinary innovation as new ways to deliver and enhance services have been found. Whilst there have been some mistakes and false starts the sector can rightly be proud of its record.
- 3.4 NCC, in their 'Mind the Gap' lobby document, make a number of claims, the more significant of which are set out below.
- 3.5 *'NCC has been more adversely affected by the 'locking in' of flawed population data than the average authority.'*

The results conclusively show above-average growth for Northamptonshire when compared to other county councils.

In the decade after the introduction of the BRRS (2014-2024) population in Northamptonshire is predicted to grow at a significantly higher rate (8.99%) than both the average county council (6.73%) and the national average (7.51%).

NCC has the fastest growing taxbase of any county council (2013-14 to 2017-18).

During this period NCC's taxbase has grown by an impressive 10.83%. The comparable figures for England and all county councils are 7.56% and 6.98% respectively.'

Analysis of the statistics show that in percentage terms the claims for growth in population and taxbase are broadly correct although a difference in sources mean that the numbers do not quite match government statistics.

- 3.6 *'In 2017-18 our Band D council tax is an impressive £54.75 lower than the average for all county councils (including those with no Fire and Rescue Service responsibility). In 2017-18 our Band D council tax is a staggering £79.70 lower than the average for county councils with a FRS and £179.00 lower than the highest preceptor with a FRS'.*

This claim is also correct. NCC has historically had a council tax lower than the average for all county councils. NCC like most County Councils heeded the governments call to set a zero council tax increase over the period 2011/12 to 2013/14, particularly as there was central government funding to provide an element of compensation for doing. Thereafter, Council tax rises have been capped unless increased following support in a referendum. Council tax at NCC level is now substantially an arithmetic decision rather than a controllable political decision.

3.7 NCC could have benefitted from an improvement in Council tax collection rates. It is, of course, the Districts and Borough's that are the billing and collection authorities but improvements in their performance benefit the county most. A partnership arrangement which saw NCC invest in improvements at the second tier could have improved the spending ability of the county. However, the inspection team was told by second tier Leaders, that this had been ruled out as it was not the county's responsibility. Further, the council taxbase growth over the period 2014-2017 is significantly higher than the average for all shire counties, 7.38% compared to an average of 4.67% so this is an additional source of revenue not available to comparable councils.

3.8 *'We have the lowest funding per head of any county council with Fire responsibility.'*

If we were funded based on the average for all county councils we would have seen an additional £25m in funding in 2018-19.

If we had received funding based on the average for county councils with Fire responsibility we would be £44m better off in 2018-19.

If we were funded at the level of the highest ranked county council we would have received an additional £92m in 2018-19.'

This claim is an accurate calculation but is largely irrelevant. The whole point of a funding formula, however inadequate its basis, is to reflect different needs. More importantly, a more detailed analysis looking at absolute numbers rather than percentages shows that NCC is not in a significantly worse position as say two other counties, Lincolnshire and Suffolk. Taking the population over 85 as an example the increase for NCC over the period 2010-2016 is 1927 compared with 2871 for Lincolnshire and 3575 for Suffolk. There are many other examples that can be drawn out but what a fuller analysis demonstrates is that across the piece NCC is not the most disadvantaged shire county as a result of unprecedented changes.

- 3.9 In 2016/17, NCC applied for the application of the four year local government finance settlement offered by then Secretary of State, Greg Clark. NCC stated in its efficiency plan reported to Council on 24th November 2016,

“The Government’s commitment to a four year funding envelope enables the Council to plan its services effectively and with greater certainty than previously. This also enables longer term transformation projects to be planned in order to achieve savings with the least impact on service provision.”

This would indicate that NCC believed that it would be able to manage its affairs with the level of funding support set out in the four year settlement.

- 3.10 Even if there was a completely indisputable case for more funding the legal requirement to set balanced budgets year on year and live within them continues and everyone in local government understands the position.

How the council has managed its finances since 2013/14

- 3.11 Table 1 sets out the councils actual expenditure compared with its budget since 2013/14 to 2017/18 (quarter 3). The council only presents its position net in both its revenue monitoring, outturn and statement of accounts, so further analysis is needed to understand the overall position.
- 3.12 Table 1 shows that the council had a small overspend in 2013/14 on Children’s, Families and Education off-set by underspends in other services. In 2014/15 it overspent by £11.9m in Adult social care and £10.5m in Children’s, Families and Education. These two services overspent in 2015/16 (£29.4m) and 2016/17 (£33m). In 2017/18 Adult social care has continued to overspend (£12.6m) with Place (£5.4m) also overspending.
- 3.13 Since 2014/15, overspending in Adults and Children’s have mainly been offset by reported underspends in the corporate and chief executive budgets. This is where (in the main) the use of reserves and one-off corporate resources are included, so masking the extent to which the council has relied on one-off resources to support its spending position. A schedule which listed every increase and decrease of the original budgeted provision would be hugely complex to understand but is summarised in the table below which is abstracted from the statement of accounts.
- 3.14 For 2017/18 the figures relate to Q3 monitoring which was reported to Cabinet on 16th January 2018, since that meeting the position has worsened to a £21.1m overspend and a Section 114 report has been issued by the Section 151 officer. This is covered elsewhere in the report.

	2013/14	2014/15	2015/16	2016/17	2017/18 Q3
	£000	£000	£000	£000	£000
Adult social care and First for Wellbeing	614	11,870	8,525	25,626	12,648
Children, Families and Education	2,583	10,484	20,882	7,385	327
Environment, Development and Transport / Place	127	(2,649)	3,322	(4,382)	5,413
Public Health and Well being	(325)	(1,833)	(1,156)	(2,367)	(3)
Chief Executive / NCC group	(177)	(487)	(154)	(25,975)	(8,124)
Corporate	(1,375)	(16,605)	(30,412)		
Budgets managed by LGSS	(1,447)	(780)	(1,007)		
Total Net Expenditure (after use of reserves and one offs)	0	0	0	287	10,261

Use of one off resources to support the budget

- 3.15 The council has made extensive use of one off resources to support its on-going revenue expenditure since 2013/14, both in terms of general use and for service specific purposes. In 2013/14 earmarked reserves stood at £57.7m, by 1st April 2017 they stood at £8.8m. This is a dramatic reduction.
- 3.16 Table 2 sets out the main sources of one off resources. These have been increasing each year to 2016/17. The position for 2017/18 is an estimated position at Q3, it does not reflect the current increased projected overspend.
- 3.17 During 2014/15 NCC, like many councils', reviewed its minimum revenue provision (MRP) and received a one off retrospective benefit of £22m, of which it initially used £6.9m to support the budget, the remaining £15.1m was put into earmarked reserves and applied in later years. The MRP review also gave on-going benefits in excess of that budgeted for (£7m in 2014/15 and a further £3m in 2015/16).
- 3.18 In addition to the one off application of specific resources detailed in Table 2 services have made one off alternative in-year savings to offset overspends, earmarked reserves had been applied for particular services and provisions reduced. All of which provide one-off benefit. In addition, the inspection team heard concerns that the grant from Public Health England was not being applied to the appropriate services. It was understood that this was under investigation and the team concluded that this should be left to the external auditors and Public Health England to investigate.

Table 2 – Use of one off resources to support the revenue account					
	2013/14	2014/15	2015/16	2016/17	2017/18 Q3
	£m	£m	£m	£m	£m
					Note 1
Earmarked Reserves (general) Note 2	13.1	14.45	16.5	12.5	5.3
Review of Minimum revenue provision - - one off in 2014/15 (Part of £22m) - additional one off in 2015/16 - additional one off in 2016/17		6.9	6.1	3.6	
Flexible use of capital receipts for transformation				21	21.5
Section 106				9	4.5
Better Care Fund and Improved Better Care Fund					4.5
Total	13.1	21.35	22.6	46.1	35.8

Note 1 – This is before the 2017/18 net overspend of £10.261m is taken into account.

Note 2 – 2013/14 includes application for services;
2016/17 includes balance sheet review.

3.19 Over the period from 2013/14 to date, the council's general balance has moved from £12.8m to £11.7m as at 1st April 2017; this is not significant to the overall funding position of the council.

Progress in delivering planned savings

- 3.20 Table 3 shows the extent to which the council has delivered its planned savings each year since 2013/14.
- 3.21 This shows that the councils saving requirement doubled in 2015/16 from the previous year and has remained at that higher level. The council has fallen well short on achieving its planned savings since 2014/15.
- 3.22 Where planned savings have not been achieved the in-year mitigation has included alternative in-year savings, use of one off resources or a reported service overspend.
- 3.23 Savings that have not been achieved in the year planned have either been added back into the next year's budget i.e. abandoned or left in, so increasing the level of savings required by the services.

- 3.24 The council does not detail in summary form the extent to which it has added back unachievable savings, but the outturn report and statement of accounts provide details of some of these at the service level.

Table 3 - Delivery of Planned Savings						
	Planned	Actual	Shortfall	Added back into MTFP	Other	Comment
	£m	£m	£m	£m	£m	
2013/14	33.6	26.5	7.1	5.4	1.7	Cabinet reports delivery of £33.6m achieved, but the detail shows non achievement of £7.1. The £1.7m that was not achieved has been identified as being allocated to services in future years.
2014/15	33.4	27.1	6.3	4	2.3	£2.3m is reported as having slipped.
2015/16	68	46.8 (B)	21.2	16.8		Details of the number of abandoned planned savings added back into the MTFP is not reported to cabinet, but at least £16.8m have been.
2016/17	65.1	43.5 (B)	21.6	note A		
2017/18 to Q3	58	30.9	27.1	note A		As at Q3 £27.1m are reported as not expecting to be delivered
Note A - for the 2017/18 and the 2018/19 MTFP the council added structural budget deficits back into the budget as unavoidable service pressures these were a combination of non- delivery of savings and budget pressures from previous years with an on-going impact.						
Note B - actual figure of savings not delivered is not reported to cabinet						

3.25 Appendix 2 sets out the history of a failed saving proposal by NCC, an attempt by the boroughs and districts to provide an alternative and a withdrawal by NCC from partnership rather than working together to find a solution in the waste collection activity which would provide an opportunity for real savings to be delivered.

Increasing service demands and budget pressures

3.26 Since 2014/15 the council has set a budget with an increasing amount of “unavoidable service pressures” being included, this is described as demographic changes, demand pressures, service investment (particularly in Children’s service in response to the Ofsted Safeguarding inspection), the on-going effect of in-year budget pressures and the non-delivery of previously planned savings.

3.27 As the level of pressures added in has increased so too has the saving requirement. Table 4 shows both unavoidable service pressures and the savings requirement on an annual basis. As detailed in Table 3 the savings have not been fully delivered.

	Table 4	
	Service Pressures (one year only)	Savings (annual)
	£m	£m
2013/14	20.0	33.0
2014/15	24.0	31.6
2015/16	52.5	68.0
2016/17	80.8	65.1
2017/18	62.9	57.8

Balancing the budget using capital receipts

3.28 The main way in which NCC has sought to balance its budget since 2016/17 is to make use of the flexibility allowed by government to use capital receipts for transformation purposes. In general capital receipts are not allowed to support revenue spend as they are one off amounts whilst revenue is continuing unless action is taken to change spending levels. The rules for the flexible use are set out in Statutory Guidance on the Flexible Use of Capital Receipts last updated and published in March 2016 and the Secretary of

State has recently extended the provisions for a further three years. (Flexible Use of Capital Receipts Direction: Local Authorities)

- 3.29 The key criteria to use in deciding whether expenditure can be funded from this flexibility is that it is forecast to generate on-going savings for either this council or another public body (para 8).
- 3.30 To qualify a local authority is required to prepare at least one strategy document which needs to contain, as a minimum, a list of every project setting out the details of the expected savings or service transformation. Subsequently, future annual updates are required to specify details of projects approved in earlier years and including a commentary on whether the planned savings or transformation has been delivered compared to the original analysis. These documents/reports are required to be reported to full Council in some form (Section 5).
- 3.31 Although there have been reports which set out at high level NCC intentions, there has been no report which complies with the Statutory Guidance. This is confirmed by KPMG both, in their Statement of Reasons (para 13 reproduced below) which accompanied their Advisory Notice published on 20th February 2018 and in their ISA 260 report for 2016/17 which records their audit finding. The starting point is therefore the direction and what expenditure the direction applies to – if expenditure is outside the scope of the direction it cannot be capitalised in reliance on the direction. The next thing to look at is the statutory guidance (particularly paragraph 4.1) – has the authority followed the guidance and if not, did they have good reason for that? The authority has already confirmed to the inspection team that a schedule which details the projects on which the capital receipts are to be applied and the transformation that they are designed to effect was not prepared and reported in 2016/17 and this means that the necessary legal basis for the use of capital receipts to support transformational spend was questionable.
- 3.32 Councillors were certainly neither clear nor briefed on the rules and application of this funding source. The Cabinet Member for Resources set out what appeared to be the NCC common understanding when he stated at the Council meeting held on 22nd February 2018 that he made no apology for the use of substantial sums of in-year capital receipts to support revenue spend.
- 3.33 As an illustration of how another council has addressed this, Birmingham City Council has presented a schedule as part of its budget setting council papers which sets out original investment, revised plans and the planned savings.

- 3.34 The first time that any attempt at a schedule purporting to comply with the Statutory Guidance has been produced is in the first set of Cabinet and Council papers for the 13th and 22nd of February 2018. In its Advisory Notice Statement of Reasons, KPMG has stated:

“12. The Authority has published its list of proposed savings plans for 2018/19, but has not established whether any of these savings will be a result of the, currently unidentified, transformational projects for 2017/18.

13. The Authority has also yet to undertake and publish within its Strategy a full review of transformational projects approved in previous years, as required by the Statutory Guidance, including a commentary on whether the planned savings or service transformation have been or are being realised in line with its initial analysis. KPMG doubt that the Authority will be able to justify the level of qualifying transformational expenditure which it is relying upon for 2017/18.”

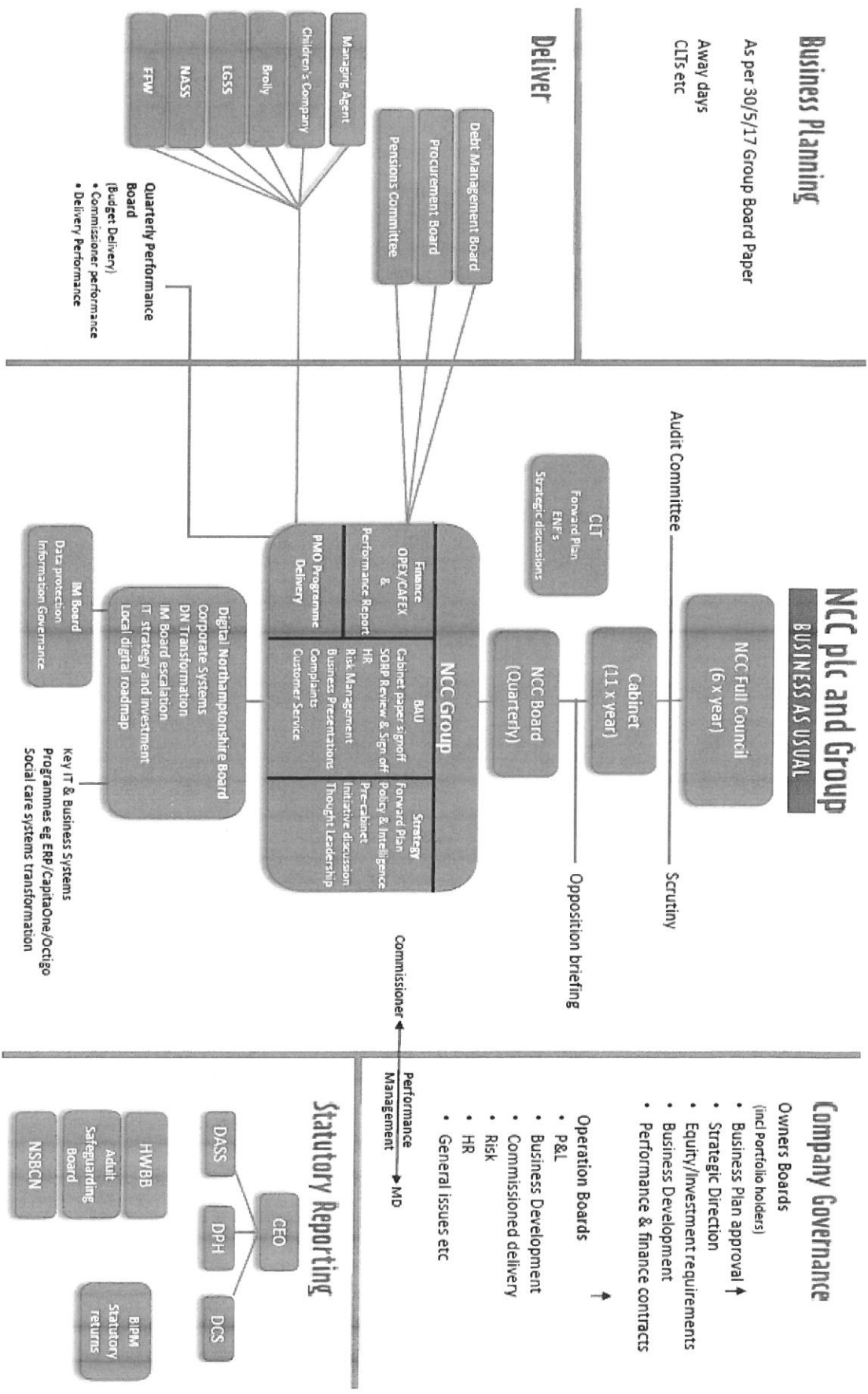
- 3.35 KPMG have advised us that they did pursue the documentation to support NCC compliance with the Direction in March to June 2017 as part of their audit processes. It was necessary to examine a range of source documentation as NCC did not at that time have a comprehensive list which would have been capable of being considered by Cabinet and full Council. As a consequence, KPMG raised a recommendation to ensure compliance. As previously noted, the reports to Cabinet and Council on the 2018/19 budget contain some information in an attempt to meet this recommendation. Only in the papers recently published to be considered by Cabinet on 13th March and Council on 22nd March (for the first time) is there a more comprehensive set of information which looks forwards and backwards.

NCC Officer Structure and Leadership

- 3.36 NCC promoted itself as having a small commissioning core surrounded by a mix of delivery vehicles supposedly able to take advantage of being outside council control to generate revenue that would otherwise not be available to support mainstream council services.
- 3.37 The original component of this was LGSS which was set up as a joint arrangement between Northamptonshire and Cambridgeshire County Councils in 2010. This was not a separate company but was controlled as a non-statutory joint committee. In structural terms there are no particular benefits or savings from doing this and, in practice, it appears that staff working on NCC projects are employees of NCC and staff working on Cambridgeshire projects are CCC employees. When Milton Keynes came on board in 2016 their employees remained as Milton Keynes employees.

- 3.38 It appears that, as a consequence, staff are not deployed flexibly to meet need nor are they working to common standards. LGSS is just a collection mechanism with a top layer of management working across all 3 authorities and winning a number of smaller contracts.
- 3.39 LGSS claims to have delivered significant savings over its period of operation but it is very hard to see what additional saving has been produced by the structural grouping and what could have been generated by normal management action. Further, much of the reported saving is not more for less but routine service reductions.
- 3.40 NCC's Council Plan 2014 approved in December 2013 presaged the start of the journey to a different model as this is the first reference to 'Next Generation working'.
- 3.41 The next iteration of the Council Plan, first reported in December 2014 records that the traditional model for the council and local service delivery can no longer work. It is unsustainable and outdated. It then asserts that as income for services can no longer match demand for services and citizens demand greater choice, control and real time interaction this requires Next Generation Northamptonshire.
- "In essence Northamptonshire County Council will see a small retained organisation called 'NCC Group' which will rightsource Safeguarding and Wellbeing outcomes through a federation of newly formed bodies, be they Mutuels, Community Interest Companies, Social Enterprises, public:public; public:private or private businesses which will have 'spun out' from direct council control."
- 3.42 Subsequent year's iterations of the Council Plan charts the progress with, for example, First for Wellbeing being established in 2016 as a social enterprise owned by NCC, the National Health Foundation Trust and the University of Northampton.
- 3.43 There are no reports or working papers which set out the line of sight between this articulated vision, the Medium Term Financial plan requirements and the detailed design of each of the Next Generation elements. This is highlighted in the KPMG value for money study report dated January 2017. The findings from this report just reinforce the adverse Value for Money opinion reported in KPMG's ISA 260 reports in September 2016 and August 2017.
- 3.44 Appendix 3 sets out the Olympus Care Services journey from Next Generation pathfinder to reincorporation into the Council.
- 3.45 In essence, no effective work had been done by NCC to turn a radical vision of a future operating model for a County Council into a practical system which recognised the need to join up services and ensure effective controls for the

use of public money. Instead the approach adopted made it very difficult for any backbench councillor to establish what was going on and the absence of effective controls made the job of budget management an exercise of hope rather than expectation. Indeed, the inspection team received evidence that the control environment was not something that was considered as an intrinsic part of the design, it could come along later. The complexity of the structure is best illustrated by the following diagram produced in mid-2017.



- 3.46 For this whole approach to work required a level of commissioning expertise in the retained structure; a reporting structure on both finance and performance which was clear, accountable and based on a single system; and the engendering of a culture and way of working which valued cooperation and sharing.

No attempt to put this in place has been evidenced.

- 3.47 Over the past 5 years there has been significant change in the personnel at the top of the officer structure in NCC. All the Executive Directors have been replaced, in some posts more than once, and the officer group is now headed by an interim Chief Executive who has stepped up from being the interim Group Director of Finance with Section 151 responsibilities in his second stint as a chief officer at NCC. (From 2008 to 2011, he was Assistant Chief Executive with Section 151 responsibilities.) However, it appeared to the Inspection team that there was no sense that the group worked together as a team, seeking to share and jointly solve the Council's problems. The impression the inspection team got from the lower managerial tiers is that working together to understand the impact that decisions taken in one area have on another and addressing the conflicts is not encouraged. The inspection team heard from councillors, officers and partner organisations that NCC works in silos and does not communicate well internally or share common objectives. This is not a recent phenomenon.

- 3.48 It is worth quoting from the then Section 151 Officer's letter dated 29th October 2015 to Paul Blantern, then Chief Executive, signalling the intention to issue a Section 114 report,

'We are experiencing a significant financial crisis but there is avoidance of the term and a lack of action appropriate for the situation we find ourselves in. At the heart of this is the corrosion of our financial management arrangements over the past eighteen months; there has been a change of culture and behaviour where overspending is acceptable and there are no sanctions for failure.'

- 3.49 Of course, the Section 114 report was not subsequently issued and there was no change to the approach; overspending without compensating action to recover the position continued. The then Section 151 Officer moved in mid-2016 to work exclusively as the Finance Director of LGSS; his warning was not taken seriously.
- 3.50 Even when the LGA was invited to undertake a peer review of the financial situation, at a time convenient to the authority, the Chief Executive did not think it important enough to be in the country for the whole of the review period or the feedback session. Even now not much has changed at NCC.

- 3.51 During the period of this inspection the Interim Chief Executive was abroad for a time during a period which also coincided with the issue of a Section 114 report late on Friday, 2nd February by the newly in-post Section 151 Officer, a report that had been signalled to the inspection team and the external auditors (and presumably the other statutory officers) before he left the country. This left the leadership of the organisation in something of a limbo during the first crucial days following imposition of expenditure controls. It would have been expected that councillors and staff would have wanted explanation and reassurance about the implications for themselves their jobs and services. However the first staff session was held on Tuesday the 6th following.
- 3.52 Service Directors clearly lead their professional areas with dedication but there did not appear to be a corporate sense of leadership or even urgency to address the financial situation. Only the issue of KPMG's Advisory Notice provoked real action and even then the budget setting was not accompanied by a sense of direction to staff about what lay ahead.

Budgetary Control

- 3.53 The council has weak budgetary control, as repeatedly, services overspend and savings fail to be delivered. The council may know how much it is spending but it is not able to control spending. The structures that the council put in place as a result of the Next Generation Council approach have not helped this, as they are diffuse.
- 3.54 The expectation was that services in the devolved units would manage within an approved budget with limited reporting to the centre. This has made oversight difficult. There was a real impression that units could do their own thing (within an allocated resource) and not be accountable to the centre. The federated model approach is not transparent.
- 3.55 Budgetary control and financial grip is not assisted by the way the finance support is structured. The Executive Director of Resources (Section 151 officer) has no staff supporting him in the delivery of the financial management for the council. All the staff work within LGSS, this includes the Strategic Finance Budget Managers who are the key staff that support Service Directors, while also being the most senior finance officers that the Section 151 officer would rely on to provide strategic insight on the financial position of the council. One of these Strategic Finance Budget Managers is also the Deputy Section 151 Officer.
- 3.56 The reporting lines are blurred as LGSS also has a Director of Finance. The Strategic Finance Budget Managers have a dotted reporting line to the council's Section 151 officer, in practice that does not appear to be the case with the line described as "more like" solid by those it applied to. There

appears to be no one officer who has clear responsibility for setting professional standards for finance staff.

- 3.57 The inspection team was advised of difficulties in the Adults Service budget with the senior managers not being confident that the financial data they were using was a comprehensive picture of their spending commitments. Some of this was down to how the service was restructuring its budgets, but having LGSS at a distance from the service does not assist accountability.

Section 114 Notice

- 3.58 It is not a surprise that the council has received a Section 114 notice.

As noted in paragraph 3.48 a Section 114 notice could well have been issued in October 2015. The letter signalling an intention to issue a Section 114 report was sent to the Chief Executive, with copies to the Monitoring Officer, External Auditor, Leader and Lead Member for Finance.

The inspection team find it difficult to see why action was not taken by the management team and leading members at that point, given the stark warning. The inspection team has been unable to find any record of more effective budgetary control following that correspondence. Services continued to overspend and failed to deliver planned savings in 2015/16.

- 3.59 By the time the 2016/17 budget was set the Government had announced the Capital Receipt flexibilities and the council proceeded to use capital receipts to support its revenue budget without the compliance with the guidance referred to in paragraph 3.31. Overspending also continued and more capital receipts were applied to fill the gap in direct response to the overspend rather than identifying additional transformation costs or projects. Paragraph 5.7 of the Statutory Guidance recognises that the Flexible Use of Capital Receipts strategy would be replaced at intervals through the year if significant changes occur.
- 3.60 Staff changes occurred and the then Section 151 Officer moved into a role solely in LGSS and an Interim Group Finance Director (and Section 151 Officer) was appointed mid 2016.
- 3.61 By the middle of 2017/18 it was known that the Adults Social Care budget was overspending. This was reported to the Northamptonshire Adults Social Services (NASS) owners' board but the information was delayed in being reported to Cabinet. The owners' board (which at this meeting was attended by the Service Director, Director of Finance and lead member, although normally the Monitoring Officer and Chief Executive would also attend) were aware of the overspending but the report to Cabinet only highlighted risks, saying that the federated vehicle was managing its pressures within its overall

resources envelope. The service director expressed her dissatisfaction formally to the Chief Executive, Director of Finance and lead member with the way the position was reported. The inspection team concluded that the owners' board structure and the way it is reported into Cabinet inhibited proper scrutiny.

- 3.62 The 2018/19 budget includes a service pressure in Children's services of £7.7m (called a structural budget deficit from 2017/18), £7.1m of this was identified as early as May 2017 less than 3 months after the budget was agreed. Further illustration that the council does not have the processes in place to control budgets and ensure they are delivered.
- 3.63 The Section 114 notice issued on 2nd February 2018 appears to be the first attempt that has been made to exercise proper budgetary control. Slightly before the issuing of the section 114 notice, the current Section 151 officer (who has been in post only since December 2017), told the inspection team that he has started to put in place a budgetary control and monitoring framework which includes:
- "Rewrite of Finance Regulations (approved by full council in September 2017 to be implemented in line with new ERP system on April 2018);
 - SORPS guidance and recent mandatory budget holder training;
 - Finance Business Partner support to Budget Holders on risk based assessment;
 - Live and flexible internal audit plan to support and challenge controls high risk areas;
 - Budget holder responsibility for every budget line;
 - Independent monthly finance review of budget holder self-service, and monthly actual transactions on risk based approach;
 - Monthly management reports provided to all levels of service management teams, eventually signed off by respective director including actuals to date, forecasts, budget delivery, risk review;
 - Monthly NCC Group monitoring report signed off by all directors, Section 151 and CEX and Portfolio holder for finance;
 - Monthly finance briefing with director and portfolio holder of finance position and issues;
 - Quarterly Finance Cabinet report approved by Cabinet."

These are basic processes and procedures that support financial management.

3.64 In implementing the section 114 notice an emergency expenditure control protocol has been established and a Chief Executive Approval Panel set up. The inspection team were provided with copies of the material considered at some of the first panel meetings and the minutes of the meetings. In the inspection team's judgment, the material was of a poor quality and the process in operation cannot be considered an effective control mechanism.

Information on Spending

3.65 The council has repeatedly under assessed the level of spending pressures it will experience across the years within its medium term financial plan. That under assessment has been most dramatic since 2015/16 as Table 5 shows. In 2015/16 the council had estimated in February 2014 that it would have service pressures of £13.3m for 2015/16, but when it actually set the budget for 2015/16 it provided for £52.5m of what is described as 'unavoidable pressures'. This pattern has continued.

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Month MTFS set	£m	£m	£m	£m	£m	£m	£m	£m	£m
Feb 13/14	20.0	10.5	10.6						
Feb 14/15		24.0	13.3	12.7	10.0	9.2			
Feb 15/16			52.5	17.4	11.2	11.4	12.5		
Feb 16/17				80.8	18.2	18.0	21.7		
Feb 17/18					62.9	21.0	21.5	19.4	
Feb 18/19						72.1	26.0	23.8	22.0

The term 'unavoidable pressures' is a poor classification of the items as for example in 2015/16 they included:

- Demographic pressures – with little detail of how the projection has been made.
- Demand pressure – described as the full year effect of the previous year's demand pressure, with little explanation as to why it is needed.

- Social care workforce pressure – again no metrics as to what it was covering and why it was needed, other than the investment in safeguarding had increased the cost of the workforce.
 - Looked after children’s agency placement pressure - the increased cost of care packages with no further details.
 - Pay inflation – which is locally negotiated, so there is a choice for the council, yet it was presented as if there was no choice.
 - Investments in certain services – for which there could be a choice not to make the investment.
 - Adding back savings from the previous year that have not been made.
 - Reinstating grants to particular services that have been used elsewhere in previous years – this is a choice.
 - Winter gritting, library staffing and continuing to fund a service where the government grant has ceased – all of these are choices.
 - Highway maintenance being added back in, as it had previously been funded by capital – this is a choice.
- 3.66 The council’s approach comes across as sloppy, lacking in rigour and without challenge. It is particularly concerning to see this approach in all subsequent years. There does not seem to be any understanding of the difference between a budget pressure (that needs to be managed), contingency sums, spending where there is a choice and what is truly inescapable.
- 3.67 The non-delivery of savings has been mentioned elsewhere in the report and here the lack of accountability for that non-delivery is manifested with budgets being reinstated without any attempt to explain why the saving was not achieved. The same applies to budget overspends, which seem to be classified as ‘pressures’ and then just added into the budget the following year with limited challenge.
- 3.68 While the council has made some attempts to forecast demographic growth beyond the first year of each MTFP for adults (and more recently for children’s) these are not sophisticated projections in the opinion of the inspection team.
- 3.69 In 2013/14, 2014/15 (for adults) and 2015/16 the outturn reports at cabinet included caseload details for children’s and adults setting out how the council actually performed against the plan with details of the overspend that the increased caseload has caused. That stopped being included in 2016/17,

making it difficult to appreciate the implications of the caseload changes the council was experiencing. At the very time when the council's financial spending position was worsening key data that would assist members in understanding and challenging financial performance reduced.

- 3.70 The inspection team heard from a number of individuals, including partners that the Council approaches matters from the financial perspective first, rather than the service.

An example is the Fire and Rescue service where the councils MTFP had set a savings target of £2.315m over the period of 2016/17 to 2019/20 to come from a fundamental review of the service and be part of the Integrated Risk Management Plan (now called the Community Protection Plan). That review reported to Cabinet in November 2016 (after the savings target for 2016/17 had been set). This comes across as making the service fit the financial target. The Chief Fire Officer is not a member of the senior management team (although appearing to have a dotted reporting line to the Chief Executive), the post holder reports to the Director of Place.

- 3.71 Where the council does produce business plans alongside the budget there is a lack of realism. For example, the council plan for 2018-2022 which was considered at the council meeting on 28th February 2018 has set the following Outcomes for Children's services:

All Children Are Safe:

All Children Can Achieve and Are Ready For Work:

All Children Have Good Health and Life Chances

These are extremely ambitious goals, but it is not clear how the budget that has been approved alongside the plan will support these goals. There is a lack of measurable outcomes for the year ahead and period of the plan.

- 3.72 During our discussions at the council there was a lack of clarity about what has happened to the Next Generation Council approach. It would appear to have been abandoned but that is not clear. The council plan that has just been approved is silent on the topic. In any event, the council plan no longer reflects the budget which has just been set and provides no guidance as to how the council's finances will be deployed to meet the council's financial envelope.

Response to Advisory Notice

- 3.73 On 20th February 2018, KPMG issued an Advisory Notice in accordance with Section 29 and Schedule 8 of the Local Audit and Accountability Act 2014 accompanied by the formal Statement of Reasons. This is the first time that this power has been used and had the impact of preventing NCC from setting its budget until it had further considered the issues raised.

- 3.74 The Statement of Reasons highlighted 4 key areas where the Auditors believed that continuation of the current course of action would lead to unlawful expenditure namely:
- Flexible use of capital receipts;
 - Reliance on one-off use of resources;
 - Failure to deliver savings plans;
 - Ensuring sustainable financial decisions are taken.
- The notice therefore reprised the themes that have been examined in this inspection.
- 3.75 To meet the statutory deadline to set a precept meant that NCC had a very short period of time to re-evaluate the proposed budget, serve the required notice under the legislation on KPMG to allow the council to proceed and hold the necessary council meeting.
- 3.76 The budget set as a consequence of this reconsideration did not contain any significant new ideas. It removed the provision for pay awards, made a small saving in members allowances and reinstated the major reductions in spend proposed at the start of the budget process, that had been rejected following consultation. The total additional reduction in spend was of the order of £10m.
- 3.77 At the meeting it was clear that the Council did not want to support these reductions but a majority of members voted them through on the basis of the legal advice requiring them to set a precept. However, despite the vote, there was no real support for the budget strategy and the Leader of the Council gave a commitment that work would start immediately to review the make up of the budget before it came into effect. None of this really addressed the points made by KPMG but it did reduce the risk of overspending.

Scrutiny

- 3.78 Effective scrutiny by councillors is not just about the holding of overview and scrutiny meetings, it is also about ensuring that individual councillor's right to know is understood by both senior members and officers.
- 3.79 The inspection team was struck by the number of councillors who told us that they had been refused information when they sought to ask questions. Members told us that they had been informed that 'you can only ask that at scrutiny meetings and not outside a meeting' that 'I need to get permission from the Cabinet member to discuss this with you' or just not getting a response. Councillors told us that they felt if they asked difficult questions at Audit Committee or scrutiny meetings they would be replaced and there was

some evidence to support this. Perhaps the clearest demonstration of this unnecessary secrecy during the inspection took place at the Cabinet meeting on 13th February 2018.

- 3.80 Agenda item 11 was titled Capital Asset Exploitation. This was in fact a proposal to sell and lease back the recently completed HQ building at One Angel Square. This disposal is a potential £50m in value so it would be reasonable to expect a full options appraisal and some clear professional valuation advice as to the likely quantum of proceeds and the ways in which a disposal might be handled to best achieve a best value result. It is likely that much of this information would be exempt information so that there would be a confidential paper appended to the agenda. If that information was not available then it could only be on the basis that it was not being relied on in taking a decision.
- 3.81 At the meeting a number of questions were raised on these very matters and Cabinet members stated that they were privy to confidential information which supported their recommendation but that it was not available to other members.
- 3.82 Even if there was a concern about the publishing of confidential information most authorities have protocols and practices which make it possible for key information to be shared and protect the authority. To refuse it outright is just wrong.
- 3.83 It was also reported that the proposal had been subject to scrutiny although there was no report from scrutiny to cover this and the Chair of Overview and Scrutiny did not speak to it. Subsequent investigation revealed that there had not been a scrutiny committee/panel session but that a specially convened workshop of the Environment, Development and Transport Scrutiny Committee held on 30th January 2018. Members of the Finance and Resources Scrutiny Committee were also invited to participate. There is no minute of this workshop but it was recorded that a majority of those present supported the recommendation to Cabinet.
- 3.84 The Inspection team challenged the scrutiny process and noted that there had been no attempt to review either successful or unsuccessful budget inclusions in past years to learn lessons as to why things went well or failed to be delivered. The inspection team noted that this year's draft budget had been subject to scrutiny albeit to a very compressed timetable and that this had resulted in the removal of a number of items as they were still red rated or unachievable. Given that the budget process in NCC starts in the autumn it would have been possible to release some topics for examination much earlier which might have resulted in better proposals which could have been deliverable.

- 3.85 As noted earlier in this report, for two successive years the council's external auditor, KPMG, has recorded an adverse opinion on NCC's arrangements for value for money. Adverse opinions by external auditors are infrequent in local government, particularly the same point in two successive years. They normally produce a significant reaction by the authority concerned. Neither of these reports seemed to trouble NCC. Initially, the judgment for 2015/16 was reported to the Audit Committee as is normal, but did not result in an officer report setting out a reaction. The minutes of the Audit Committee were reported to full Council and the externally appointed Chair of the Committee spoke to the minutes but no action appeared to follow, scrutiny did not pick this up nor did Cabinet consider the matter.
- 3.86 There is no evidence that the second adverse best value judgement for 2016/17 reported at the August 2017 Audit Committee was escalated to the Full Council.

Evidence from the Local Government and Social Care Ombudsman

- 3.87 Most unusually, the Local Government and Social Care Ombudsman contacted the inspection team to provide evidence. Michael King provided the following statistical information relation to the last two years performance on complaints referred to him. He noted that NCC was one of the most difficult authorities the Ombudsman had engaged with both in terms of the time taken to respond in the course of investigations but also in the authority's approach to complaint handling, learning from mistakes and remedying injustice.

Best Value Inspection of Northamptonshire County Council, January – March 2018

Local Government & Social Care Ombudsman: Complaint Data 2015/16 & 2016/17

Local Authority Report: Northamptonshire County Council
For the Period Ending: 31/03/2016

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
23	0	4	73	2	13	1	1	0	117

Decisions made

				Detailed Investigations			Total
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	
4	1	52	23	10	17	63%	107

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

The compliance rate is the proportion of remedied complaints where our recommendations are believed to have been implemented.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement	Compliance Rate
17	0	100%

Local Authority Report: Northamptonshire County Council
For the Period Ending: 31/03/2017

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
35	0	3	53	0	11	0	2	1	105

Decisions made

				Detailed Investigations			Total
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	
8	3	40	22	12	35	74%	120

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
32	0

- 3.88 Coincidentally, during the inspection NCC's Cabinet on 13th February 2018 considered a public report from the Ombudsman about a decision to uphold a complaint from Mr. X about a failure in 2016 to properly deal with a social care assessment. Cabinet refused to accept one recommendation from the Ombudsman to remedy an injustice caused by the failure to meet the assessed daytime support needs by refunding the sum paid to source care privately on the basis that invoices, receipts and timesheets were not available to justify the sum despite the Ombudsman making a clear finding and recommendation.
- 3.89 The overall impression that the Inspection team gained from all the interviews they undertook on scrutiny was that challenge and criticism was to be discouraged as senior members and officers knew best.

Audit Committee

- 3.90 Scrutiny by the Audit Committee is not effective. While the Chair of the committee and the committee members gave us the impression that they had tried to challenge, it is clear that they have been repeatedly thwarted. Matters that the Committee have wanted reports on have taken many months and much persistence for the reports to be prepared and brought to the committee. For example, the Highways Service Contract Review, this was a limited assurance report for compliance and highlighted significant weaknesses, including deliberately holding and concealing balances which should have been properly returned to the centre, as a way of trying to bypass budgetary constraints.
- 3.91 Whilst the chair of the Audit Committee presents twice yearly to Council, this is a consideration of certain Audit Committee minutes together with a verbal presentation. The process is neither systematic nor comprehensive and relies on the choice made by the Chair and the emphasis that he puts on it.

LGA Peer Review

- 3.92 LGA Peer Reviews are undertaken at the request of a council and involve a small team of local government officers and councillors (assembled by the LGA with the endorsement of the council) spending time at the council as peers to provide challenge and share learning. They are a tool for improvement. They are not inspections.
- 3.93 The process involves engaging with a wide range of people connected with the council and the findings are delivered immediately at the end of the onsite work (usually 3-4 consecutive days) followed up by a feedback report to the council. It is for the Council to decide what to do with the report and what

action it takes in response to the report. The LGA strongly encourages councils to publish the results of the report along with any improvement actions the council has agreed to.

- 3.94 The LGA does offer further activity to support a council after a peer review, in the form of additional support, advice and guidance on areas for development and improvement. It will be up to the council to discuss with the LGA Principal Adviser for the region what support it requires from the LGA, if any, after a peer review.
- 3.95 The LGA expects that the Council will commit to a follow up visit within two years after a peer review. The purpose of the visit is to help the council assess and demonstrate the impact of the peer review and the progress made against the areas of improvement and development identified by the peer team.
- 3.96 NCC's LGA Finance Peer Review took place in September 2017 but it does not appear that the authority has followed it up in any strategic way having only produced a tactical action plan. The LGA report is direct and explicit regarding the council's financial situation; the Council's Interim Chief Executive has described it as blunt.
- 3.97 As this hard hitting LGA report came after two adverse value for money audit judgements, it is hard to understand why the LGA report did not provoke a reaction of anguish within the Council and galvanise the management team and cabinet into a fundamental reappraisal of the way in which they manage their finances.
- 3.98 Instead, the LGA report was presented to the Audit Committee in November 2017 without a covering officer report. There was a short letter from the Interim Chief Executive in response to the report on the council's web site together with an action plan. In the inspection team's judgment, the action plan is poor and does not address the recommendations explicitly, the actions have no timescales, the action owners are in many case generic teams and the inspection team was advised that in at least one case the named officer had not been consulted prior to being allocated an action. It is hard to see how the accountability for the delivery of the actions will be achieved. Neither of these two documents has been considered by Cabinet or Scrutiny.
- 3.99 There has been no report to members telling them what the LGA report means for the council.
- 3.100 The LGA offered a range of developmental and support activities but there does not appear to have been a longer term commitment to change after the initial tranche of basic training.

Fire and Rescue Services

- 3.101 The inspection team took evidence from the Chief Fire and Rescue officer and his responsible Cabinet member and the Police and Crime Commissioner (PCC). The evidence showed that the Fire and Rescue Service (FRS) sought to deliver services based on the budget allocation that was provided and reset their strategies to cope rather than being involved in the budget setting process. They bore a suitable share of the NCC central overhead even though most of the centrally provided services were not applicable to the FRS. For example, the roll-out of ERP Gold, the main resource control system now being introduced does not take account of the arrangements for fire staff.
- 3.102 A proposal and business case has been submitted to the Home Office seeking to transfer responsibility from NCC to the PCC. This would not be totally financially neutral costing NCC about £0.3m.
- 3.103 The Police and Crime Commissioner assured us that if the proposal went ahead he would not increase the size of his central core by appointing a Deputy PCC to take responsibility for this service but would assume personal responsibility.
- 3.104 Having considered the matter, the inspection team believe there is no reason to express a view on the proposition to transfer responsibility for the FRS and that Home Office Ministers should deal with the submission on its merits without regard to the wider NCC issues.

LGSS

- 3.105 Elsewhere in this report the inspection team has referred to LGSS and although it is a delivery unit for NCC the way the council has structured its relationship with LGSS is pertinent to the council's delivery of its support services.
- 3.106 There are a number of areas where the relationship with LGSS at best confuses accountability and at worst prevents it.
- 3.107 There appears to be little strategic capacity for strategic thinking on support service within the council with the expectation that is it discharged by staff in LGSS. That could work if the council had strong commissioning, but that is not apparent.
- 3.108 The inspection team has mentioned the lack of directly employed staff by the Executive Director of Resources for strategic finance matters, for Human Resources and Organisational Development (OD) this is far starker. The council does not have a lead senior officer for HR, as that role is undertaken by the HR Director of LGSS, but only on activity he is commissioned for. It

was noticeable that there was no obvious OD strategy to support the development of the Next Generation Council, something that required large scale change in the skills and capability of staff and it was left to individual Directorates to commission their own support.

- 3.109 Risk Management at the Council has been poor, with the Audit Committee struggling to get any traction on it being taken seriously in the Council. It is hardly surprising as the inspection team were give the impression that some people considered it was the responsibility of an officer in LGSS, rather than senior staff at the council.
- 3.110 Internal audit suffers from the way LGSS arranges its activity with limited scope to deploy staff flexibly across the member councils. While legal services are delivered by LGSS Law Ltd, the lack of an appreciable client role for legal services has not assisted the council in controlling its legal costs.
- 3.111 The inspection team received evidence expressing concern at the way in which a senior officer of the council employed in LGSS was made redundant and within 48 hours started work through a personal service company in LGSS. The inspection team referred this to the external auditors and it is understood that there will be a specific report on this matter to the council commenting on the appropriateness of this action.
- 3.112 The inspection team feel there would be benefit in reviewing the relationship between NCC and LGSS to ensure there was clearer accountability and the Council had strategic capacity close to its decision makers. This is particularly pertinent, as it appears that LGSS is no longer generating surpluses which can be applied to reduce the overall costs to the constituent councils.

4. Conclusion

- 4.1. Northamptonshire County Council has failed to comply with its duty under the Local Government Act 1999 (as amended) to secure best value in the delivery of its services over a prolonged period.
- 4.2. The Mind the Gap analysis does not demonstrate that NCC has been particularly badly treated by the funding formula. Local government as a whole can make a reasonable case that the quantum of funding available to support the services that they deliver has been squeezed hard during the austerity years but that is very different from concluding that the distribution of the available resource has been particularly unfair to NCC.
- 4.3. The Next Generation approach does not have any documented underpinning which sets out how it was expected to deliver the efficiencies and savings necessary to justify the investment and has served to obscure and prevent effective member oversight and budgetary control.
- 4.4. For a number of years, NCC has failed to manage its budget and has not taken effective steps to introduce and maintain budgetary control. Instead it has pursued an organisational structure and operating concept which made it difficult to ensure a line of sight over costs and operational activity. It did not accompany this structure with an articulated set of financial and managerial controls. This made it impossible for the council, as a whole; to have any clarity or understanding as to what was going on. NCC has relied on one-off items, allocation of balances, windfalls and laterally the use of capital receipts to balance the numbers at the year's end. This is not budget management.
- 4.5. The council did not respond well, or in many cases even react, to external and internal criticism. Individual councillors appear to have been denied answers to questions that were entirely legitimate to ask and scrutiny arrangements were constrained by what was felt the executive would allow. When external agencies reported adverse findings these were not reported with an analysis of the issues and either a justification or an action led response to a relevant decision taking body. At its most extreme, the two KPMG ISA 260 reports, stating an adverse opinion on Value For Money matters were just reported to the Audit Committee without comment and the unprecedented KPMG Advisory Notice issued under the 2014 Act was reported to full council without any officer covering report giving advice on what the response was recommended to be.
- 4.6. It would have been reasonable to expect that the council should have been sufficiently concerned about the adverse audit opinions to call for an analysis and an action plan to rectify the position but there was no action.

- 4.7 A financial peer review was commissioned from the LGA which reported in the strongest possible terms but this did not result in anything other than a tactical action plan which was not quantified or timelined. The whole report has never been formally reported to councillors with an officer overview.
- 4.8 The Local Government and Social Care Ombudsman sought out the inspection team to give evidence which shows a high level of complaints but little learning.
- 4.9 Budgets appear to have been set almost by fiat. Savings targets were imposed without understanding of demand, need or deliverability and it is clear that some Chief Officers did not consider that they were in any way accountable for the delivery of savings that they had promoted. Even after the Section 114 notice was issued it appeared to be difficult to ensure that all new spending was controlled and authorised by the Section 151 officer. Living within budget constraints is not part of the culture of NCC.
- 4.10 In year use of capital receipts were used to support revenue spend without documentary evidence demonstrating compliance with the Statutory Guidance and Direction. Prior to February 2018, there was no report to full council, as required, setting out on a project by project basis what the transformation proposed was and no summary record of the achievements, cost saving or service improvements delivered.
- 4.11 It is not possible to establish what action the corporate management team took in the face of all these issues as those meetings that took place were not minuted.
- 4.12 This report, that the inspection team has produced, can only detail a part of the supporting evidence that the inspection team have evaluated to reach our conclusions.
- 4.13 It is therefore possible to demonstrate significant and continued failure against each of the six bullet points contained within the instructions to the Lead Inspector.
- 4.14 Equally importantly, Borough, District and NHS partners substantially believe that it is not possible to ensure honest and effective partnership working with the County Council and there is a significant level of distrust that NCC will ever be able to commit to and deliver against its promises and undertakings.
- 4.15 NCC employs many good, hardworking, dedicated staff who are trying to deliver essential services to residents who need and value what is offered and available. The problems the council faces are not their fault.

A Way Forward

- 4.16 The problems faced by NCC are now so deep and ingrained that it is not possible to promote a recovery plan that could bring the council back to stability and safety in a reasonable timescale. Had the Section 151 officer felt strong enough in October 2015 to issue the Section 114 report he presaged and the council had treated it as the wake-up call it needed to change its behaviour the road to stability and normality, though difficult, might have been possible. Since that time, more reserves have been expended and more capital receipts squandered, without any appreciable change.
- 4.17 To change the culture and organisational ethos and to restore balance, would, in the judgement of the inspection team, take of the order of 5 years and require a substantial one off cash injection. Effectively, it would be a reward for failure. Even under a Directions regime, it is not considered likely that councillors and officers would have the strength of purpose to carry through such a long running programme of recovery potentially crossing two electoral cycles. In the meantime, it would be the people of the county who would suffer.
- A way forward with a clean sheet, leaving all the history behind, is required.
- 4.18 Moving to a unitary form of local government has been discussed in the county for some time. There has been no meeting of minds between the two tiers of local government, not surprisingly given the relationships. The county has promoted a single county unitary, with effectively them in control, whilst the second tier have either wished to remain as the status quo or looked at a 2 or 3 unitary model.
- 4.19 In meeting the inspection team, Borough and District Leaders recognised that whilst their individual councils might prefer a status quo option what matters is what delivers the best result for the people of the county starting from where we are and that some model of unitary local government is now the only viable option.
- 4.20 There is now plenty of evidence on how to move to a successful unitary outcome and also how to fail. Those who have succeeded start from the position that the new Council is not a takeover or an amalgam but required thinking from first principles as to how to best deliver local government services on a joined up basis in their area. They build on good practice and are led by shadow authorities so that there is clear elected member direction and involvement.
- 4.21 Given the likely sizes of any successor unitaries and the evidence from previous studies the options appear to be as follows:

- A single county unitary

This would have the size to be an effective unitary but such a proposal would have no credibility from this starting point. It would not be likely to gain any support from the second tier and would not achieve the clean break from the past required. This cannot be recommended.

- A two unitary model

This could be configured as a doughnut, Northampton alone and the others, or as a West (Daventry, Northampton and South Northants) and a North (Corby, East Northants, Kettering and Wellingborough). The doughnut model suffers from a range of defects including a lack of cohesion in the outer ring, a too tightly bounded centre and financial viability issues.

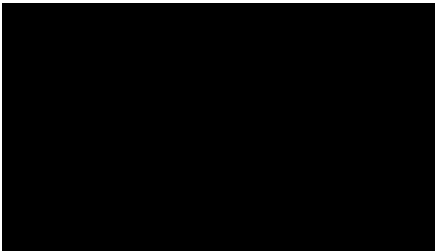
The alternative model better reflects the established economic drivers of the area and are each of a size which would make them viable. It would be necessary to establish a council size which complied with the Local Government Boundary Commission for England's guidance but in the experience of the inspection team 45 members each would be appropriate.

- A three unitary model

This just subtracts Northampton from the West configuration and would result in non-viable unitaries.

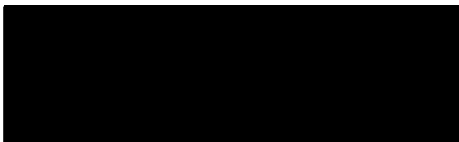
- 4.22 It is understood that the Boroughs and Districts have commissioned Deloitte's to report on prospects for unitary models and that report is imminent.
- 4.23 It is the inspection team's clear view and recommendation that in the particular circumstances that the county finds itself in the 2 unitary (West and North) model is the preferred way forward.
- 4.24 The power for the Secretary of State to direct the formation of new unitary councils without local proposals coming forward no longer exists. Nevertheless, the inspection team consider that the configuration most likely to deliver the optimum result for the people of the county starting from the current position is the 2 unitary model discussed above. Setting up such a system does not preclude more innovative ways of delivering on the ground services but any such proposal needs to be fully worked through to justify further consideration. It would be for the shadow authorities to consider and develop such initiatives. On this basis the inspection team strongly recommend that the Secretary of State invites a local proposition for a two unitary model as a matter of urgency. Following the receipt of an acceptable proposal it would be possible to proceed under current legislative powers.

- 4.25 This would require the Secretary of State making the necessary orders requiring the establishment of shadow authorities, commissioning the Local Government Boundary Commission for England (LGBCE) to undertake the necessary electoral review with a view to the first elections for the new authorities taking place in May 2020 who would come into effect at their first annual meeting. This may require some transitional funding to ensure the effective establishment of the new authorities and also the postponement of any local elections due in May 2019.
- 4.26 In the meantime, given the significant challenges that the council and its officers face, the Secretary of State should give serious consideration to NCC services, with the exception of planning, being run in some configuration by Commissioners with the full powers of the council to maintain the position in a safe, lawful and value for money way whilst the shadow authorities work to establish the proposed new unitary councils.



Max Caller CBE

Lead Inspector



Julie Parker FCPFA

Assistant Inspector

March 2018

Appendix 1: Appointment Letter of Lead Inspector



Alex Powell
Deputy Director, Local Government
Stewardship
Ministry of Housing, Communities
and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF

Mr Max Caller CBE

Via email:
Max.Caller@btinternet.com

Tel: 0303 444 4375
Email: Alex.Powell@communities.gsi.gov.uk
www.gov.uk/mhclg

9 January 2018

Dear Max,

APPOINTMENT UNDER SECTION 10 OF THE LOCAL GOVERNMENT ACT 1999

For some time there have been concerns about financial management and governance at Northamptonshire County Council. In recent months a number of reports have been brought to the Secretary of State's attention, which have caused him to question whether the authority is failing to comply with its best value duty. On the basis of the evidence available to him the Secretary of State has decided to proceed with a best value inspection to better understand the situation in Northamptonshire.

I am writing to inform you that the Secretary of State, in exercise of his powers under section 10 of the Local Government Act 1999, as amended by the Local Audit and Accountability Act 2014 (the 1999 Act), hereby appoints you as the person to carry out an inspection of the compliance of Northamptonshire County Council with the requirements of Part 1 of the 1999 Act in relation to the authority's governance functions, particularly the authority's functions under section 151 of the Local Government Act 1972.

In making this appointment and the directions set out below, the Secretary of State has had regard to the external auditor's (KPMG) "adverse" value for money opinion in relation to the 2015/16 and 2016/17 accounts, publically available budget documents, and the September 2017 Local Government Association peer review into the council's financial planning and management.

The Secretary of State also, in exercise of his powers under section 10(4)(b) of the 1999 Act, gives you the following directions in relation to your undertaking the inspection.

Best Value Inspection of Northamptonshire County Council, January – March 2018

First, in undertaking the inspection in relation to the authority's functions specified above, and without prejudice to the scope of this inspection, you are directed to consider, in the exercise of those specified functions, whether the authority:

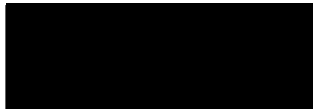
- has the right culture, governance and processes in place to make robust decisions on resource allocation and to plan and manage its finances effectively,
- provides clear, useful and sufficiently detailed information to councillors to inform their decision making,
- allows for adequate scrutiny by councillors,
- has strong processes in place to manage services within the budget constraints – within the council's finance department and also within service areas,
- has and shares appropriately the right data to support spending decisions and to support the management of services,
- is organised and structured appropriately to ensure value for money in delivery of its functions.

Second, you are directed to report the findings of the inspection to the Secretary of State by 16th March 2018, or such later date as you may agree with the Secretary of State. The Secretary of State may, following receipt of your report or otherwise, issue further directions to you.

Section 12 of the Local Government Act 1999 provides that the authority to be inspected must pay the Inspector's reasonable fees for carrying out the inspection.

As to practicalities of your appointment as inspector, we will provide you with an appropriate administrative team to support you in your role as inspector, and any assistant inspectors whom the Secretary of State may appoint at your request.

Yours sincerely,



Alex Powell
Deputy Director, Local Government Stewardship

Appendix 2: Budget Case Study - Waste

- 5.1 In the 2015/16 Draft Budget, NCC proposed to explore how the county could better collaborate with the district and borough councils on the delivery of waste and recycling services. Given the scale of the service, NCC felt “significant savings (could) be made” by harmonising waste and recycling services and opened discussions with the borough and district councils in December 2014 to examine a range of savings initiatives. This appeared in the Budget as a £7 million savings proposal under the heading “collaboration on collection and disposal of waste and recycling” (reference: 13-006-08). While it is unclear where this exact number originated, the inspection team received evidence that one of the proposed savings measures was withholding payment of recycling credits to the districts and boroughs. Section 52 of the Environmental Protection Act 1990 prohibits such a course of action unless the waste collection authority has agreed to such a proposal, an arrangement which was not in place in the county.
- 5.2 The Draft Budget and Council Plan proposals were agreed by Cabinet on the 9th December for a period of six weeks consultation. Of all the draft budget proposals, the harmonizing of waste and recycling services proposal was one of two identified by NCC’s partners as containing significant risks. While the seven chief finance officers of Northamptonshire’s districts and boroughs understood the financial pressures NCC was facing, they were clear about wanting assurance any altering of the current arrangement would “bring mutual benefit to all partners to find these savings.” And, as one of the finance officers warned NCC, mutual benefit did not extend to denying the boroughs and districts recycling credits: “payment of recycling credits is a legal requirement from which the County Council [sic] only release is by either agreement with the waste collection’ authorities or by the County Council setting up its own recycling arrangements.” Further questions were also raised as to whether this specific savings proposal was deliverable for 2015/16. Despite these warnings, the £7m savings proposal was scrutinised by the Budget Scrutiny Review and made it into the Final Budget for 2015/16.
- 5.3 Over the course of the year, a series of meetings were held with the district and borough councils to consider specific savings proposals. Little headway was made in these meetings and, by the spring NCC was already acknowledging the need to “unlock stalled discussions” with district and borough officers. Recognising the £7 million was potentially undeliverable; NCC officers presented an alternative plan on 2nd July 2015 to find these savings elsewhere, namely the Environment, Development and Transport Directorate (including the Fire and Rescue Service). This plan was ultimately rejected on the grounds that it would have “serious implications” for service delivery. By 28th July NCC was forced to conclude “the £7m target [sic] saving for 2015-16 will NOT be met.” Despite this, county officials were still pursuing

the “stopping of payment of recycling credits in their entirety” to the districts and boroughs. Discussions were held externally over the feasibility of this, with NCC resigned to “deal(ing) with the ramifications” of going against the will of the district and borough councils. This plan was eventually abandoned when its illegality became clear to NCC.

- 5.4 The following year, a savings proposal of £500,000 was put into the Final Budget for 2016/17 for waste disposal (reference: 15-006-40). Despite the county’s heavy-handed approach of the previous year, officers from all seven of Northamptonshire’s district and borough councils took it upon themselves to explore alternative ways of helping NCC meet its budgeted savings proposal. At the June 2016 meeting of the county, district and borough Chief Executives, it was agreed the Northamptonshire Waste Partnership (NWP) would “look at harmonisation of waste and recycling collection services in Northamptonshire in order to identify potential financial savings.” Using funds set aside by the Waste Action Resources Programme (WRAP) to promote consistency in refuse and recycling, NWP’s Harmonisation and Collaborative Working Steering Group commissioned a study in September 2016 to explore future waste service arrangements for the county.
- 5.5 At the NWP Board meeting of 7th March 2017, the results of this study were presented to NCC. In a presentation entitled ‘Collaborative Working and Green Waste Update,’ the district and borough councils committed to “consider any cost savings or income generating opportunities” with the aim of “achiev(ing) (a) £500k saving for NCC.” In so doing, they would work collaboratively in the best interests of the residents of Northamptonshire, while avoiding “poor relationships between district/boroughs and the County Council.” This led to a range of proposals whereby the district and borough councils pledged to redesign their waste services to reduce residual waste (and, thus, costs to NCC), in exchange for recycling credit certainty and a “sufficient share of the savings.” Using WRAP’s analysis, these savings could range anywhere from £600,879 to £2,281,036 for the county and would not require any upfront funding from NCC. As an added benefit, the proposals would boost the county’s recycling rate.
- 5.6 These proposals were formally delivered to NCC in a joint letter on 18th May 2017. Signed by all 7 of the district and borough Leaders, the letter committed the district and borough councils to make capital investments to deliver the proposals (subject to further approval), in exchange for a term of at least 20 years to enable this investment to be made. Should NCC respond positively to the proposals, the Leaders agreed to draw up heads of terms defining the proposals more exactly, and take the scheme for formal approval by their respective cabinets or appropriate decision-making bodies. The fundamental goal of this exercise, according to the letter, was to “make it in (the district and borough councils) interests to help NCC reduce its costs, whilst enabling the

districts and borough councils to make investments which support this and enable them to control their costs.”

- 5.7 On 4th September 2017, NCC’s Chief Executive, Paul Blatern, responded: the county did not wish to pursue the package proposals, “primarily because the details of the proposal are likely to require significant discussion and negotiation in order to reach agreement.” Details on such aspects as savings “would require all parties to agree a baseline, a sharing percentage and a mechanism” and, despite the shared initiative, Paul Blatern felt “progress with collaborative working to date has been slower than I think we’d all hope for.” Concluding “the authority is not confident that agreement would be reached on the detail of these proposals within a reasonable timescale,” NCC declared its “immediate focus and for the foreseeable future will be the development of alternative arrangements for the treatment of residual waste.” With all this noted, Paul Blatern was quick to assure the district and borough councils NCC was not abandoning its partnerships. “I would like to clarify that NCC’s conclusion and response to the waste proposals does not in any way infer that NCC does not want to work on other service ventures that are in the interests of our mutual tax payers and citizens and I will always welcome open discussions on other matters for our and their mutual benefit.”
- 5.8 The very next day, 5th September 2017, NCC resigned from the NWP. Despite their assurances of the previous day, in a letter signed by Councillor Heather Smith (Leader) and Councillor Ian Morris (Cabinet Member for Transport, Highways and Environment), NCC declared it “no longer believes it has the same priorities as the other partners” and “is heading in a different direction to the Districts and Boroughs. This has been clear for some time, and has been crystallised since receipt of the proposal signed by Leaders and dated May 2017.” Despite the willingness of the districts and boroughs to align themselves with the county in considering more cost-effective ways of delivering the best value for money for residents, any hope of a positive working relationship between the two bodies was effectively terminated with NCC’s vow to “focus on its own priorities”. No documentation has been provided by NCC attesting to the package proposals being put to councilors for consideration, nor is there a public document referring to these documents at either Cabinet or full council.

Appendix 3: Budget Case Study - Next Generation: Olympus Care Services

- 6.1 Olympus Care Services Limited (OCS) commenced trading on 1st April 2012 as a local authority trading company. Another incorporated company, Northamptonshire Trading Limited (NTL), was established alongside OCS, with NCC owning 100% of the share capital of NTL and NTL, in turn, owing 100% of the share capital of OCS. This gives NCC effective control of OCS, a fact emphasised in OCS' articles of association (NCC maintains "control over the operation and strategic direction of OCS").
- 6.2 A key early pillar of NCC's "Next Generation Council" model, OCS was formed by transferring the staff and services from what was the service arm of Northamptonshire Adult Social Services (NASS) directly to OCS.
- 6.3 The need to move to a federated model was seen as necessary to remaining "efficient, responsive, flexible and 'commercial'" so as to "accommodate the requirements of a rapidly changing market place and demographic pressures." Underpinning this rationale was the expectation that establishing OCS would incrementally reduce the cost to NCC of providing the services transferred to OCS. By 2015, it was already recognised that the council's tight financial control over OCS was stifling the commercial flexibility of OCS and failing to provide value for money for the council.
- 6.4 The services provided by OCS were initially subject to block contracts with NCC. At the company's founding, these were put in place so as to allow OCS to establish itself as a viable trading entity. However, according to an independently commissioned review from December 2015, the "intense financial pressure" facing NCC soon began to take its toll on OCS. OCS' reliance on its block contracts with NCC meant that the council quickly became "the main customer of OCS services," a consequence of which was "OCS focusing upon the Council as a customer rather than the citizens actually or potentially using its services." With NCC needing to make cashable savings, OCS' dependence on "underspending on its block contract income to generate the surplus (profit) necessary for investment in innovation and new services" bred discontent on both sides. OCS was being asked to find ways of maximizing profit so as to deliver a dividend for NCC, rather than being free to focus on service delivery. A culture of distrust between the two entities prevailed with "frustration" mounting from NCC over the services not being under direct council control. In the review's opinion, for OCS to be able to function effectively, NCC needed to begin treating its trading company as a "trusted provider" and "relax the controls on (OCS') decision making."
- 6.5 In an internal review of the Adult Social Care Services NCC was commissioning in June 2016, the county acknowledged it was not receiving value for money from OCS. The block contracts with OCS were found to be

“under-utilised and expensive compared to the alternative provision, for every type of service and client group.” For NCC to attain value for money, the contracts would either need to be utilized better / differently or removed altogether. One example of such inefficiency was in the providing of residential services for clients in OCS’ residential homes. According to data received from CareFirst, NCC could be paying £2.3 million less by placing these clients in spot placements at the average rate of a spot residential place. The review concluded these particular block contracts were “not as efficient as they should be” and led to “high numbers of free beds” not being utilised. Furthermore, NCC’s separation from OCS meant the council “had little control or sight of the workflow coming to (OCS).”

- 6.6 By November 2017, NCC was openly acknowledging the proposed savings of forming a self-sustaining company had failed to materialise. In 2016/17, OCS was showing a loss of £944,000, requiring NCC to provide an indemnity or reduction in the savings target to “remain a going concern.” In NCC’s opinion, it no longer made financial sense to keep OCS a going concern and the proposal was put forward to bring OCS back into NASS. By bringing all NASS services under a single heading, the council could move away from OCS’ focus on “securing its ongoing NCC income above other activities” and realign NASS’ social care priorities to “create effective and efficient service delivery.”

Appendix 4: List of People and Organisations Interviewed

Mark Ashton	Director of Business Services, Systems & Change, LGSS
Ruth Barnett	Strategic Finance Business Partner
Councillor Tom Beattie	Leader of Corby Borough Council
Ian Boll	Assistant Director of Assets and Capital, NCC
Peter Bone MP	Member of Parliament (MP) for Wellingborough
Peter Borley-Cox	Head of Business Systems and Change
Simon Bovey	Interim Chief Executive, Northampton Borough Council
Elizabeth Bowen	County Councillor for Nene Valley (Cabinet Member for Adult Social Care)
Matt Bowmer	Director of Finance, LGSS
Amy Brock	Assistant Director of Specialist and Complex Working Age Adult Services, NCC
Adam Brown	County Councillor for Bugbrooke
Robin Brown	County Councillor for Woodford & Weedon (Cabinet Member for Finance)
Andrew Cardoza	Director, KPMG
Michael Clarke	County Councillor for Hackleton & Grange Park
Martin Cox	Director of Human Resources, LGSS
Julie Davenport	County Councillor for Delapre & Rushmere
Carole Dehghani	Chief Executive, Corby Clinical Commissioning Group Accountable Officer, Nene Clinical Commissioning Group
Darren Dovey	Chief Fire Officer, Northamptonshire Fire & Rescue Service
Anna Earnshaw	Executive Director of Adults, Community and Wellbeing
Mark Edgell	Principal Adviser (East Midlands, North East, Yorkshire and the Humber), Local Government Association (LGA)
Jonathan Ekins	County Councillor for Brickhill & Queensway
Liz Elliott	Managing Director, Wellingborough Borough Council
Michael Ellis MP	Member of Parliament (MP) for Northampton North
Matthew Golby	County Councillor for Duston West & St. Crispin (Deputy Leader and Cabinet Member for Children's Services)
André Gonzalez de Savage	County Councillor for East Hunsbury & Shelfleys (Cabinet Member for Public Protection and Education)
Councillor Martin Griffiths	Leader of Wellingborough Borough Council County Councillor for Irchester
Lesley Hagger	Executive Director of Children's Services, Families and Education (DCS)
James Hakewill	County Councillor for Rothwell & Mawsley Chair of Finances and Resources Scrutiny Committee
Daniel Hayward	Senior Manager, KPMG
Chris Heaton-Harris MP	Member of Parliament (MP) for Daventry
Dave Hewitt	Caseworker, GMB
Angela Hillery	Chief Executive, Northamptonshire Healthcare Foundation Trust (NHFT)
Philip Hollobone MP	Member of Parliament (MP) for Kettering
Dudley Hughes	County Councillor for Raunds Chairman of the County Council
Sylvia Hughes	County Councillor for Irthlingborough (Cabinet Member for Public Health and Wellbeing)
Mark Irvine	Regional Organiser, UNISON
Cécile Irving-Swift	County Councillor for Brixworth
Iain Jenkins	Strategic Finance Business Partner
Bill Jessup	Independent Chair of the Audit Committee, NCC

Best Value Inspection of Northamptonshire County Council, January – March 2018

John Kane	Managing Director, LGSS
Michael King	Local Government and Social Care Ombudsman
Councillor Phil Larratt	Deputy Leader of Northampton Borough Council Former County Councillor
Damon Lawrenson	(Interim) Chief Executive, NCC
Andrew Lewer MBE MP	Member of Parliament (MP) for Northampton South
Malcolm Longley	County Councillor for Braunston & Crick (Cabinet Member for Commercial Development)
Councillor Ian McCord	Leader of South Northamptonshire Council
Mark McLaughlin	Executive Director of Resources (Section 151 Officer)
Councillor Chris Millar	Leader of Daventry District Council
Stephen Mold	Police and Crime Commissioner, Northamptonshire
Ian Morris	County Councillor for Silverstone (Cabinet Member for Transport, Highways and Environment)
Luiza Morris-Warren	Director of Business Intelligence and Project Management
Sharon Muldoon	Assistant Director of Quality and Performance
Andy Mercer	County Councillor for Rushden South
Councillor Steven North	Leader of East Northamptonshire Council
Councillor Jonathan Nunn	Leader of Northampton Borough Council
David Oliver	Chief Executive, East Northamptonshire Council
Rosemary Pallot	Strategic Finance Business Partner
Bill Parker	County Councillor for Clover Hill (Cabinet Member for Local Government Reform)
Victoria Perry	County Councillor for Ise
Tom Pursglove MP	Member of Parliament (MP) for Corby
Andrew Quincey	Executive Director for Commercial, Place and Public Health
Yvonne Rees	Chief Executive of South Northamptonshire Council
Councillor Russell Roberts	Leader of Kettering Borough Council
Sam Rumens	County Councillor for Kingsthorpe North
Bob Scott	County Councillor for Lloyds
Mick Scrimshaw	County Councillor for Northall
Joseph Seliong	Manager, KPMG
Judith Shephard	County Councillor for Moulton
Heather Smith	County Councillor for Oundle (Leader of Northamptonshire County Council)
James Smith	Deputy Section 151 Officer / Strategic Finance Business Partner
Lorna Smith	Assistant Branch Secretary and Education Officer, UNISON
Penny Smith	Branch Secretary and Staff Side Secretary, UNISON
Graham Soulsby	Managing Director, Kettering Borough Council
Chris Stanbra	County Councillor for Oakley
Norman Stronach	Chief Executive of Corby Borough Council
Michael Tye	County Councillor for Rushden Pemberton West
Ian Vincent	Chief Executive of Daventry District Council
Allen Walker	County Councillor for Deanshanger
David Watson	Former Independent Chair of the Audit Committee
Lucy Westley	Service Manager, The Sunflower Centre
Lucy Wightman	Director of Public Health
Duncan Wilkinson	Chief Internal Auditor, LGSS
Susan Zeiss	General Counsel / Monitoring Officer

The inspection team also received written submissions from a number of members of the public and the Northampton Association of Local Councils (NALC). Some of the interviewees also chose to submit written documentation to support what they had said.

Appendix 5: Hyperlinked Documents

(pg. 3)	KPMG – External Audit Report 2015/16 (ISA 260): Northamptonshire County Council KPMG – External Audit Report 2016/17 (ISA 260): Northamptonshire County Council LGA – Financial Peer Review: Northamptonshire County Council (September 2017)
(pg. 5)	NCC – Agenda Item No. 6 – Section 114 Notice (Council Meeting: 22 nd February 2018) KPMG – Advisory Notice (20 th February 2018)
(pg. 13)	DCLG – Statutory Guidance on the Flexible Use of Capital Receipts (updated)
(pg. 14)	MHCLG – Flexible Use of Capital Receipts Direction: Local Authorities (6 th February 2018) KPMG – Advisory Notice: Statement of Reasons (20 th February 2018) Birmingham City Council – Council Plan and Budget 2018+
(pg. 16)	NCC – The Council Plan: 2014 to 2019 (December 2013) NCC – The Council Plan: 2015-16 to 2019-20 (February 2015)
(pg. 30)	LGSS – Internal Audit Report: Northamptonshire Highways Service Contract Review

Best Value Inspection of Northamptonshire County Council, January – March 2018

The inspection team would like to thank Adam Harnischfeger for his hard work and unfailing good humour in supporting us through a very tight and intense programme of activity.

We would also like to thank Sharan Sehmi and Luiza Morris-Warren, who acted as the main points of contact for us with NCC and worked hard to ensure all our information requests were promptly and accurately complied with.

Thursday, 15th March 2018
MMC/JAP/ACH - Final

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Report To:	Policy and Resources Committee	Date:	7 August 2018
Report By:	Steven McNab, Head of Organisational Development, Policy and Communications	Report No:	PR/18/18/SMcN/MMcK
Contact Officer:	Miriam McKenna, Corporate Policy and Partnership Manager	Contact No:	01475 712042
Subject:	Local Governance Review		

1.0 PURPOSE

- 1.1 The purpose of this report is to bring to the attention of the Policy and Resources Committee the work going on around the Scottish Government's Local Governance Review and to suggest that discussion takes place with both the Elected Members and Officers to inform Inverclyde's response to the review.

2.0 SUMMARY

- 2.1 COSLA and the Scottish Government have embarked on a review of local governance. The review's remit is open, offering local government an opportunity to place key issues onto the reform agenda. While the first phase of the review focuses on a programme of community engagement with communities, the second phase invites councils and wider public services to identify proposals that can improve outcomes, reduce inequalities and drive inclusive economic growth.
- 2.2 The first phase of the review involves engagement with communities via Democracy Matters. The Scottish Government has committed to review how responsibilities and resources can be shared across national and local government in a way that delivers the greatest benefit to Scotland's different places. There are a series of questions which the government are asking communities to respond to, to inform the review.
- 2.3 For the second phase, involving public bodies, an initial scoping exercise is being carried out by Professor James Mitchell, Chair in Public Policy, University of Edinburgh, to which Inverclyde Council has made a brief response. This is attached at appendix one.
- 2.4 A further letter has been received from the Scottish Government setting out in more detail the engagement phase with the public sector. This is attached as appendix two.
- 2.5 In order to raise awareness of the Government's Democracy Matters engagement the Chief Executive has contacted representatives from the Community Councils offering to meet to discuss any ideas they have. At the time of writing no Community Council had taken up this offer.
- 2.6 There are possible links between the Local Governance Review and the private members bill on the European Charter of Local Self Government, which is the subject of a report elsewhere on the agenda of this committee.
- 2.7 Contact has been made with CoSLA to attend a workshop for Elected Members and Officers to discuss Inverclyde Council's view on the Local Governance review and to capture any suggestions for devolving power to local areas. A representative from the Scottish Government

will also attend. The meeting will be held on Thursday 23 August between 12.30pm and 2.30pm, with a lunch provided from 12pm.

3.0 RECOMMENDATIONS

It is recommended that the Policy and Resources Committee:

- a. Note the start of the engagement on the Local Governance Review
- b. Agree to attend the workshop on 23 August at 12.30pm with representatives from CoSLA and Scottish Government, officers and Elected Members to identify local governance issues for Inverclyde, to inform the response to CoSLA and the Scottish Government.

Steven McNab
Head of Organisational Development, Policy and Communications

4.0 BACKGROUND

- 4.1 The Programme for Government 2017-18 sets out the intention to “decentralise power to a more local level in Scotland and launch a comprehensive review of local governance ahead of a Local Democracy Bill later in this Parliament”. In December 2017, the Scottish Government and COSLA jointly launched the Local Governance Review.
- 4.2 The Scottish Government recognise that it is often better for decisions about the issues that affect different communities in Scotland to be taken with more active involvement of those communities. Whether that is communities in different places organising at a very local level, or communities with a shared interest organising at a more regional level. This enables public services to work in ways which meet local circumstances and reflect the priorities of different communities.
- 4.3 The Government wishes to review how powers, responsibilities and resources are shared across national and local spheres of government and with communities in the context of significant change to the governance of Scotland over the last two decades.
- 4.4 The issues of subsidiarity and local democracy were highlighted in the Commission on Strengthening Local Democracy’s report, ‘Effective Democracy: Reconnecting with Communities’. This was an independent commission set up by the president of CoSLA in 2013. <https://www.inverclyde.gov.uk/meetings/meeting/1716>
- 4.5 The Review of Local Governance will explore what might be achieved in regard to local and community decision-making and democratic governance in ways that improve outcomes in local communities, and highlight opportunities for positive change. In doing so it brings a wide range of Scotland’s public services into scope, takes cognisance of reforms where work is already progressing, and will include powers and functions held at national level. Participatory Budgeting, which is the subject of another report on the agenda of this committee meeting is one way in which local decision making can be developed.
- 4.6 The Government are therefore very keen to engage with public services about how changes to how Scotland is governed can make the lives of Scotland’s people better. Accordingly, they are now inviting public sector leaders to bring forward proposals to feed into the review. The deadline for written proposals is 14 December 2018, but the Government and CoSLA are keen to hear from public services as early as possible in order to understand any proposals, help them take shape and identify where other evidence or assurances might be required to deliver change, and consider how they might link with other ideas.
- 4.7 To get the process underway, the Government are seeking an initial indication of the kind of issues public sector leaders would like to discuss by the beginning of September, and they will follow up their letter at that point. There is no fixed format for this, however they do want to receive initial input no later than early Autumn in order to leave enough time to work with public sector bodies on proposals.
- 4.8 The two strands of the Local Governance Review will run in parallel for a period of around 6 months, and inform a programme of changes to governance arrangements in different places where these can increase the pace and scale of public service reform, focus on shared outcomes, and strengthen local decision making. In the event of legislative change being required, a Local Democracy Bill is provisionally scheduled for introduction later this parliament.
- 4.9 The Chief Executive contacted representatives from Community Councils in order to raise awareness of the Democracy Matters element of the review, and offered to listen to what ideas they might have in regard to local governance. No response has so far been received from any of the Community Councils.

IC/05/14/
PC/MMcK

5.0 IMPLICATIONS

5.1 Financial Implications - One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
n/a					

Financial Implications - Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if applicable)	Other Comments
n/a					

5.2 Human Resources: none at present

5.3 Legal: none at present

5.4 Equalities: none at present

5.5 Repopulation: none at present

6.0 CONSULTATIONS

6.1 The Chief Executive and Leader of the Council were consulted on the initial response to the scoping exercise which is set out at appendix one.

7.0 CONCLUSIONS

7.1 The Local Governance Review provides an opportunity for Inverclyde Council to be involved in a dialogue around how local democracy could work better and how communities can be better involved in local decision making and achieving better outcomes. Further work is required to gather the views of Elected Members, officers and the community to inform the response to the Scottish Government and CoSLA. To this end it is suggested that members and senior officers attend a workshop on 23 August to have an initial discussion on the Inverclyde situation and what would best suit local decision making.

8.0 LIST OF BACKGROUND PAPERS

8.1 <http://www.gov.scot/Publications/2018/05/6780/354026>
<https://www.inverclyde.gov.uk/meetings/meeting/1716> Agenda item 7: Effective Democracy: Reconnecting with Communities
<http://www.localdemocracy.info/2014/08/14/time-to-rebuild-scottish-democracy-what-the-referendum-decides/>

Appendix One

Inverclyde Council Response to Initial Scoping Exercise on Local Governance Review

Has your authority prepared a position on reform, identified key issues for reform or engaged in any other preparatory work related to the local governance reform? Can you briefly outline what has been done, if anything, to date?

There has not been any formal discussion at a local level among elected members or officers. The Leader of the Council at the CoSLA Leaders meeting has made the point that all public services should be within the scope of the review and that we should be looking at what services currently delivered by other public bodies could come under the control of local government.

As a smaller local authority we are intrinsically closer to our communities. Having only 22 members, who more often than not reach consensus, allows for local perspectives to inform policy decisions. The Elected Members have a good understanding of their communities.

In the past, discussion around, for example, community councils tend to be focused on ensuring that they are co-terminus and actually reflect the geographic communities in the area, rather than any powers to be devolved.

What, if any, plans, does your authority have to inform the process of reform?

Whilst there are no formal plans in place as yet, the process of reform will be discussed at various fora across the authority, e.g. committee, Strategic Leadership Forum, Corporate Management Team. The Council will take advantage of any opportunities which arise to engage in the local governance review.

Can you provide a list of the key themes/issues/reforms, and offer these in order of priority, that you want placed on the reform agenda?

Further engagement with Elected Members and senior officers is required in order to discuss what the priority key themes, issues and reforms would be for Inverclyde Council, in regard to local governance.



Scottish Government
Riaghaltas na h-Alba
gov.scot



Public Sector Leaders
By email

22 June 2018

Dear Public Sector Leader

LOCAL GOVERNANCE REVIEW – ENGAGEMENT PHASE

Programme for Government 2017-18 set out the intention to “decentralise power to a more local level in Scotland and launch a comprehensive review of local governance ahead of a Local Democracy Bill later in this Parliament”. In December 2017, the Scottish Government and COSLA jointly launched the Local Governance Review.

We believe that it is important to review how powers, responsibilities and resources are shared across national and local spheres of government and with communities in the context of significant change to the governance of Scotland over the last two decades, and in recognition that outcomes for citizens and communities are best when decisions are taken at the right level of place.

This review reflects local and national government’s shared commitment to subsidiarity and local democracy, and builds on joint agreement between COSLA and the Scottish Government to focus on and strengthen local and community decision-making and democratic governance in ways that improve outcomes in local communities, grow Scotland’s economy for everyone’s benefit, support communities to focus on their priorities, and help new ideas to flourish.

The Review of Local Governance will explore what might be achieved, and highlight opportunities for positive change. In doing so it brings a wide range of Scotland’s public services into scope, takes cognisance of reforms where work is already progressing, and will include powers and functions held at national level. It is therefore very important that we hear from you.

Many of you will know that the review is being undertaken in two key strands. First, a highly inclusive conversation with communities is getting underway, and will listen to views about how decision making can work best for towns, villages and neighbourhoods around the country. This reflects our shared commitment to community empowerment, and builds on the work already done to give people a direct say over the decisions that matter most to them. If you would like to support this process, for example by hosting events, please get in touch. As part of that

conversation, we expect people will be interested in how decisions about a range of public services can be made in the communities that they serve.

Second – the main purpose of this letter – we wish to involve you, as Scotland’s public sector leaders, in a dialogue about how changes to how Scotland is governed can make the lives of Scotland’s people better. Accordingly, we are now inviting you to bring forward proposals to feed into the review.

Just like the first strand, the second strand of the Local Governance Review offers a broad scope, and we anticipate that all public services will wish to offer proposals for improved governance arrangements at their level of place. This is based on an acceptance of increased variation in decision-making arrangements across the country: what is right for one place will not necessarily be right for another. For example, these could be at the level of a city or local authority, community planning partnership or regional economic grouping, or focus on how existing national arrangements can support a more local way of working.

We know that there are already many examples of working creatively across traditional boundaries to deliver responsive services for people. We want to hear how these approaches can be strengthened and scaled up, whether there are new powers or other changes that are needed to make more progress and the benefits these would produce, and about opportunities to hardwire better local governance arrangements into the places you serve. We are also keen to hear about how this landscape could be made to work better overall.

What is important is that proposals reflect our shared aspirations in light of the new National Performance Framework to tackle inequalities and drive inclusive growth, are consistent with Christie Commission principles, and strengthen local decision making.

We also want to have an interactive process with you to consider and develop ideas. Whilst we are setting a deadline for written proposals and evidence of 14 December 2018, we want to hear from you as early in the process as possible in order to understand your proposals, help them take shape and identify where other evidence or assurances might be required to deliver change, and consider how they might link with other ideas.

To get that process underway, we are seeking an initial indication of the kind of issues you would like to discuss by the beginning of September, and we will follow up this letter at that point. There is no fixed format for this, however we do want to receive your initial input no later than early Autumn in order to leave enough time to work with you on proposals. We also want to avoid setting an arbitrary date that would put you under undue pressure to take things forward. But we can’t stress enough that we would welcome you getting in touch as early as possible in the process of you forming your ideas. We would of course be happy to meet with you and your networks as part of this process too.

Where there is interest in developing an idea, it will also be important to involve all partners with a potential contribution to make. For example, this approach is already opening up new possibilities for the Islands, following the commitment in Programme for Government 2017-18 to support those Island authorities who want to establish a single authority model of delivering local services.

These two strands of the Local Governance Review will run in parallel for a period of around 6 months, and inform a programme of changes to governance arrangements in different places where these can increase the pace and scale of public service reform, focus on shared outcomes, and strengthen local decision making. In the event of legislative change being required a Local Democracy Bill is provisionally scheduled for introduction later this parliament. However, should you have ideas that will make a real difference, but will take longer to develop and deliver, we do of course still want to hear from you.

Joint oversight for the Local Governance Review overall is provided by the Cabinet Sub-Committee on Public Service Reform Delivery and COSLA's Political Leadership Team. These arrangements provide the primary forum for determining how proposals will be progressed, with Ministers reflecting this in the scope and content of legislation.

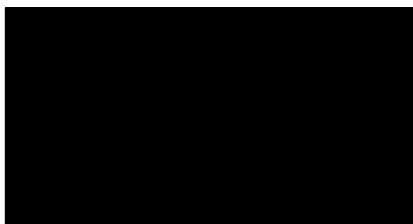
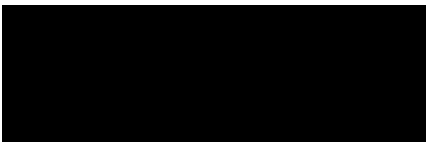
The Local Governance Review is part of a long term commitment by national and local government to place based reform and a more local approach to decision making in Scotland. The newly refreshed National Performance Framework provides a shared set of outcomes that this way of working can help to deliver. It is therefore vital that we hear from all parts of Scotland's public services in line with the timescale above. We look forward to your participation, and to discussing your proposals in the coming months.

To begin this process, you can make contact with the team at: democracymatters@gov.scot or 0131 244 0709.

ANGELA CONSTANCE, MSP
Cabinet Secretary for Communities,
Social Security and Equalities

JOHN SWINNEY, MSP
Deputy First Minister and
Cabinet Secretary for
Education and Skills

CLLR. ALISON EVISON
COSLA President



Report To:	Policy & Resources Committee	Date:	8 August 2018
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	SL/LP/078/18
Contact Officer:	Sharon Lang	Contact No:	01475 712112
Subject:	European Charter of Local Self Government – Private Member’s Bill – Request by Councillor McCabe		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of a request received from Councillor McCabe that support be given to a proposal for a Private Member’s Bill for the Scottish Parliament to consider the incorporation of a European Charter of Local Self Government into law in Scotland.
- 1.2 A copy of the proposal and relative questionnaire on support is attached for Members’ assistance at Appendix 1.

2.0 RECOMMENDATION

- 2.1 The Committee is asked to consider the request by Councillor McCabe; and
- 2.2 If the request is approved, the Committee is asked to remit it to the Head of Legal & Property Services to prepare a proposed response for consideration by the Committee at its 18 September meeting which is prior to the consultation deadline of 21 September 2018.

Gerard Malone
Head of Legal & Property Services



The Fundamental Rights of the Local State

A proposal for a Bill to incorporate the European Charter of Local Self-Government into law in Scotland

Consultation by
Andy Wightman MSP, Member for Lothian

www.europeancharter.scot

29 June 2018

CONTENTS

Foreword by Andy Wightman MSP

How the consultation process works

Aim of the proposed Bill

- **Background**
- **The European Charter of Local Self-Government**
- **The Charter in Scotland**
- **The legal framework in Scotland**

Detail of the proposed Bill

- **Why incorporation is required**
- **What does incorporation mean?**
- **Consequences of incorporation**
- **Implementation and costs**
- **Equalities issues**
- **Sustainability development issues**

Annex I – The European Charter of Local Self-Government

Questions

How to respond to this consultation

Privacy notice

FOREWORD

The strength of free peoples lies in the municipality. Municipal institutions are to liberty what primary schools are to learning; they put it within easy reach of the people; they let it taste its peaceful exercise and accustom them to making use of it. Without municipal institutions a nation can give itself a free government, but it will not have the spirit of liberty.

Alex de Tocqueville, *Democracy in America* (1835)

Scotland's local government has a long and varied history since the 12th century when the first Royal Burghs were established. These local institutions and the later parishes, counties, districts and regions have provided the people of Scotland with the most local and continuous governance of many of the things that matter most to them.

Over the past century, however, the status, powers and freedoms of local government have been slowly eroded and marginalised. Governments of all persuasions have tended to assume that the answer to providing more effective public services is to exercise power and control from the centre. At the same time, whole spheres of local governance (such as Scotland's former 196 town councils) have been eliminated.

Over the 19 years since the Scottish Parliament was established, local democracy has been seen as the unfinished business of devolution. Whilst not all agree on the specifics, there is a growing political consensus that the challenges and opportunities facing communities across Scotland require more local solutions.

That's why I believe that we need to deepen and strengthen our system of local governance and this proposed Member's Bill is a step along that road.

As the McIntosh Commission on Local Government noted in 1999:

*"It could be said that Scotland today simply does not have a system of local government in the sense in which many other countries still do. The 32 councils now existing are, in effect, what in other countries are called county councils or provinces"*¹

In 2013, the Convention of Scottish Local Authorities (COSLA) argued that:

"Scotland is one of the most centralised countries in Europe. It is no coincidence that our European neighbours are often more successful at improving outcomes, and have much greater turn out at elections.

¹ Scottish Government (22 June 1999). *McIntosh findings published today* (news release). Available at: <http://www.gov.scot/News/Releases/1999/06/fc688349-b6fb-4ce8-800c-d05d7f59fb5b>. Accessed 21 June 2018.

“We cannot hope to emulate the success of these countries without acknowledging that these councils and their services are constitutionally protected and their funding secured by law, even with regard to national policy making.”²

It was in this context that COSLA established the cross-party Commission on Strengthening Local Democracy.³ In its final report, published in August 2014, it recommended that all of the articles of the European Charter of Local Self Government⁴ (hereafter referred to as the Charter) be incorporated into the law of Scotland.

The Charter is a Council of Europe treaty, ratified by the UK in 1998, which seeks to enshrine a series of legal rights for local government. Incorporating the Charter into Scots law would strengthen the constitutional role of local government and provide citizens with a domestic remedy in the event that the provisions of the Charter were being violated.

I am pleased, therefore, to publish this consultation for a proposed Member’s Bill to make provision for the incorporation into Scots law of the European Charter of Local Self-Government.

² Local Matters (2013). *COSLA’s Vision for Stronger Local Democracy*.

³ Commission on Strengthening Local Democracy. <https://www.localdemocracy.info/>. Accessed 21 June 2018.

⁴ Council of Europe (1984). *European Charter of Local Self-Government*. Available at: <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/122>. Accessed 21 June 2018.

HOW THE CONSULTATION PROCESS WORKS

This consultation relates to a draft proposal I have lodged as the first stage in the process of introducing a Member's Bill in the Scottish Parliament. The process is governed by Chapter 9, Rule 9.14, of the Parliament's Standing Orders which can be found on the Parliament's website at:

<http://www.scottish.parliament.uk/parliamentarybusiness/17797.aspx>

At the end of the consultation period, all the responses will be analysed. I then expect to lodge a final proposal in the Parliament along with a summary of those responses. If that final proposal secures the support of at least 18 other MSPs from at least half of the political parties or groups represented in the Parliamentary Bureau, and the Scottish Government does not indicate that it intends to legislate in the area in question, I will then have the right to introduce a Member's Bill. A number of months may be required to finalise the Bill and related documentation. Once introduced, a Member's Bill follows a 3-stage scrutiny process, during which it may be amended or rejected outright. If it is passed at the end of the process, it becomes an Act.

At this stage, therefore, there is no Bill, only a draft proposal for the legislation.

The purpose of this consultation is to provide a range of views on the subject matter of the proposed Bill, highlighting potential problems, suggesting improvements, and generally refining and developing the policy. Consultation, when done well, can play an important part in ensuring that legislation is fit for purpose.

The consultation process is being supported by the Scottish Parliament's Non-Government Bills Unit (NGBU) and will therefore comply with the Unit's good practice criteria. NGBU will also analyse and provide an impartial summary of the responses received.

Details on how to respond to this consultation are provided at the end of the document.

Additional copies of this paper can be requested by contacting me at;
Andy Wightman MSP, Scottish Parliament, EDINBURGH, EH99 1SP
Email: andy.wightman.msp@parliament.scot
Tel. No. 0131 348 6368

Enquiries about obtaining the consultation document in any language other than English or in alternative formats should also be sent to me.

An on-line copy is available on the Scottish Parliament's website (www.parliament.scot) under Parliamentary Business / Bills / Proposals for Members' Bills.

AIM OF THE PROPOSED BILL

Background

This consultation paper sets out the background and rationale for a proposed Member's Bill to incorporate the Charter into Scots law. The purpose of the consultation is to seek views on:

- a. Whether you agree that the Charter should be incorporated; and
- b. Whether there are any legal questions that need to be addressed in the Bill.

This consultation paper provides some background to international treaties, the Council of Europe and the issues involved in incorporation. It then provides an outline of the proposed Bill before asking a number of questions which form the core of this consultation.

The European Charter of Local Self-Government

The Charter is a treaty of the Council of Europe.⁵ The Charter was adopted in June 1985 and it is now in force in every member state of the Council of Europe. The UK signed the Charter on 3 June 1997, ratified the Charter on 24 April 1998 and it came into force on 1 August 1998.

Article 12 of the Charter provides that each signatory "undertakes to consider itself bound by at least twenty paragraphs of Part I of the Charter" with at least ten selected from a prescribed list. Each signatory is required to notify the Secretary General of the Council which of the provisions it has selected when it ratifies the Charter. In ratifying the Charter in 1998, the UK agreed to be bound by all the Articles of Part I of the Charter (Parts II and III relate to procedural matters) in relation to all 32 councils established by the Local Government (Scotland) Act 1994. The full text of the Charter is annexed to this consultation. In summary, its ten substantive articles:

- Recognise the principles of local self-government in domestic legislation and, where practicable, in the constitution;

⁵ The Council of Europe was founded in 1949 as an international European organisation to promote democracy and protect human rights and the rule of law across the continent of Europe. The Council of Europe is an international organisation comprising 47 member states and the United Kingdom is one of the eight founding members. Of the 223 international treaties introduced by the Council of Europe, the best known is the European Convention on Human Rights and Fundamental Freedoms (ECHR). The UK is obliged to observe and implement all international treaties and the Scottish Government and Scottish Parliament have the same obligations in relation to those parts of international agreements that relate to devolved matters. Details of the Treaty are available on the Council of Europe's website at <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/122>. Accessed 21 June 2018.

- Embed the rights and abilities of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population;
- Prescribe the basic powers and responsibilities of local authorities in law;
- Require prior consultation of local communities in relation to any changes in local authority boundaries;
- Enable local authorities to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management;
- Ensure that the conditions of office of local elected representatives provide for free exercise of their functions;
- Ensure that any administrative supervision of local authorities is only exercised according to procedures and in such cases as are provided for by the constitution or by statute;
- Guarantee local authorities, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers, and ensure that local authorities' financial resources are commensurate with the responsibilities provided for by the constitution and the law; and
- Entitle local authorities, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.

The Charter makes no provision for any arbitration or judicial oversight of the provisions of the treaty. Instead, the observation of the articles of the Charter is monitored by the Council of Europe's internal structures. This is now done through a programme of country by country monitoring by rapporteurs appointed by the Council's Congress of Local and Regional Authorities.

Local government across the UK has long supported the Charter, with COSLA arguing as far back as 1981 that the reforms to the fiscal autonomy of local government being taken forward by the UK Government would be in breach of the – at that point – draft Charter's provisions.⁶

⁶ See Official Report of the Sixteenth Ordinary Session of the Council of Europe Congress of Local and Regional Authorities in Europe 27-20 October 1981. The draft charter in circulation in 1981 was virtually identical to the Charter that was eventually agreed and adopted.

Congress resolution 58 (1997) identified the United Kingdom as one of the countries where major problems of local democracy existed. In response to a monitoring visit to the UK in 1998, the recommendations of the Congress included:⁷

- To increase seriously local government's financial capacities by developing a much higher share of 'own income' as compared to State grants, and by abolishing practices such as rate-capping, as well as by localising the business rate; and
- To establish that the principles accepted by the UK within the Charter should be incorporated in domestic law and considered as binding by the courts.

By 2014, following a monitoring visit by Council of Europe rapporteurs to the UK, which included a specific visit to Scotland, Congress once again expressed concern in resolution 353, that:

*"the Constitutional or legislative recognition and entrenchment of (the right to) local self-government does not exist in the United Kingdom (including in Scotland), and that the introduction of a general power for local authorities does not go far enough in satisfying the spirit of the Charter".*⁸

The Charter in Scotland

The question of the constitutional status of local government came into sharp focus with the establishment of the Scottish Parliament and concerns it would lead to a centralisation of power within Scotland to the detriment of local authorities.

In 1999, the McIntosh Commission on Local Government recommended a series of reforms to strengthen and formalise the role of local government within the new devolved arrangements.⁹

Since the establishment of the Scottish Parliament, there have been only sporadic mentions of the Charter but in recent years there has been a growing interest in the role it might play in strengthening local democracy.

During the passage of the Community Empowerment (Scotland) Bill in 2014-15, an amendment was lodged at Stage 3 by Tavish Scott MSP that would have imposed a

⁷Report on Local and Regional Democracy in the United Kingdom - CG (5) 7 Part II
<https://rm.coe.int/168071af17> Accessed 22 June 2018.

⁸ Congress of Local and Regional Authorities (2014). *Recommendation 353 (2014), Local and regional democracy in the United Kingdom*. Available at:
https://search.coe.int/congress/Pages/result_details.aspx?ObjectId=0900001680719267 Accessed 21 June 2018.

⁹ Scottish Government (22 June 1999). *McIntosh findings published today* (news release). Available at:
<http://www.gov.scot/News/Releases/1999/06/fc688349-b6fb-4ce8-800c-d05d7f59fb5b> Accessed 21 June 2018

duty on Scottish Ministers, in exercising their functions, to observe and promote the principles and provisions of the Charter.¹⁰

More recently, COSLA's Commission on Strengthening Local Democracy recommended incorporating the Charter into Scots law. In its final report, the Commission argued that, in order to strengthen and deepen local democracy, local government's existence and functions should be placed on a firmer statutory footing. Whilst it recognised that Scotland and the UK were unusual in not having a codified, written constitution, the statutory incorporation of the Charter was nevertheless viewed as a means to secure certain fundamental rights that would otherwise be provided by a constitution or basic law.

The legal framework in Scotland

Schedule 5 to the Scotland Act 1998 lists the subject-matters that are "reserved" to the UK Parliament (meaning that the Scottish Parliament cannot legislate on them), and this includes:

7. – (1) International relations, including relations with territories outside the United Kingdom, the European Union (and their institutions) and international organisations, regulation of international trade, and international development assistance and co-operation are reserved matters.

(2) Sub-paragraph (1) does not reserve –

- (a) observing and implementing international obligations, obligations under the Human Rights Convention and obligations under EU law,*
- (b) assisting Ministers of the Crown in relation to any matter to which that sub-paragraph applies.*

In other words, the Scottish Parliament can legislate for the purpose of observing and implementing international obligations so far as they relate to devolved matters. With regard to the European Convention on Human Rights (ECHR) and EU law, the Parliament has additional obligations and legislation must not be incompatible with any of the Convention rights or with Community law.

Ultimately, responsibility for complying with the terms of international obligations falls to the UK as the party to international treaties. The UK Government can be held to account in a variety of ways, including recourse to the courts, in relation to alleged breaches of Convention Rights or EU law.

¹⁰ Amendment 151 – see page 3 of the Marshalled List: [http://www.scottish.parliament.uk/S4_Bills/Community%20Empowerment%20\(Scotland\)%20Bill/b52as4-stage3-ml.pdf](http://www.scottish.parliament.uk/S4_Bills/Community%20Empowerment%20(Scotland)%20Bill/b52as4-stage3-ml.pdf). Accessed 21 June 2018. The motion was disagreed to (For 52, Against 68, Abstentions 0).

Under section 58 of the Scotland Act 1998, the Secretary of State can also, by Order, revoke secondary legislation that s/he has reasonable grounds to believe is incompatible with international obligations. S/he may also direct Scottish Ministers either to implement such obligations or to halt any action which is held to be incompatible. This power has never been used.

Both the ECHR and EU law include provisions and mechanisms that enable any person to take legal action against the UK Government, Scottish Ministers, local government and public bodies (such as Police Scotland) where they believe that Convention Rights or EU law has been breached. No such procedures or mechanisms are available in most other international obligations, including in the Charter. Citizens, thus, have no recourse to a legal remedy if they believe that the Charter has been violated by executive or legislative action. Remedying this deficiency is the purpose of this proposed legislation.

The proposed Bill would incorporate the Charter into Scots law and allow anyone to take action in Scottish courts to challenge any action by Scottish Ministers or Act of the Scottish Parliament they believed were in contravention of the Charter. Furthermore, it would provide local government with a stronger statutory framework within which its rights are guaranteed and protected against encroachment.

DETAIL OF THE PROPOSED BILL

Why incorporation is required

It can often be difficult to hold Governments to account for any breach of an international treaty unless there are provisions within the treaty itself that explicitly create some kind of legal dispute mechanism. A good example is the ECHR which, as part of its provisions, created the European Court of Human Rights where parties can take cases to uphold their human rights under the Convention.

Many international treaties, however, do not contain any specific means of dispute resolution. This does not matter to a great extent in countries with a so-called *monistic* legal system where international law is automatically incorporated into the law of the state and will have direct legal effect in domestic courts. The UK, however, has a *dualist* legal system whereby domestic law and international law are distinct and separate from each other. Broadly speaking, international law must be incorporated into domestic law by legislation in order for it to have the same legal authority as domestic law and unincorporated international law can only be used by the courts as an interpretative tool.

By incorporating the Charter into Scots law, the fundamental purpose is to make it justiciable in the courts of Scotland. In other words, if any party believed that any of the provisions of the Charter were being breached by executive actions of the Scottish Government, or by laws passed by the Scottish Parliament, they would be able to take a case to a Scottish court to have the arguments heard and decided upon.

What does incorporation mean?

There is no one, standard way to incorporate international obligations and it could be done in a number of different ways. An example of a relatively comprehensive form of incorporation is the Human Rights Act 1998.¹¹ I recognise my proposal raises a number of complex issues which would require to be reviewed fully before legislation is drafted, taking into account also interaction with existing provisions within the Scotland Act 1998. Those issues include:

- Method by which the Charter is incorporated. For example, should the Charter be incorporated in a schedule to the Act or would the Act reference the Charter? The method of incorporation would need to allow sufficient flexibility to incorporate any amendments to the Charter or changes to those provisions ratified by the UK;
- Complaints mechanism. For example, should any complaints in relation to breaches of the Charter be made through existing court processes or via a Commissioner created for the purpose; and
- Judicial remedies. What judicial remedies should be available where an executive action or legislation was found to breach the Charter? Should it be possible to declare an action or legislation incompatible with the Charter? How far might the legislation go in terms of specifying judicial remedies?

While the particular approach to be taken with my proposed Bill would require careful consideration, and a full assessment made of what might be set out there, my preference would be:

- for the Bill to incorporate the Charter's provisions in a schedule,
- for the courts be the route through which any complaint be made about incompatibility of any executive or legislative act, and
- in terms of judicial remedies, for the courts to have the power to require executive action to remedy any breaches identified and to strike down any incompatible legislation.

Consequences of incorporation

The consequences of incorporation would include:

- Enhanced status in law for local government;
- Legal guarantees of the status, powers and finances of local government;
- Providing citizens with the means by which to uphold the obligations of the Charter by empowering citizens to challenge any action of the Executive or Parliament which they consider violates the terms of the Charter;

¹¹ The Human Rights Act 1998 provides for matters relating to the interpretation, public authorities' duties, remedies, derogations as well as related rights and proceedings consequent to the ECHR.

- Fettering the discretion of the Scottish Government to exercise its executive powers and the Scottish Parliament to exercise its legislative powers in ways which violate international law as set out in the Charter;
- Incorporation of the Charter might have impacts on existing legislation or in relation to the status, powers and finances of local government; and
- Given the limited examples of where international law has been incorporated into domestic law, there may be unintended consequences. This consultation will allow for any unintended consequences to be identified and solutions highlighted.

Implementation and costs

On the one hand, the Bill would require no specific action and incur no additional costs following enactment as it simply provides a mechanism for alleged breaches of the Charter to be challenged. If a Commissioner was created to consider complaints under the Bill, however, there would be moderate costs associated with setting up that post.

On the other hand, there may be consequences (and would be some costs) where the Bill were to be used as a specific reference point for challenging an Act of the Scottish Parliament or actions of Scottish Ministers

Citizens or local authorities might consider that actions of the Scottish Government or existing legislative provisions violate the Charter or conflict with its provisions. Costs would be incurred if these parties chose to raise legal proceedings to challenge such actions of legal provisions. Where the courts did find that an Act of the Scottish Parliament or action of Scottish Ministers constituted a breach of the Charter, there would very likely be costs associated with remedying the breach.

Equalities issues

It is not anticipated that the proposed Bill would have any negative impact on any groups with protected characteristics under the Equality Act 2010.

It is noted, however, that the Bill would not be able to overcome any of the existing barriers which make it difficult for some people with learning difficulties to use the legal system to protect their rights.

Sustainable development issues

As part of the preparation for the proposed Bill, it was considered how the policy would impact on the sustainable development of the economy, society, environment and governance.

It is not considered that any issues would arise from the draft proposal which would negatively impact on the sustainable development of the economy, society, environment and governance.

European Charter of Local Self-Government

Strasbourg, 15.X.1985

Preamble

The member States of the Council of Europe, signatory hereto,

Considering that the aim of the Council of Europe is to achieve a greater unity between its members for the purpose of safeguarding and realising the ideals and principles which are their common heritage;

Considering that one of the methods by which this aim is to be achieved is through agreements in the administrative field;

Considering that the local authorities are one of the main foundations of any democratic regime;

Considering that the right of citizens to participate in the conduct of public affairs is one of the democratic principles that are shared by all member States of the Council of Europe;

Considering that it is at local level that this right can be most directly exercised;

Convinced that the existence of local authorities with real responsibilities can provide an administration which is both effective and close to the citizen;

Aware that the safeguarding and reinforcement of local self-government in the different European countries is an important contribution to the construction of a Europe based on the principles of democracy and the decentralisation of power;

Asserting that this entails the existence of local authorities endowed with democratically constituted decision-making bodies and possessing a wide degree of autonomy with regard to their responsibilities, the ways and means by which those responsibilities are exercised and the resources required for their fulfilment,

Have agreed as follows:

Article 1

The Parties undertake to consider themselves bound by the following articles in the manner and to the extent prescribed in Article 12 of this Charter.

Part I

Article 2 – Constitutional and legal foundation for local self-government

The principle of local self-government shall be recognised in domestic legislation, and where practicable in the constitution.

Article 3 – Concept of local self-government

1 Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population.

2 This right shall be exercised by councils or assemblies composed of members freely elected by secret ballot on the basis of direct, equal, universal suffrage, and which may possess executive organs responsible to them. This provision shall in no way affect recourse to assemblies of citizens, referendums or any other form of direct citizen participation where it is permitted by statute.

Article 4 – Scope of local self-government

1 The basic powers and responsibilities of local authorities shall be prescribed by the constitution or by statute. However, this provision shall not prevent the attribution to local authorities of powers and responsibilities for specific purposes in accordance with the law.

2 Local authorities shall, within the limits of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority.

3 Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy.

4 Powers given to local authorities shall normally be full and exclusive. They may not be undermined or limited by another, central or regional, authority except as provided for by the law.

5 Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions.

6 Local authorities shall be consulted, insofar as possible, in due time and in an appropriate way in the planning and decision-making processes for all matters which concern them directly.

Article 5 – Protection of local authority boundaries

Changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute.

Article 6 – Appropriate administrative structures and resources for the tasks of local authorities

1 Without prejudice to more general statutory provisions, local authorities shall be able to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management.

2 The conditions of service of local government employees shall be such as to permit the recruitment of high-quality staff on the basis of merit and competence; to this end adequate training opportunities, remuneration and career prospects shall be provided.

Article 7 – Conditions under which responsibilities at local level are exercised

1 The conditions of office of local elected representatives shall provide for free exercise of their functions.

2 They shall allow for appropriate financial compensation for expenses incurred in the exercise of the office in question as well as, where appropriate, compensation for loss of earnings or remuneration for work done and corresponding social welfare protection.

3 Any functions and activities which are deemed incompatible with the holding of local elective office shall be determined by statute or fundamental legal principles.

Article 8 – Administrative supervision of local authorities' activities

1 Any administrative supervision of local authorities may only be exercised according to such procedures and in such cases as are provided for by the constitution or by statute.

2 Any administrative supervision of the activities of the local authorities shall normally aim only at ensuring compliance with the law and with constitutional principles. Administrative supervision may however be exercised with regard to expediency by higher-level authorities in respect of tasks the execution of which is delegated to local authorities.

3 Administrative supervision of local authorities shall be exercised in such a way as to ensure that the intervention of the controlling authority is kept in proportion to the importance of the interests which it is intended to protect.

Article 9 – Financial resources of local authorities

1 Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers.

2 Local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law.

3 Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate.

4 The financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of the cost of carrying out their tasks.

5 The protection of financially weaker local authorities calls for the institution of financial equalisation procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures shall not diminish the discretion local authorities may exercise within their own sphere of responsibility.

6 Local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them.

7 As far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction.

8 For the purpose of borrowing for capital investment, local authorities shall have access to the national capital market within the limits of the law.

Article 10 – Local authorities' right to associate

1 Local authorities shall be entitled, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.

2 The entitlement of local authorities to belong to an association for the protection and promotion of their common interests and to belong to an international association of local authorities shall be recognised in each State.

3 Local authorities shall be entitled, under such conditions as may be provided for by the law, to co-operate with their counterparts in other States.

Article 11 – Legal protection of local self-government

Local authorities shall have the right of recourse to a judicial remedy in order to secure free exercise of their powers and respect for such principles of local self-government as are enshrined in the constitution or domestic legislation.

Part II – Miscellaneous provisions

Article 12 – Undertakings

1 Each Party undertakes to consider itself bound by at least twenty paragraphs of Part I of the Charter, at least ten of which shall be selected from among the following paragraphs:

- Article 2,
- Article 3, paragraphs 1 and 2,
- Article 4, paragraphs 1, 2 and 4,
- Article 5,
- Article 7, paragraph 1,
- Article 8, paragraph 2,
- Article 9, paragraphs 1, 2 and 3,
- Article 10, paragraph 1,
- Article 11.

2 Each Contracting State, when depositing its instrument of ratification, acceptance or approval, shall notify to the Secretary General of the Council of Europe of the paragraphs selected in accordance with the provisions of paragraph 1 of this article.

3 Any Party may, at any later time, notify the Secretary General that it considers itself bound by any paragraphs of this Charter which it has not already accepted under the terms of paragraph 1 of this article. Such undertakings subsequently given shall be deemed to be an integral part of the ratification, acceptance or approval of the Party so notifying, and shall have the same effect as from the first day of the month following the expiration of a period of three months after the date of the receipt of the notification by the Secretary General.

Article 13 – Authorities to which the Charter applies

The principles of local self-government contained in the present Charter apply to all the categories of local authorities existing within the territory of the Party. However, each Party may, when depositing its instrument of ratification, acceptance or approval, specify the categories of local or regional authorities to which it intends to confine the scope of the Charter or which it intends to exclude from its scope. It may also include further categories of local or regional authorities within the scope of the Charter by subsequent notification to the Secretary General of the Council of Europe.

Article 14 – Provision of information

Each Party shall forward to the Secretary General of the Council of Europe all relevant information concerning legislative provisions and other measures taken by it for the purposes of complying with the terms of this Charter.

Part III

Article 15 – Signature, ratification and entry into force

1 This Charter shall be open for signature by the member States of the Council of Europe. It is subject to ratification, acceptance or approval. Instruments of ratification, acceptance or approval shall be deposited with the Secretary General of the Council of Europe.

2 This Charter shall enter into force on the first day of the month following the expiration of a period of three months after the date on which four member States of the Council of Europe have expressed their consent to be bound by the Charter in accordance with the provisions of the preceding paragraph.

3 In respect of any member State which subsequently expresses its consent to be bound by it, the Charter shall enter into force on the first day of the month following the expiration of a period of three months after the date of the deposit of the instrument of ratification, acceptance or approval.

Article 16 – Territorial clause

1 Any State may, at the time of signature or when depositing its instrument of ratification, acceptance, approval or accession, specify the territory or territories to which this Charter shall apply.

2 Any State may at any later date, by a declaration addressed to the Secretary General of the Council of Europe, extend the application of this Charter to any other territory specified in the declaration. In respect of such territory the Charter shall enter into force on the first day of the month following the expiration of a period of three months after the date of receipt of such declaration by the Secretary General.

3 Any declaration made under the two preceding paragraphs may, in respect of any territory specified in such declaration, be withdrawn by a notification addressed to the Secretary General. The withdrawal shall become effective on the first day of the month following the expiration of a period of six months after the date of receipt of such notification by the Secretary General.

Article 17 – Denunciation

1 Any Party may denounce this Charter at any time after the expiration of a period of five years from the date on which the Charter entered into force for it. Six months' notice shall be given to the Secretary General of the Council of Europe. Such denunciation shall not affect the validity of the Charter in respect of the other Parties provided that at all times there are not less than four such Parties.

2 Any Party may, in accordance with the provisions set out in the preceding paragraph, denounce any paragraph of Part I of the Charter accepted by it provided that the Party remains bound by the number and type of paragraphs stipulated in Article 12, paragraph 1. Any Party which, upon denouncing a paragraph, no longer meets the requirements of Article 12, paragraph 1, shall be considered as also having denounced the Charter itself.

Article 18 – Notifications

The Secretary General of the Council of Europe shall notify the member States of the Council of Europe of:

- a any signature;
- b the deposit of any instrument of ratification, acceptance or approval;
- c any date of entry into force of this Charter in accordance with Article 15;
- d any notification received in application of the provisions of Article 12, paragraphs 2 and 3;
- e any notification received in application of the provisions of Article 13;
- f any other act, notification or communication relating to this Charter.

In witness whereof the undersigned, being duly authorised thereto, have signed this Charter.

Done at Strasbourg, this 15th day of October 1985, in English and French, both texts being equally authentic, in a single copy which shall be deposited in the archives of the Council of Europe. The Secretary General of the Council of Europe shall transmit certified copies to each member State of the Council of Europe.

QUESTIONS

ABOUT YOU

(Note: Information entered in the “About you” section may be published as part of your response except where indicated in **bold**.)

1. Are you responding as:
- an individual – in which case go to Q2A
 - on behalf of an organisation? – in which case go to Q2B
- 2A. Which of the following best describes you? (If you are a professional or academic, but not in a subject relevant to the consultation, please choose “Member of the public”.)
- Politician (MSP/MP/peer/MEP/Councillor)
 - Professional with experience in a relevant subject
 - Academic with expertise in a relevant subject
 - Member of the public

Optional: You may wish to explain briefly what expertise or experience you have that is relevant to the subject-matter of the consultation:

- 2B. Please select the category which best describes your organisation:
- Public sector body (Scottish/UK Government or agency, local authority, NDPB)
 - Commercial organisation (company, business)
 - Representative organisation (trade union, professional association)
 - Third sector (charitable, campaigning, social enterprise, voluntary, non-profit)
 - Other (e.g. clubs, local groups, groups of individuals, etc.)

Optional: You may wish to explain briefly what the organisation does, its experience and expertise in the subject-matter of the consultation, and how the view expressed in the response was arrived at (e.g. whether it is the view of particular office-holders or has been approved by the membership as a whole).

3. Please choose one of the following:
- I am content for this response to be published and attributed to me or my organisation
 - I would like this response to be published anonymously
 - I would like this response to be considered, but not published (“not for publication”)

If you have requested anonymity or asked for your response not to be published, please give a reason. **(Note: your reason will not be published.)**

4. Please provide your name or the name of your organisation. **(Note: The name will not be published if you have asked for the response to be anonymous or “not for publication”.** Otherwise, this is the name that will be published with your response.)

Name:

Please provide a way in which we can contact you if there are queries regarding your response. (Email is preferred but you can also provide a postal address or phone number. **We will not publish these details.**)

Contact details:

5. Data protection declaration

I confirm that I have read and understood the privacy notice attached to this consultation which explains how my personal data will be used.

YOUR VIEWS ON THE PROPOSAL

(Note: Information entered in the “Your views on the proposal” section may be published unless the response is “not for publication”.)

Aim and approach

1. The Charter should be incorporated into Scots law. Do you agree with this statement?

- Fully agree
 Partially agree
 Neutral (neither agree nor disagree)
 Partially disagree
 Fully disagree
 Unsure

Please explain the reasons for your response.

2. Which of the following best expresses your view on how the Charter should be incorporated into Scots law?

- The Charter should be incorporated into Scots law in the manner outlined in the consultation document
 The Charter should be incorporated into Scots law, but not in the manner outlined in the consultation document
 The Charter should not be incorporated into Scots law

Please explain the reason for your response (including, if you have chosen the second option, how you think the Charter should be incorporated into Scots law).

3. What do you think would be the advantages and disadvantages of incorporating the Charter into Scots law?

4. Which of the following best expresses your view about where complaints about a breach of the Charter should be made?

- Complaints about a breach of the Charter should be made through the courts
 Complaints about a breach of the Charter should be made through a commissioner created for the purpose
 Complaints about a breach of the Charter should be made through a commissioner in the first instance, with a right of appeal to the courts
 Complaints about a breach of the Charter should be made through a different mechanism, not the courts or a commissioner
 The Bill should not provide for any complaints mechanism

Please explain the reason for your response (including, if you have chosen the fourth option, how you think complaints about a breach of the Charter should be made).

5. What judicial remedies do you think should be available where an executive action (or proposed action) was found to be incompatible with the Charter?

- The court should be able to overturn the action and punish the public authority
- The court should be able to overturn the action (but not punish the authority)
- The court should be able to declare the action unlawful (but not overturn it or punish the authority)
- The court should have no power to declare the action unlawful (or to overturn it or punish the authority)

Please explain the reasons for your response.

6. What judicial remedies do you think should be available where legislation was found to be incompatible with the Charter?

- The court should be able to strike down the legislation
- The court should be able to declare the legislation incompatible with the Charter (but not strike it down)
- The court should have no power to declare the legislation incompatible with the Charter (or strike it down)

Please explain the reasons for your response.

General

7. Do you have any other comments or suggestions on the proposal?

Financial implications

8. Taking account of both costs and potential savings, what financial impact would you expect the proposed Bill to have on:

(a) Government and the public sector

- Significant increase in cost
- Some increase in cost
- Broadly cost-neutral
- Some reduction in cost
- Significant reduction in cost
- Unsure

(b) Businesses

- Significant increase in cost

- Some increase in cost
- Broadly cost-neutral
- Some reduction in cost
- Significant reduction in cost
- Unsure

(c) Individuals

- Significant increase in cost
- Some increase in cost
- Broadly cost-neutral
- Some reduction in cost
- Significant reduction in cost
- Unsure

Please explain the reasons for your response.

9. Are there ways in which the Bill could achieve its aim more cost-effectively (e.g. by reducing costs or increasing savings)?

Equalities

10. What overall impact is the proposed Bill likely to have on equality, taking account of the following protected characteristics (under the Equality Act 2010): age, disability, gender re-assignment, marriage and civil partnership, race, religion and belief, sex, sexual orientation?

- Positive
- Slightly positive
- Neutral (neither positive nor negative)
- Slightly negative
- Negative
- Unsure

Please explain the reasons for your response.

11. In what ways could any negative impact of the Bill on equality be minimised or avoided?

Sustainability

12. Do you consider that the proposed bill can be delivered sustainably, i.e. without having likely future disproportionate economic, social and/or environmental impacts?

- Yes
- No
- Unsure

Please explain the reasons for your response.

HOW TO RESPOND TO THIS CONSULTATION

You are invited to respond to this consultation by answering the questions in the consultation and by adding any other comments that you consider appropriate.

Format of responses

You are encouraged to submit your response via an online survey (Smart Survey) if possible, as this is quicker and more efficient both for you and the Parliament. However, if you do not have online access, or prefer not to use Smart Survey, you may also respond by e-mail or in hard copy.

Online survey

To respond via online survey, please follow this link:

<http://www.smartsurvey.co.uk/s/LocalSelfGovernment/>

The platform for the online survey is Smart Survey, a third party online survey system enabling the SPCB to collect responses to MSP consultations. Smart Survey is based in the UK and is subject to the requirements of the General Data Protection Regulation (GDPR) and any other applicable data protection legislation. Any information you send in response to this consultation (including personal data) will be seen by the MSP progressing the Bill and by staff in NGBU.

Further information on the handling of your data can be found in the Privacy Notice, which is available either via the Smart Survey link above, or at the end of this document.

Smart Survey's privacy policy is available here:

<https://www.smartsurvey.co.uk/privacy-policy>

Electronic or hard copy submissions

Responses not made via Smart Survey should, if possible, be prepared electronically (preferably in MS Word). Please keep formatting of this document to a minimum. Please send the document by e-mail (as an attachment, rather than in the body of the e-mail) to:

andy.wightman.msp@parliament.scot

Responses prepared in hard copy should either be scanned and sent as an attachment to the above e-mail address or sent by post to:

Andy Wightman MSP
Scottish Parliament
Edinburgh EH99 1SP

Responses submitted by e-mail or hard copy may be entered into Smart Survey by my office or by NGBU.

If submitting a response by e-mail or hard copy, please include written confirmation that you have read and understood the privacy notice (set out below).

You may also contact my office by telephone on (0131) 348 6367.

Deadline for responses

All responses should be received no later than **Friday 21 September 2018**. Please let me know in advance of this deadline if you anticipate difficulties meeting it. Responses received after the consultation has closed will not be included in any summary of responses that is prepared.

How responses are handled

To help inform debate on the matters covered by this consultation and in the interests of openness, please be aware that I would normally expect to publish all responses received (other than “not for publication” responses) on my website www.europeancharter.scot. Published responses (other than anonymous responses) will include the name of the respondent, but other personal data sent with the response (including signatures, addresses and contact details) will not be published.

Where responses include content considered to be offensive, defamatory or irrelevant, my office may contact you to agree changes to the content, or may edit the content itself and publish a redacted version.

Copies of all responses will be provided to the Scottish Parliament’s Non-Government Bills Unit (NGBU), so it can prepare a summary that I may then lodge with a final proposal (the next stage in the process of securing the right to introduce a Member’s Bill). The Privacy Notice (below) explains more about how the Parliament will handle your response.

If I lodge a final proposal, I will be obliged to provide copies of responses (other than “not for publication” responses) to the Scottish Parliament’s Information Centre (SPICe). SPICe may make responses available to MSPs or staff on request.

Requests for anonymity or for responses not to be published

If you wish your response to be treated as anonymous or “not for publication”, please indicate this clearly. The Privacy Notice (below) explains how such responses will be handled.

Other exceptions to publication

Where a large number of submissions is received, particularly if they are in very similar terms, it may not be practical or appropriate to publish them all individually. One option may be to publish the text only once, together with a list of the names of those making that response.

There may also be legal reasons for not publishing some or all of a response – for example, if it contains irrelevant, offensive or defamatory content. If I think your response contains such content, it may be returned to you with an invitation to provide a justification for the content or to edit or remove it. Alternatively, I may publish it with the content edited or removed, or I may disregard the response and destroy it.

Data Protection

As an MSP, I must comply with the requirements of the General Data Protection Regulation (GDPR) and other data protection legislation which places certain obligations on me when I process personal data. As stated above, I will normally publish your response in full, together with your name, unless you request anonymity or ask for it not to be published. I will not publish your signature or personal contact information. The Privacy Notice (below) sets out in more detail what this means.

I may also edit any part of your response which I think could identify a third party, unless that person has provided consent for me to publish it. If you wish me to publish information that could identify a third party, you should obtain that person's consent in writing and include it with your submission.

If you consider that your response may raise any other issues under the GDPR or other data protection legislation and wish to discuss this further, please contact me before you submit your response. Further information about data protection can be found at: www.ico.gov.uk.

Freedom of Information (Scotland) Act 2002

As indicated above, NGBU may have access to information included in, or provided with, your response that I would not normally publish (such as confidential content, or your contact details). Any such information held by the Parliament is subject to the requirements of the FOISA. So if the information is requested by third parties the Scottish Parliament must consider the request and may have to provide the information unless the information falls within one of the exemptions set out in the Act. I cannot therefore guarantee that any such information you send me will not be made public should it be requested under FOISA.

Further information about Freedom of Information can be found at:

www.itspublicknowledge.info.

Privacy Notice

This privacy notice explains how the personal data which may be included in, or is provided with, your response to a MSP's consultation on a proposal for a Member's Bill will be processed. This data will include any personal data including special categories of personal data (formerly referred to as sensitive personal data) that is included in responses to consultation questions, and will also include your name and your contact details provided with the response. Names and contact details fall into normal category data.

Collecting and holding Personal Data

The Scottish Parliamentary Corporate Body (the SPCB) processes any personal data you send to it, or that the MSP whose consultation you respond to shares with it (under a data-sharing agreement) according to the requirements of the General Data Protection Regulation (EU) 2016/679 (the GDPR) and the Data Protection Act 2018 (the DPA)

Personal data consists of data from which a living individual may be identified. The SPCB will hold any personal data securely, will use it only for the purposes it was collected for and will only pass it to any third parties (other than the MSP whose consultation you respond to) with your consent or according to a legal obligation. Further information about the data protection legislation and your rights is available here:

<https://ico.org.uk/for-the-public/is-my-information-being-handled-correctly/>

Sharing Personal Data

The data collected and generated by Smart Survey will be held by the Non-Government Bills Unit (NGBU), a team in the Scottish Parliament which supports MSPs progressing Members' Bills, and shared with the MSP who is progressing the Bill and staff in the MSP's office. Data submitted by other means (e.g. by email or hard copy) will be held by the MSP's office and shared with NGBU for the purpose of producing a summary of responses to the consultation. The MSP and NGBU are joint data controllers of the data. Under a data-sharing agreement between the MSP and the Scottish Parliament, access to the data is normally limited to NGBU staff working on the Member's Bill/proposal, the MSP and staff in the MSP's office working on the Member's Bill/proposal; but data may also be shared by NGBU with the Scottish Parliament's solicitors in the context of obtaining legal advice.

Publishing Personal Data

"Not for publication" responses will not be published and will only be referred to in the summary of consultation responses in the context of a reference to the number of "not for publication" responses received and, in some cases, in the context of a general

reference that is considered by you to be consistent with the reasons for choosing “not for publication” status for your response.

Anonymous responses will be published without your name attached, your name will not be mentioned in the summary of consultation responses, and any quote from or reference to any of your answers or comments will not be attributed to you by name.

Other responses may be published, together with your name; and quotes from or references to any of your answers or comments, together with your name, may also be published in the summary of consultation responses.

Contact details (e.g. your e-mail address) provided with your response will not be published, but may be used by either the MSP’s office or by NGBU to contact you about your response or to provide you with further information about progress with the proposed Bill.

Where personal data, whether relating to you or to anyone else, is included in that part of your response that is intended for publication, the MSP’s office or NGBU may edit or remove it, or invite you to do so; but in certain circumstances the response may be published with the personal data still included.

Please note, however, that references in the foregoing paragraphs to circumstances in which responses or information will not be published are subject to the Parliament’s legal obligations under the Freedom of Information (Scotland) Act 2002. Under that Act, the Parliament may be obliged to release to a requester information that it holds, which may include personal data in your response (including if the response is “not for publication” or anonymous).

Use of Smart Survey software

The Scottish Parliament is licensed to use Smart Survey which is a third party online survey system enabling the Scottish Parliament to collect responses to MSP consultations, to extract and collate data from those responses, and to generate statistical information about those responses. Smart Survey is based in the UK and is subject to the requirements of data protection legislation.

Any information you send by email or in hard copy in response to a consultation on a proposal for a Member’s Bill may be added manually to Smart Survey by the MSP’s office or by NGBU.

The privacy policy for Smart Survey is available here:

<https://www.smartsurvey.co.uk/privacy-policy>

While the collected data is held on SmartSurvey, access to it is password protected. Where the data is transferred to our own servers at the Scottish Parliament, access will

be restricted to NGBU staff through the application of security caveats to all folders holding consultation data.

Access to, retention and deletion of personal data

As soon as possible after a summary of consultation responses has been published, or three months after the consultation period has ended, whichever is earlier, all of your data will be deleted from Smart Survey. If, three months after the consultation period has ended, a summary has not been published, then the information that we would normally publish – including all your answers to questions about the proposal (unless your response is “not for publication”) and your name (unless you requested anonymity), but not your contact details – may be downloaded from Smart Survey to SPCB servers and retained until the end of the session of the Parliament in which the consultation took place. If the MSP lodges a final proposal, he/she is required to provide a copy of your response (unless it was “not for publication”), together with your name (unless you requested anonymity), but not your contact details, to the Scottish Parliament Information Centre (SPICe), where it may be retained indefinitely and may be archived.

Purpose of the data processing

The purpose of collecting, storing and sharing personal data contained in consultation responses is to enable Members to consider the views of respondents to inform the development of the Bill, with the support of NGBU. Personal data contained in consultation responses will not be used for any other purpose without the express consent of the data subject.

The legal basis

The legal basis for collecting, holding, sharing and publishing your personal data is that the processing is necessary for the performance of a task carried out in the public interest, or in the substantial public interest, in accordance with Art 6(1)(e) GDPR, s8(d) DPA, or Art 9(1)(g) GDPR, s10 of and paragraph 6 of Schedule 1 of the DPA. The task is the support of Members seeking to introduce Members’ Bills to the Parliament. This is a core task of the SPCB and therefore a Crown function. The adequate support of the Members Bill process and the ability to seek, use and temporarily store personal data including special category data is in the substantial public interest.

If the person responding to the consultation is under the age of 12 then consent from the parent or guardian of the young person will be required to allow the young person to participate in the consultation process (however, the legal basis for the processing of the personal data submitted remains as the public interest task basis identified above).

Your rights

Data protection legislation sets out the rights which individuals have in relation to personal data held about them by data controllers. Applicable rights are listed below, although whether you will be able to exercise data subject rights in a particular case may depend on the purpose for which the data controller is processing the data and the legal basis upon which the processing takes place. For example, the rights allowing for erasure of personal data (right to be forgotten) and data portability do not apply in cases where personal data is processed for the purpose of the performance of a task carried out in the public interest. The right to object to the processing of personal data for the purpose of a public interest task is restricted if there are legitimate grounds for the processing which override the interest of the data subject. This would be considered on a case by case basis and depends on what personal data is involved and the risks further processing of that data would pose to you. As described above, the collection, storage, sharing and publishing of personal data contained in consultation responses is a task carried out in the public interest, which means that these three data subject rights do not apply here or only in a restricted scope.

Access to your information – You have the right to request a copy of the personal information about you that we hold.

Correcting your information – We want to make sure that your personal information is accurate, complete and up to date and you may ask us to correct any personal information about you that you believe does not meet these standards.

Objecting to how we may use your information – Where we use your personal information to perform tasks carried out in the public interest then, if you ask us to, we will stop using that personal information unless there are overriding legitimate grounds to continue.

Restricting how we may use your information – in some cases, you may ask us to restrict how we use your personal information. This right might apply, for example, where we are checking the accuracy of personal information about you that we hold or assessing the validity of any objection you have made to our use of your information. The right might also apply where this is no longer a basis for using your personal information but you don't want us to delete the data. Where this right is validly exercised, we may only use the relevant personal information with your consent, for legal claims or where there are other public interest grounds to do so.

Please contact us in any of the ways set out in the *Contact information and further advice* section if you wish to exercise any of these rights.

Changes to our privacy notice

We keep this privacy notice under regular review and will place any updates on this website. Paper copies of the privacy notice may also be obtained using the contact information below.

This privacy notice was last updated on 28 June 2018.

Contact information and further advice

If you have any further questions about the way in which we process personal data, or about how to exercise your rights, please contact:

Head of Information Governance

The Scottish Parliament

Edinburgh

EH99 1SP

Telephone: 0131 348 6913 (Text Relay calls welcome)

Textphone: 0800 092 7100

Email: dataprotection@parliament.scot

Complaints

We seek to resolve directly all complaints about how we handle personal information but you also have the right to lodge a complaint with the Information Commissioner's Office:

- Online: <https://ico.org.uk/global/contact-us/email/>
- By phone: 0303 123 1113

Report To:	Policy and Resources Committee	Date:	7 August 2018
Report By:	Grant McGovern Head of Inclusive Education, Culture & Communities	Report No:	PR/20/18/GM/HS
Contact Officer:	Hugh Scott	Contact No:	5459
Subject:	Developing Participatory Budgeting in Inverclyde		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide an overview of Participatory Budgeting in Inverclyde and to agree to further developing this approach to support decentralisation of budgets and enhance community empowerment.

2.0 SUMMARY

- 2.1 At the meeting of the Alliance Board on 11th December 2017, a report on the Community Choices Framework was discussed.

- 2.2 Participatory Budgeting (PB) is local people deciding on how to allocate part of a public budget.

The Community Empowerment (Scotland) Act 2015 defines Community Choices as:

Community Choices budgeting supports a democratic and engaged citizenship by enabling local people who have a direct say in how a defined public budget can be used to address their priorities. It is one method of community engagement that can be used alongside other models of empowerment as part of a wider approach to advancing participatory democracy.

- 2.3 It was agreed at the meeting of the Alliance Board on 19 March 2018 that CPP members continue to identify opportunities for participatory budgeting in Inverclyde.
- 2.4 In its 2018 – 19 budget, Inverclyde Council agreed to provide £350,000 (£50,000 per ward) to be distributed through Participatory Budgeting (PB). It is proposed that bids should be capped at a maximum of £25,000 in line with the recent changes to GTVO allocations. To encourage smaller bids from groups and organisations, no minimum amount is proposed provided the required application criteria are met.
- 2.5 Additionally, in March 2017 the Committee agreed to the allocation of £100K for the implementation of a Community Initiatives Fund to support local projects to alleviate poverty. The programme of public consultation and engagement outlined in this report is now suggested as an appropriate mechanism to allocate funding to appropriate anti-poverty initiatives. The allocation of funding in this case will be specifically targeted to community projects in the three Community Planning Localities rather than the Ward based approach recommended for the Community Fund.
- 2.6 A Communications and Engagement Plan will aim to deliver a consistent approach to branding and messaging and combine a range of strategies including community engagement events and other media including print and online, to encourage residents and community groups to

take part in the participatory budgeting consultation.

- 2.7 Community Learning and Development's (CLD) Community Capacity Team will lead on the consultations of Inverclyde's first phase of participatory budgeting in partnership with CVS and other relevant partners. In addition, following on from good practice elsewhere, CLD will create and manage a voting form for the steering groups and will draft appropriate guidance notes to support the shortlisting of applications. (See Appendix 3 and 4).
- 2.8 The allocation of grants from both the Community Fund and the Community Initiative Fund will be Inverclyde's first phase of implementation of Participatory Budgeting. To support the development of a fully effective approach to Participatory Budgeting (PB) by 2020, it is recommended that a short-life working group chaired by the Head of Inclusive Education, Culture & Communities should be established. This group will review and evaluate the effectiveness of this first phase and look to existing good practice to further develop Inverclyde's model.

3.0 RECOMMENDATIONS

3.1 That the Committee:

- a) Notes the content of this report and approves the intended actions;
- b) Notes the consultation, communications and engagement objectives, audiences and key mechanisms outlined in this report, the timetable for consultation and the potential release of funding to the community through the Participatory Budgeting process;
- c) Agrees to the implementation of a short-life working group to develop a long-term sustainable PB model for Inverclyde;
- d) Agrees to the release of Community Initiatives Funding through the above process to support initiatives to alleviate poverty within the designated Community Planning locality areas.

Grant McGovern
Head of Inclusive Education, Culture and Communities

4.0 BACKGROUND

- 4.1 Participatory Budgeting (PB) is local people deciding on how to allocate part of a public budget. Detailed information on PB can be found in Appendix 1.
- 4.2 The Community Empowerment (Scotland) Act 2015 provides a range of new powers to strengthen the voices of communities in the decisions that matter to them. It makes particular provisions on participation in public decision making, and the role that Participatory Budgeting can play in this.
- 4.3 Nationally, there is a COSLA and Scottish Government agreement for 1% of a local authority's budget to be decided using Participatory Budgeting by 2020/21.
- 4.4 A number of local authorities have used the PB model to focus mainly on small grant giving in areas such as community safety, local environmental issues, etc, rather than involving the public in decisions on mainstream budgets. This would be inappropriate for the full implementation of PB which requires that 1% of the Council's budget is included in the process – this would be £1.9M for Inverclyde.

5.0 PROPOSALS

- 5.1 This paper sets out a communication and engagement programme for Participatory Budgeting consultation based on good practice from other local authorities. Below are the overall objectives of the consultation campaign, the key audience targeted and the key mechanisms used.
- 5.2 The overall objectives of the consultation and communications plan are:
 - To ensure a high level of engagement across all communities in allocating the Participatory Budgets;
 - To demonstrate clearly to the local community that Inverclyde Council and partners welcome and are actively listening to the views of the stakeholders;
 - To give stakeholders and communities the opportunity to be involved, influence and to have a say in determining the Participatory Budget;
 - To build capacity for Participatory Budgeting.
- 5.3 The key mechanisms include designing a new branding to consult and communicate around the activities using the message around Participatory Budgeting.

The evidence gathered from Our Place Our Future community consultation results will inform the identification of priorities that:

- **Promote positive mental health and wellbeing in Inverclyde** – examples include: dementia friendly activities/projects, ideas that promote volunteering opportunities, ideas which help build skills, confidence and resilience within the community and community growing initiatives.
 - **Support the development of a more positive environment** – examples include environmental clean-ups, development of community facilities and public spaces, anti-litter campaigns.
 - **Bring people together** – examples include developing new activities, ideas which support intergenerational activities, events which bring local communities together, ideas which promote the use of facilities, amenities and services and consultations in local need. Ideas which reduce social exclusion.
- 5.4 Every community has different needs and the priorities should reflect this. In all cases a clear focus with simple funding criteria will help to create better projects and attract good

quality applications. This will also help the community to score the projects in the final selection process.

- 5.5 At the Council Budget Meeting on 16 February 2017 it was agreed to set up an Anti-Poverty Fund using the existing Welfare Reforms Policy Earmarked reserve plus an additional £200,000 allocated from Reserves giving a fund total of £1.0million. At the subsequent meeting of the Policy and Resources Committee (March 2017), members agreed that £100K of the Anti-Poverty Fund would be allocated to a Community Initiatives Fund to support locally based anti-poverty initiatives.

It is now suggested that the programme of public consultation and engagement outlined in this report to support PB would be an appropriate mechanism to allocate funding to community-based anti-poverty initiatives. However, the allocation of funding in this context will be specifically targeted to community projects in the three Community Planning (CP) Localities rather than the Ward based approach recommended for the Community Fund.

The CP localities are Port Glasgow, Greenock East and Central and Greenock South and South West.

5.6 Funding Allocation

As part of its 2018–19 budget, Inverclyde Council agreed to provide £350,000 to be distributed through Participatory Budgeting (PB) with an allocation of £50K per Ward. This process would provide first steps in the implementation of Participatory Budgeting in a phased, managed approach through to full implementation by 2020 as required by the Community Empowerment (Scotland) Act 2015.

It is proposed that bids should be capped at a maximum of £25,000 in line with the recent changes to GTVO allocations. There is no minimum amount proposed to encourage smaller bids from groups and organisations as long as the required criteria is met.

5.7 Funding Criteria - £50,000 for each ward

1. Applications from individuals, community groups or organisations must be made on a not-for-profit basis;
2. The proposed project or initiatives must provide a service in, or benefit to, the Ward;
3. All project cost are included in the application. Where appropriate, to ensure sustainability, the costs for 3 year on-going maintenance and repairs of the proposed project or initiative, e.g. community garden, must be included in the financial details section of the application. Similarly, details of routine running costs, e.g. salaries, electricity, rates/rents, insurances, etc, for a 3-year period should be included.

Funding will not be provided for:

- Any political or religious group activities*;
- Applications requesting solely routine running costs for existing community facilities, e.g. salaries/electricity/rates/rents/insurances etc;
- Private businesses or individuals applying on a commercial (for-profit) basis;
- Applications from schools - these are the responsibility of the local authority**;
- Community groups in receipt of Council funding through other sources, e.g. Grants to Voluntary Organisation (GtVO) unless the proposed project or initiative is significantly different from project being funded.

* - Applications can be accepted from faith groups provided they meet criteria 2. above.

** - Parent Councils and Associations can submit applications as recognised constituted groups for projects or initiatives that meet the criteria outlined in 2. above.

5.8 Funding Criteria – Community Based Anti-Poverty Initiatives

As above in 5.7, but applications also must be focussed in specified Community Planning Localities and aim to support people living in poverty and/or focus on mitigating the impacts of poverty in those areas.

5.9 Additional funding is available for Community Organisations and Community Councils via the Community Choices Fund 2018/19. Community Learning and Development's Community Capacity Team will also support community groups looking to access this funding source. CVS have submitted an application to this fund to cover Greenock East and Central (Part of Ward 2 & 3). If successful, this will provide additional resources with an enhanced focus on working with targeted individuals and groups in our communities to support the development of future models for PB in 2020/21.

5.10 Community Engagement and Consultation

The attached Communications and Engagement Plan (Appendix 2) will aim to deliver a consistent approach to branding and messaging, and combine a range of strategies including community engagement events and other media including print and online, to encourage residents and community groups to take part in the participatory budgeting consultation.

Community Learning and Development's (CLD) Community Capacity Team will lead on the consultations of Inverclyde's first phase of participatory budgeting in partnership with CVS and other relevant partners. In addition, following on from good practice elsewhere, CLD will create and manage a voting form for the steering groups and will draft appropriate guidance notes to support the short-listing of applications. (See Appendices 3 and 4).

5.11 Future Planning for Full Implementation of Participatory Budgeting

The allocation of these funds is Inverclyde's first phase of implementation of Participatory Budgeting. As noted in Section 4.4, the focus on the allocation of grants to fund small scale community projects would be inappropriate for the full implementation of PB. It is therefore proposed that a short-life working group chaired by the Head of Inclusive Education, Culture and Communities is implemented to develop a long-term, sustainable PB model appropriate to Inverclyde's wider community needs.

Membership of the group will include:

G McGovern	Head of IEC&C (Chair)
H Scott	Service Manager CLD
M McKenna	Service Manager Corporate Policy
TBC	Environment & Regeneration
TBC	HSCP (Health)
TBC	HSCP (Social Services)
TBC	Financial Services

Others identified as appropriate.

An Equalities Impact Assessment will be completed by the short-life working group.

6.0 IMPLICATIONS

6.1 Finance

Financial Implications:

The costs below were approved as part of the Council's 2018-19 budget and are included for the benefit of members.

One off Costs:

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
EMR	Community Initiatives	2018-19	350,000	N/A	
EMR	Welfare Reform	2018-19	100,000	N/A	Community Based Anti-poverty initiatives

Annually Recurring Costs/(Savings):

Public Engagement Events, communications and administration costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Budget Development EMR		2018 - 19	Up to £5000		Facilities hire, promotion, etc.

6.2 **Legal**
N/A

6.3 **Equalities**
Has an Equality Impact Assessment been carried out?

YES (see attached appendix)

NO – Will be carried out by the short-life working group at a later date.

6.4 **Repopulation**
Well planned and effective engagement in the PB process for residents and community groups will enhance Inverclyde's reputation as a place to live and work.

7.0 **CONSULTATION**
N/A

8.0 **BACKGROUND PAPERS**
N/A

Participatory Budgeting

Summary

Participatory budgeting (PB) can be defined, in simple terms, as **local people deciding on how to allocate part of a public budget**. It is therefore more than consultation.

Participatory Budgeting, as with many other areas in Scotland, has mainly focused on small grant giving rather than involving the public in decisions on mainstream budgets. There is an aspiration in Scotland for 1% of a local authority's budget to be allocated through PB.

Through use of online methods we have demonstrated that it is possible to deliver PB at scale, but an approach like this would need to be resourced. In looking to scale up PB in Inverclyde, there are a number of areas of mainstream budgets - aspects of the Transportation, Education and Capital budgets - which could fit well with a PB approach. Some suggestions are given as to how this approach could be further developed to support decentralisation and community empowerment ambitions.

There is a need for high level buy in and acceptance of PB as a way of working. There needs to be a commitment to resource such an approach, and this does require continuing to build capacity and provide the leadership and direction needed.

Involving the public in the design and delivery of services

Involving the public in the design and delivery of services is essential to transforming our public services, according to the Christie Commission on the future delivery of public services, and the Commission on Local Democracy.

Participatory Budgeting (PB) is a method for involving the public in decisions about local budgets, and as such is part of our wider community engagement approach. The Community Empowerment (Scotland) Act 2015 provides a range of new powers to strengthen the voices of communities in the decisions that matter to them. It makes particular provisions on participation in public decision making, and the role that Participatory Budgeting can play in this. Aspirations in relation to PB are being raised, both locally and nationally, laying down a challenge as to the ambition and scale of Participatory Budgeting in Inverclyde.

Participatory Budgeting Principles

Our approach to Participatory Budgeting in Inverclyde is based on the following principles:

1. Local Ownership	Residents should be involved in setting budget priorities and identifying projects for public spend in their area wherever possible.
2. Direct Involvement	PB should involve direct as well as representative engagement wherever possible.
3. Support for representative democracy	Participation mechanisms such as PB should be seen as supporting representative democracy rather than undermining it. Councillors hold a unique position as community advocates and champions. PB can increase citizens' trust of councillors and boost the role of ward

	councillors.
4. Mainstream Involvement	Over time PB processes should move towards residents being involved in decisions over mainstream budgets (as opposed to only small grants processes).
5. Accessibility	Participants must have good and clear access to PB processes.
6. Transparency	PB processes are designed to give citizens full and clear knowledge of public budgets in their area, even those over which they do not have a direct say.
7. Deliberation	PB processes should take citizens beyond personal choice and involve real deliberation around budget decisions
8. Empowerment	PB events are centrally concerned with empowering local citizens in decisions over local services and shaping their local area through allocating part of a public budget. Citizens, officers, councillors and partners should plan and lead PB events together, demonstrating local people's empowerment. Evaluation should explore how well PB has empowered people. Good capacity-building is essential for good community empowerment and should always be used in PB processes.
9. Shared responsibility	PB should build common purpose and a commitment from all stakeholders.

What does PB offer as a community engagement tool?

Participatory Budgeting can cover a range of activity from communicating, consulting, involving, partnership and decision-making, which in and of itself can be more or less empowering.

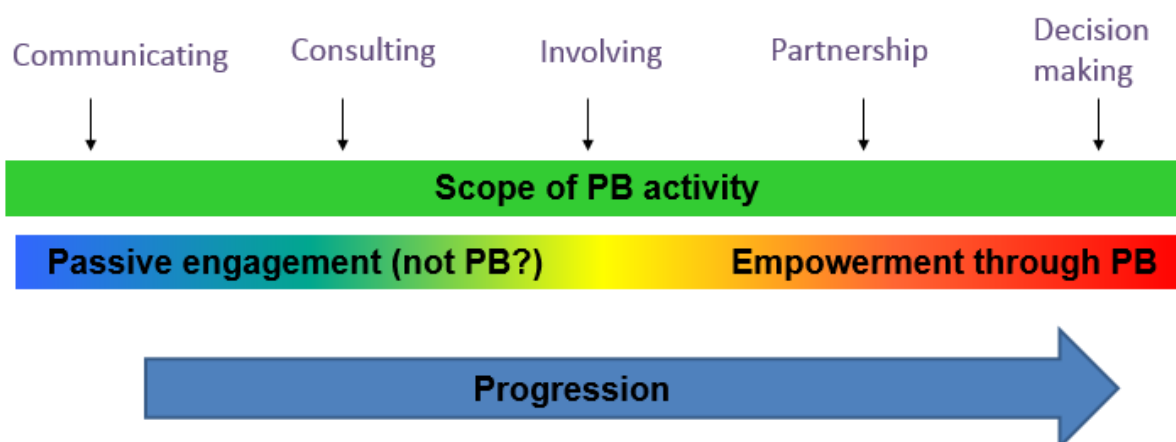


Figure 10 – Empowerment through PB (Jez Hall)

Participatory Budgeting has the potential to create a lasting shift in relationships between citizens and public services. Citizens should feel that their participation is meaningful. It is important that

where PB is used as a method, it is done in an empowering way. Deliberation can and should be built into any stage of public engagement. Involving the local community in decisions about budgets can engage local people, build social capital, and deepen democracy. It also helps to improve use of public money by targeting resources more effectively at local level.

What is needed to support scaling up of PB in Inverclyde?

If PB is to move into the 2nd Phase - influencing the outcome of mainstream budgets and involving service users in decisions about the commissioning of services - then a number of factors need to be put in place:

High level buy-in

Implementing PB at scale requires high level political and organisational buy-in. There is currently commitment to PB as an approach at both national and local level. There needs to also be buy-in from senior managers.

Budget

The starting point is to identify the budget from across possible funding streams or particular service areas where there is a need to commission goods/services. It requires those with the power to decide how public money is spent – service managers, commissioners, elected members – being willing to involve local people in decision-making about a budget, while ensuring value for money in how that resource is spent.

Commitment of staff time and resources

We have seen that PB is worth doing at scale and that it is possible to do it BUT operating an annual programme at a wide level will take a commitment of staff time and resources. This includes the infrastructure needed to support PB. Undertaking a PB exercise is an ‘opportunity cost’ – if area / community / service / partner staff and organisations are doing this then they are not doing something else. It needs to be thought through as part of a planned and considered approach to ensure that resources are used wisely.

PB as a way of working

PB should become the way we do things when it comes to identifying and delivering community-based projects and initiatives. As part of our decentralisation efforts, PB could enable us to continue conversations with our citizens regarding the shape, type and level of public services they want to see.

Inverclyde Council remains committed to localisation of service provision. It is in this context that PB can be a means to:

- build community capacity, empower local communities
- improve transparency and accountability
- develop understanding about the difficult decisions required
- develop solutions which suit the local area
- improve services where they are needed and wanted
- increase interest/participation in community activity and also in traditional democratic processes.

Community Engagement Plan

Date	Action
June 2018	A planning group will be formed that has representatives from the wider partnership and community.
June / July 2018	Maximum bid amounts of £25,000 per bid with no minimum amount.
July / August 2018	Branding and publicity and marketing developed and agreed. Dissemination of the PB scheme online, at community events and information sessions, in community centres and across the partnership network, on-line and in the press.
July / August 2018	Partnership approach taken to ensure we engage a wide range of local residents and community led organisations in the PB process, particularly those not currently engaged with services or who need additional support to articulate their needs/views.
August 2018	Community and voluntary groups will propose projects for funding against the agreed priorities and then present them at a decision day event, where residents vote on which should receive funding.
August – October 2018	<p>The detail of the PB process will be designed on the basis of local circumstances and priorities. However, a number of common models have evolved in Scotland and proved successful. The two most relevant to Inverclyde are:</p> <ol style="list-style-type: none"> 1. Presentation format - those requesting funding deliver a short presentation and the community then votes. Eligible voters register at the event prior to the presentations starting and stay for all the presentations for their votes to count. This is a better format if there are a small number of applications. 2. Marketplace - those requesting funding display information about their project or idea and once participants have visited all the stalls, vote. Eligible voters do not need to stay for the duration of the event. This is a better format if there are too many applications to be covered via a presentation format. <ul style="list-style-type: none"> ➤ Whatever the chosen format, it's supported by written information taken from a simplified application form. Members of the community will be invited to score each of the proposals. They will score or vote for more than one idea. ➤ Everyone knows who else is bidding, and for how much: All bids will be shared with the other applicants and presented to the community at a decision event. ➤ One 'decision' event will be held in each of the ward areas. ➤ Provisional results will be announced on the day and confirmed in writing.

<p>January/ March 2019</p>	<p>Positive impact of PB:</p> <p>A community with a better understanding of the range of groups that exist and activities going on in their neighbourhood or community, where everyone has a practical way to get involved.</p> <p>Neighbourhood groups, community members and residents better able to express their needs and influence decisions made about a community</p> <p>Greater collaboration and partnership occurs, often meaning more resources for distribution come into an area or community, and when they do they are well spent.</p> <p>Understanding grows: People active in your community get to meet each other, often for the first time. This happens at the information event and at the presentation and scoring event.</p> <p>New voices are heard: Marginalised groups, who may be unused to completing long application forms and so struggle to get funding elsewhere, can often do well in PB processes. This is because they can speak directly to their wider community.</p> <p>Money reaches further and goes deeper: When there is a limited resource and lots of good ideas on the table, priority is naturally given to small locally based projects with a commitment to improving their neighbourhood.</p> <p>Aspirations are raised: Participants learn on the presentation day what it takes to be a successful project and often leave with greater confidence in their ability to apply to other funds. Even initially unsuccessful groups will often go on to find funding elsewhere.</p> <p>Positive relationships builds new opportunities: Spending time with people who may become useful partners and collaborators can build a positive sense of what can be achieved. By working together we always achieve more.</p>
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Funding Criteria

1. Applications from individuals, community groups or organisations must be made on a not-for-profit basis;
2. The proposed project or initiatives must provide a service in, or benefit to, the Ward;
3. All project cost are included in the application. Where appropriate, to ensure sustainability, the costs for 3 year on-going maintenance and repairs of the proposed project or initiative, e.g. community garden, must be included in the financial details section of the application. Similarly, details of routine running costs, e.g. salaries, electricity, rates/rents, insurances, etc, for a 3-year period should be included.

Funding will not be provided for:

- Any political or religious group activities*;
- Applications requesting solely routine running costs for existing community facilities, e.g. salaries/electricity/rates/rents/insurances etc;
- Private businesses or individuals applying on a commercial (for-profit) basis;
- Applications from schools - these are the responsibility of the local authority**;
- Community groups in receipt of Council funding through other sources, e.g. Grants to Voluntary Organisation (GtVO) unless the proposed project or initiative is significantly different from project being funded.

* - Applications can be accepted from faith groups provided they meet criteria 2. above.

** - Parent Councils and Associations can submit applications as recognised constituted groups for projects or initiatives that meet the criteria outlined in 2. above.

Inverclyde - Participatory Budgeting Events – 2018

Guidance for Shortlisting

1. **Panel:** Council officers to review all applications, to ensure it meets appropriate guidelines and grant criteria
2. **Documentation:** Officers will keep a complete record of the decision making as this will provide a transparent record of the decision making process.
3. **Process – The shortlisting will be in 2 stages:**
 - Stage 1:** Individual scoring
 - Stage 2:** Group discussion and agreement of projects/ideas to go forward to the PB event.
4. **Stage 1:** All checked applications will be forwarded to you by the agreed date, preferably by email but by hard copy if preferred. You will be provided with a 'Short-listing Scoring Sheet' for each application, where you will score each project. The sheet includes a comments section for your use. You will also be provided with a summary sheet, where you will note your final scores for each application.
5. You will only be scoring Questions 6, 7, 12, 14 and 15 (each scored 1 to 3) the rest of the form is factual or financial information. Consequently the minimum score for applications to progress is 5, the maximum score possible is 15. However, the rest of the form will assist you when considering these questions and may provide additional information.
6. **Stage 2:** Stage 2 of the short-listing process will be a group discussion. We will review the scores provided by the group on the master score sheet. This should enable us to see how many of the projects are shortlisted. Some further discussion may be needed if/where scores vary significantly or where there are a few projects with the same scoring, in which case, further discussion will be required.
7. **Declaration of Interest:** where a shortlister has a declaration of interest with any application they should write declaration of interest after the name of the group and should not complete the rest of the form (please still sign the form). Scoring for declaration of interest applications, will be taken as an average of all other shortlister's scores.
8. **Confidentiality:** Please be aware that application forms should not be shared with anyone else and please ensure they are kept securely, as they will contain applicants personal contact details etc. All hard copies of applications should be brought back to the group shortlisting meeting, where they will be shredded. All emailed forms should be deleted following the agreement at the group shortlisting meeting.

July 2018

Short-listing Scoring Sheet

Name of Group:					
Q	Detail	Criteria	Points	Score	Comment
Q6	Please tell us about the project/idea this money will help you fund.	Good clear examples of the project/idea that benefits the locality which funding will cover.	3		
		Reference to projects/ideas but no explanation of how the funding will benefit the ward.	1		
		No clear examples benefiting the ward.	0		
Q7	Why do you think your project/idea is needed and what will the impact be. (The difference it will make and how will this be shown).	Strong evidence that demonstrates the difference the project will make (e.g. we will show...). (We will ask for feedback from....).	3		
		Some mention of how to show the difference the project will make.	1		
		No mention of difference the project will make	0		
Q12	Who is your project/idea open to? <i>*please also check the rest of the application for reference to equality</i>	Yes – open to all or, Yes – good examples of how equality* groups are supported to be included.	3		
		No – but good reasons are given as to why certain groups are excluded e.g. older people groups; youth groups etc.	2		
		No explanation given.	0		
Q11 Q14	Please state the ward your project will benefit	Based in and benefiting the ward	3		
		Based out-with but benefits the ward.	1		

Q15	Which of the locality themes does your project/idea fit? <i>*Check for evidence</i> <i>*Cross reference Q6.</i>	All three of the themes	3		
		If at least two of the themes.	2		
		If only one of the themes.	1		

Signature:	Date:	Total Score: / 15
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Maximum of 15 points – minimum of 5 points to be considered.

Name		Address	
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If you work, volunteer or study in the area, please tick this box and provide the postcode.		Full Postcode	
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Age Group (Tick One)	8-12 yrs	13-17 yrs	18-25 yrs	26-45 yrs	46-65 yrs	66+ yrs
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How did you find out about this (Tick ALL THAT APPLY)							
Facebook, twitter, web, email		Taken part before		Poster, leaflet, newspaper, radio		I know a project taking part	
Word of Mouth		Just came across it		Other (please specify)			

Data Protection: Inverclyde Council is obliged to comply with current Data Protection Laws and will use this information for the purposes of Education (Scotland) Act 1980, Requirements for Community Learning & Development (Scotland) Regulations 2013, Community Empowerment Act (2013) and related purposes.

Further information can be found at www.inverclyde.gov.uk/site-basics/privacy

**By signing below you are agreeing to your information being gathered and processed as above:
If under 13 years of age parent/guardian required to sign on their behalf**

Name: (please print)	
Signature	
Date:	
Parent/Guardian Signature	

We keep this information for 5 years. If you wish your information to be removed please contact us and we will remove this within 30 days.

Voting Instructions

**Score your choices! Tick one box to show how many points you want to give to each project.
You MUST give EVERY project a score out of 5, or your votes won't count at all.**

1	2	3	4	5
Lowest score				Highest score

Stall No.	Group	Amount Requested	1	2	3	4	5
	<i>Example:</i>					✓	
1.	Port Glasgow Arts – We are a self-funding group who provide a social aspect and build confidence through our Art Club. The funding would be used to buy art materials and outings to art exhibitions.	£800.00					

CHECK! Have you scored EVERY Project? If not, your votes won't count!

Report To:	Policy & Resources Committee	Date:	7 August 2018
Report By:	Chief Financial Officer	Report No:	FIN/66/18/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Scotland's Fiscal Outlook – The Scottish Government's 5 Year Financial Strategy		

1.0 PURPOSE

- 1.1 The purpose of this report is to bring to the Committee's attention the recently published Medium Term Financial Strategy prepared by the Scottish Government and to highlight relevant matters which may impact on Local Government and Council budgets.

2.0 SUMMARY

- 2.1 The Scottish Government gave an undertaking that it would produce its first 5 year Medium Term Financial Strategy by the end of May 2018 and the document was published on 31 May and is attached as Appendix 1 to this report.
- 2.2 As is the case with the Council's Financial Strategy the document covers a number of areas including the fiscal framework within which the Scottish Government operates, policy priorities and financial commitments made by the Government and thereafter upper, central and lower scenarios for the 5 year period ending 2022/23.
- 2.3 The document is helpful in terms of summarising a number of budgetary matters many of which will ultimately have an impact on Inverclyde Council but as with Inverclyde Council's Financial Strategy, this Strategy is heavily caveated in respect of the "known unknowns".
- 2.4 From a Local Government perspective, the Strategy distils down to charts 7.1 to 7.3 on pages 61 and 62 of the document and the key message from this is that once policy priorities have been funded then there will continue to be real term cuts for Local Government (which is categorised as other expenditure) over the period to 2022/23. This correlates with the most recent information provided to Members in the June Financial Strategy for the Council.
- 2.5 The Committee should therefore note that whilst figures and assumptions can and will change in the medium term, the overall direction of travel is one of continued pressure on Council budgets and the need for the Council to continue to examine ways of delivering existing services with reducing resources whilst reviewing its policy priorities to inform potential service withdrawal.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the content of the Scottish Government's first Medium Term Financial Strategy and the potential impact which the forecasts contained in the Strategy will have on funding for Local Government and Inverclyde Council.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Scottish Government gave an undertaking that it would produce its first 5 year Medium Term Financial Strategy by the end of May 2018 and that this would form a key part of the Parliamentary budget process.
- 4.2 The Strategy is informed by the most recent forecasts from the Scottish Fiscal Commission (SFC) and the main policy expenditure commitments announced by the Scottish Government. The period covered helpfully aligns to that of the current Council and will help support the Council's agreed approach to manage the Council's budget over the period to 2022/23.

5.0 MAIN MESSAGES

- 5.1 The Strategy has a number of distinct sections. Sections 1 and 2 provide background to aid understanding of the Fiscal Framework within which the Government has to operate and in particular the impact of recent changes brought in by the Scotland Acts 2012 and 2016. As part of this the Block Grant element of the overall sources of Government Funding reduces from over 90% of funding in 2014/15 to approximately 50% by 2020/21. Within this is the complex area of the Block Grant Adjustment (BGA) whereby a retrospective adjustment to the Block Grant is made once the UK and Scottish tax revenues position is known.
- 5.2 The Strategy also highlights future major transfers the main one of which relates to Social Security payments which will ultimately transfer around £3.5billion from the UK to Scottish Governments. The report quite rightly highlights the risks as well as the opportunities of this increased financial flexibility.
- 5.3 Section 3 of the report outlines the Fiscal Framework and shows what use of these flexibilities is currently being made. The Capital Borrowing situation is interesting with the Government planning to use almost £2billion of the £3billion borrowing limit by the end of next financial year. The Scottish Government has set a limit of 5% for Revenue commitments arising from Capital as a percentage of the annual total Budget. It can be seen from Tables 3.2 & 3.3 that at present this is projected to peak in 2020/21 at 4.23% but this assumes no further Capital Borrowing beyond 2020.
- 5.4 Section 4 and Section 5 are an assessment by the Scottish Government of the impact of UK Government policy on the Scottish Budget and the steps being taken to grow the economy which is widely agreed as the best way to improve the overall finances of the Scottish Budget. Table 5.1 was widely reported at the time of the reports publication and shows that the forecast growth in Scotland's GDP over the next 5 years is under 1.0% per year. This clearly has an impact on tax revenues and the BGA with the UK as a whole forecast to exceed this figure.
- 5.5 Section 6 begins to get into more detail regarding the Funding Outlook and includes latest SFC revenue estimates and compares these with the UK Government estimates. Table 6.2 shows the latest position. In line with the Council, the Scottish Government uses 3 forecasts: Central, Upper & Lower with Tables 6.4 and 6.5 showing the 5 year forecasts. The key figures to note are in table 6.5 in which the Resource Budget Central Scenario shows a marginal real terms reduction over 2018/23. What this means is that there is no real growth forecast to meet the expenditure commitments made on policy priorities.
- 5.6 Section 7 runs through various Policy Priorities including the tax policy public service reform, investment in Health and Early Learning & Childcare , Attainment and Higher Education. In table 7.4 the modelled Public Sector Pay scenarios are outlined. It should be noted that whilst the Scottish Government do not set the pay award for Local Government , any figures announced can create a baseline for negotiations. The Committee should note that the lowest forecast figures in the table match the Council's mid-range scenario within the Council's own Financial Strategy.

- 5.7 Paragraphs 7.90 to 7.99 of the document get to the heart of the potential impact on Council funding in the medium term. Pulling together the various scenarios for funding and the policy commitments then the Central forecast is that the policy priority areas will increase their share of the budget from 56% in 2019/20 to 64% in 2022/23, meaning that the non-priority areas share, within which the bulk of Local Government falls, reduces from 44% to 36% (an 18% reduction). Therefore unless the overall budget can grow to absorb the reduction in share then actual as well as real reductions in funding could occur. This ties in with the Mid-Range scenario in the Council's own Financial Strategy.
- 5.8 The document recognises the challenge this creates and paragraph 7.96 refers to the need for reform and reprioritisation to generate "efficiencies" of 5% per year. Inverclyde Council has a good track record for generating efficiencies but generally achieves around 1% per year. Therefore the extent of the potential challenge to be addressed by the Council is clear.

6.0 IMPLICATIONS

6.1 Finance

The Scottish Government Medium Term Financial Strategy is a welcome addition to the range of information used by officers to develop the Council's Financial Strategy however the forecasts re-emphasise the significant financial challenges faced by the Council. It should be noted that the figures take no account of increasing demand due to demographic change or changing legislative requirements

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

6.2 Legal

There are no direct legal issues arising from this report.

6.3 Human Resources

There are no HR issues arising from this report.

6.4 Equalities

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

6.5 Repopulation

The Government's Financial Strategy emphasises the importance demographics play in the economic prospects for the country as a whole and this reconfirms the need for the Council to continue to prioritise this area.

7.0 CONSULTATIONS

7.1 The Corporate Management have been consulted and support the reports contents.

8.0 LIST OF BACKGROUND PAPERS

8.1 None



APPENDIX

Scottish Government
Riaghaltas na h-Alba
gov.scot

Scotland's Fiscal Outlook

The Scottish Government's
Five Year Financial Strategy

May 2018

Scotland's Fiscal Outlook

The Scottish Government's
Five Year Financial Strategy

May 2018

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Foreword by the Cabinet Secretary for Finance and the Constitution



The context and content of the Scottish Budget has changed significantly since the Scottish Parliament began scrutinising our budget almost 20 years ago.

Since then we have seen the devolution of a range of additional powers to the Scottish Parliament, including the ability to raise our own tax revenues, and we have seen the introduction of a new Fiscal Framework that sets out the way in which Scottish public finances will be managed.

This changing landscape and increasing complexity of our public finances requires adjustments both to the way in which the Scottish Parliament undertakes its scrutiny of the budget and the way in which the Scottish Government manages Scotland's public finances.

This document forms a key part of the revised Parliamentary budget process that has arisen out of the Budget Process Review Group and the development of a year-round approach to budget scrutiny.

It ensures that both Parliament and Government have foresight of the financial challenges and opportunities that lie ahead and will help ensure that we are able to adapt to these circumstances to fund the public services which our people and economy rely upon.

The Scottish Government will continue to manage Scotland's finances in a competent, responsible and balanced way – as has been the case in every year since 2007. This will include the continuation of our approach to taxation being founded on our four key principles of *Certainty*, *Convenience*, *Efficiency* and *Proportionality*, ensuring that we are able to provide stability for our taxpayers and public services during the turbulent and uncertain economic climate in the coming years.

Growing and supporting the Scottish economy is key to our efforts to ensure financial stability and to maximise the resources available for our public services. Transforming Scotland's economy is at the heart of everything this Government does, including the way in which we plan, utilise and allocate our available financial resources.

The Scottish Government is ambitious for Scotland and we will target our resources to support the delivery of the social contract. Over the remainder of this Parliament we will deliver on our key commitments, built on the principle of equality for all, from birth through early years and education, to employment and retirement. We will ensure that people are able to access essential public services, when they need them, which are free at the point of delivery. This will include our commitments to:

- increase resource spending on the NHS by £2 billion over the course of this Parliament;
- protect the Police resource budget in real terms for the entirety of the Parliament;
- a transformative expansion of Early Learning and Childcare (ELC) provision – increasing funded entitlement to 1,140 hours per year;
- allocate £750 million through the Attainment Scotland Fund, over the term of the Parliament to tackle the attainment gap;
- protect free tuition and commit to provide an annual minimum income for the least well-off full-time students in Higher Education; and
- shape and fund a distinctly Scottish social security system based on dignity and respect.

In order to support that ambition, this Medium Term Financial Strategy explains the Fiscal Framework and funding arrangements that the Scottish Government now operates within, outlines our approach to financial management and fiscal rules, sets out a range of possible funding scenarios for the Scottish Budget over the next five years based on Scottish Government modelling using the Scottish Fiscal Commission economic and fiscal forecasts as the central scenario. The Strategy also details our key policy priorities and approach to supporting Scotland's economy.

The economic and financial outlook is uncertain, and delivering our first Medium Term Financial Strategy over multiple years, as a devolved government working within a UK framework, is not straightforward.

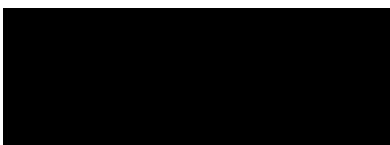
Our public finances continue to face the impact of the financial constraints imposed on us by the UK Government's austerity approach and the financial pressures created through the £2.6 billion real terms reduction in our discretionary block grant (between 2010-11 and 2019-20), but the Scottish Government is determined to deliver a strong economy, protect the delivery of public services and reduce inequality – all of which will continue to be supported through our longer term approach to financial planning.

The Scottish Government does not have all the flexibility and levers available to the UK Government to manage and plan its finances. We do not at this stage have any confirmed resource budgets beyond 2019-20, and the forecasts that underpin the Strategy will change between now and the point that we set firm budgets in the future. Funding levels in this document are indicative and our approach to setting firm budgets for future years will require refinement and adjustment based on the most up to date information at the time.

This document also makes a case for the UK Government to make different choices on their approach to economic and fiscal policy, in view of the impact of their current approach to Scotland's public finances. In particular, this includes taking a different course on austerity, the UK Government's intention to leave the EU Single Market and Customs Union and their damaging approach to immigration. The UK Government's proposed approach on immigration alone could see real Gross Domestic Product in Scotland 9.3 per cent lower by 2040, undermining tax revenues and public services. Different choices on any or all of these policies would deliver a better deal for Scotland. We will continue to make the case for the UK Government to change its course where its policies are damaging our economy and public services.

It is clear that the economic and financial outlook over the medium term will be challenging, but it is the job of the Scottish Government to manage those challenges and to prioritise our use of the Scottish Budget to effectively deliver on our commitments, grow the economy and support our vital public services.

This is the first step in the new budget process and it is one that will evolve over time, to continue to support the Scottish Government's responsible approach to financial management.



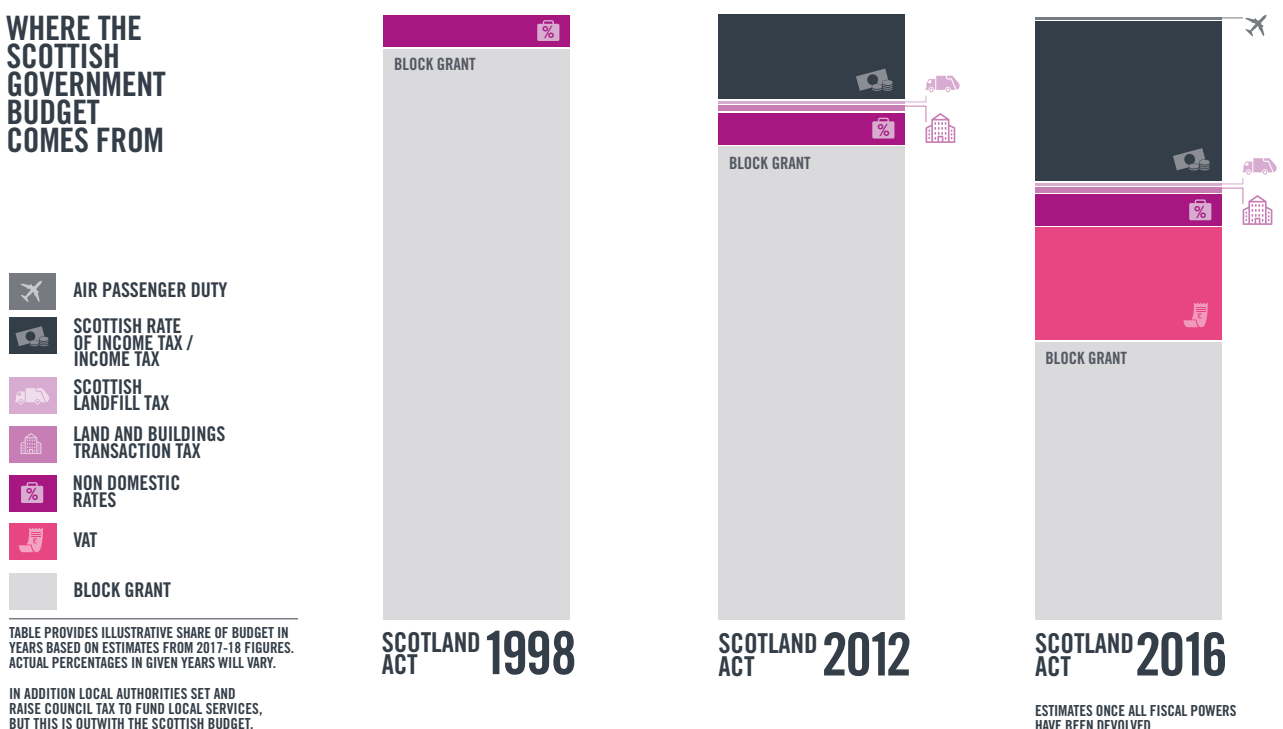
Derek Mackay MSP

Cabinet Secretary for Finance and the Constitution

1 Introduction

- 1.1. The purpose of this document is to set out a medium-term view of Scotland’s public finances and the Scottish Government’s broad approach to using the new financial powers that were provided through the Scotland Acts 2012 and 2016.
- 1.2. This is the first time that this document has been produced and it is expected to develop further in future years as more information becomes available and experience of working within the Fiscal Framework grows.
- 1.3. The Scottish Government has implemented a number of new fiscal powers in recent years and is implementing the remaining new powers against the background of the UK’s exit from the EU, the potential economic impact of which will be a factor both in the tax revenues likely to be raised in Scotland and in future spending decisions. Despite the introduction of these new powers, the fiscal outlook remains largely dependent on spending decisions made by the UK Government.
- 1.4. The period since the introduction of Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) in April 2015 has been one of unprecedented change in Scotland’s fiscal landscape. Revenues raised in Scotland up to financial year 2014-15 made up under 10 per cent of the overall funding for devolved expenditure; by 2020-21, with the assignment of Value Added Tax (VAT), they will make up approximately 50 per cent of that funding. In addition, the implementation of the new social security powers under the Scotland Act 2016 is the largest and most complex programme of change being delivered since devolution and is likely to provide a transfer to the Scottish Budget of more than £3.5 billion for these new responsibilities.
- 1.5. Figure 1.1 illustrates how these changes affect the components of funding for the Scottish Government. Once all Scotland Act 2016 fiscal powers are devolved, it is expected that approximately 50 per cent of the Scottish Government’s budget will come from devolved or assigned taxes.

FIGURE 1.1 – SOURCES OF SCOTTISH GOVERNMENT FUNDING



1.6. Delivering improved public services within this rapidly changing financial landscape is made more challenging by the impact of UK Government austerity. Over the decade between 2010-11 and 2019-20, Scotland's discretionary resource budget allocation – the funding for day-to-day government expenditure – has reduced by more than 9 per cent or £2.6 billion in real terms.

1.7. As set out in Chapter 6, Scottish Government analysis suggests that these real terms reductions in the budget allocations from the UK Government are likely to continue over the next five years. The central projection for HM Treasury resource budget allocations, on a like for like basis, indicates that a further real terms reduction of around 1 per cent (approximately £250 million) in resource budgets between 2018-19 and 2022-23 is likely.

1.8. While the economic and fiscal outlook has rarely been so uncertain, that only enhances the case to look further ahead, so that we are best able to adapt to fund the public services which our people and economy rely upon. In line with our Fairer Scotland vision, we will aim to do this in a way that understands the impact of our revenue generation and budget allocation decisions on the diversity of our population.

1.9. Developing a longer term financial outlook is a sensible planning mechanism for a mature government to follow. We have taken an overview of the factors above in setting out our Medium Term Financial Strategy.

1.10. In 2016, the Scottish Parliament established the Budget Process Review Group to undertake a review of the Parliament's budget process. The production of this document addresses some of the key recommendations from this group (and from Audit Scotland) and contributes to the new annual budget cycle which those recommendations introduce. It is also a contribution to our commitment to be an Open Government pioneer, and to stimulate engagement in our democratic processes throughout Scotland.

1.11. Delivering a new Medium Term Financial Strategy over multiple years as a devolved government working within a UK framework is not straightforward. The Scottish Government does not have all the flexibility and levers available to the UK Government to manage and plan its finances. For example, while the Scottish Government has the power to set the rates and bands of income tax in Scotland – but not reliefs or exemptions, including the Personal Allowance – it has no power over setting the level of VAT and no control over all other reserved taxes (including Capital Gains Tax, Corporation Tax, National Insurance Contributions and Inheritance Tax), and its borrowing powers are severely limited. We have made a Programme for Government commitment to explore how responsibility for a broader range of taxes might enable the Scottish Parliament to take more balanced budget decisions, grow the economy and tackle poverty more effectively. We will provide an update on this work in autumn 2018.

1.12. The Scottish Government intends to publish a Medium Term Financial Strategy every year and expects that this new financial planning document will develop and evolve over time to include additional information. This document does not provide a detailed five year budget, nor will it provide detail at the individual portfolio level, as currently it is not possible to provide that level of budget certainty.

1.13. If you have comments on the content or the presentation of this document, we would be delighted to have them. Please contact the Finance Co-ordination Mailbox (finance.co-ordination@gov.scot).

2 The Scottish Budget and Fiscal Framework

How the Scottish Budget financial settlement has evolved

2.1. When a devolved government was first introduced in Scotland in 1999, it inherited funding arrangements driven by the long-standing Barnett formula. Under the Barnett formula, the Scottish Government's block grant each financial year is equal to the block grant baseline plus a population share of changes in UK Government spending on areas that are devolved to the Scottish Parliament. This mechanism continues to apply today to changes in UK Government spending on areas that are devolved to the Scottish Parliament. The detail of how the Barnett formula works is set out in the UK Government's Statement of Funding Policy¹.

2.2. The Scottish Government's budget is now determined through a combination of block grant funding from HM Treasury, adjusted to reflect forecasts of receipts generated through taxes devolved to Scotland (through the Scotland Acts 2012 and 2016) and the planned use of available devolved borrowing powers. The Scottish Government will retain all devolved and assigned Scottish tax revenues.

2.3. This means that the block grant is reduced to take account of the tax revenues raised in Scotland and no longer raised in the rest of the UK. This is done through a Block Grant Adjustment (BGA) mechanism which is set out in the Fiscal Framework.

2.4. It should be remembered that macroeconomic and monetary policy, and the overall public expenditure control framework, are reserved matters. This means that the UK Government's decisions on the envelope for public expenditure and its allocation between UK Departments are still a major determining factor in the overall funding available for Scottish devolved public spending.

2.5. Once overall public expenditure budgets have been determined in accordance with the Statement of Funding Policy and the Fiscal Framework, the Scottish Government has freedom to make its own tax decisions and spending decisions on devolved programmes, within the overall budgetary control totals set by HM Treasury and in compliance with the Consolidated Budgeting Guidance issued by HM Treasury.

2.6. The Scotland Acts 2012² and 2016³ and the associated Fiscal Framework⁴ change the sources of funding that support Scottish Government expenditure. Currently the revenue raising powers include:

- **Income Tax** – HM Revenue and Customs (HMRC) is responsible for the collection and management of income tax in Scotland and the rest of the UK. The Scotland Act 2016 gave the Scottish Parliament the power to set all income tax rates and bands (but not the power to determine any reliefs or exemptions, including the Personal Allowance) that apply to Scottish taxpayers' non-savings and non-dividend (NSND) income. On 20 February 2018 the Scottish Parliament set new income tax rates and bands for the new tax year 2018-19.⁵

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/479717/statement_of_funding_2015_print.pdf

2 <http://www.legislation.gov.uk/ukpga/2012/11/contents/enacted>

3 <http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted>

4 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503481/fiscal_framework_agreement_25_feb_16_2.pdf

5 <http://www.gov.scot/Resource/0053/00531596.pdf>

- **Land and Buildings Transaction Tax** – This replaced the UK Stamp Duty Land Tax in Scotland from 1 April 2015. The new Land and Buildings Transaction Tax (LBTT) is applied to residential and commercial land and buildings transactions in Scotland (including commercial purchases and commercial leases) where a chargeable interest is acquired. Revenue Scotland administers the collection of this tax.
- **Scottish Landfill Tax** – The Scottish Landfill Tax (SLfT) replaced the UK Landfill Tax in Scotland from 1 April 2015. Revenue Scotland administers the collection of this tax with support from the Scottish Environment Protection Agency.

2.7. Further tax raising powers still to be adopted by the Scottish Government include:

- **Air Departure Tax** – Following the Scotland Act 2016, the Scottish Parliament passed the Air Departure Tax (Scotland) Act 2017 which provides for Air Departure Tax (ADT). This will replace UK Air Passenger Duty (APD) in Scotland once the new tax is introduced. The Programme for Government 2017-18 reaffirmed the Scottish Government's commitment to reducing the overall burden of ADT by 50 per cent, and to abolishing the tax altogether when resources allow.

The introduction of this new devolved tax has been deferred until the issues related to State aid and the Highlands and Islands exemption have been sufficiently resolved to avoid compromising the devolved powers. The Scottish Government and UK Government are working closely to find a solution.

- **Aggregates Levy** – This is a tax on the commercial exploitation of rock, sand and gravel. The Scotland Act 2016 gave the Scottish Parliament the power to legislate for a tax to replace the Aggregates Levy in Scotland. The UK tax has on-going domestic and EU legal issues around State aid which need to be resolved before the power can be commenced. The ability to set Aggregates Levy policy will provide opportunities to better integrate environment, planning and other policies within Scotland.
- **Value Added Tax (VAT)** – In Scotland, VAT is estimated to raise around £10 billion a year for the UK Government. The Scotland Act 2016 allows for receipts from the first 10p of the standard rate of VAT and the first 2.5p of the reduced rate of VAT in Scotland to be assigned to the Scottish Government. All VAT policy, including the power to set VAT rates, will remain reserved to the UK Government.

Scottish assigned VAT is expected to be the second largest tax revenue, after income tax, for the Scottish Government. A transitional year for VAT assignment powers is expected to operate in 2019-20, and the Scottish Government's budget will face the fiscal impact of these measures from 2020-21.

2.8. The financial settlement continues to evolve to take account of changes being introduced. For example the social security forecasts which are set out in the Supplementary Financial Memorandum to the Social Security (Scotland) Bill show that by 2022-23, the Scottish Government will potentially receive a funding transfer of more than £3.5 billion from the UK Government to fund the delivery of the new social security benefits. Funding for existing benefits will be transferred through the Fiscal Framework. This level of funding assumes no changes to eligibility criteria and uprating policy by the UK Government. Future increases in social security demand and new policy choices will require to be funded from the Scottish Budget in the future.

How is the Scottish Government resource budget now calculated?

2.9. The Fiscal Framework sets the rules by which these new tax powers are implemented and managed. The key element of this is how the block grant is adjusted to account for the fact that the Scottish Budget is now funded to a greater extent through Scottish tax revenues.

2.10. An initial baseline adjustment is made for each tax. This is to compensate the UK Government for the tax revenue which is now being retained by the Scottish Government. This deduction is equal to the UK Government's receipts from the relevant tax generated in Scotland in the year immediately prior to devolution.

2.11. In subsequent years, the Block Grant Adjustments (BGAs) for each tax are updated to take account of changing UK Government tax revenue over time. The block grant is therefore adjusted in line with the change in corresponding UK Government tax revenues per head.

2.12. This means that if devolved Scottish tax revenues per head grow at the same rate as in the rest of the UK, the Scottish Budget will be no better or worse off than before devolution. This is because the amount being taken out through the Block Grant Adjustment is the same as the amount coming in through devolved tax revenues.

2.13. If per capita tax revenues grow faster in Scotland than the rest of the UK then the Scottish Budget is better off than would have been the case under pre-devolution funding arrangements, and vice versa. The reasons for this could reflect differences in economic performance in Scotland and the UK as well as different choices about tax policy.

2.14. The Scottish Budget is, therefore, now calculated as follows:



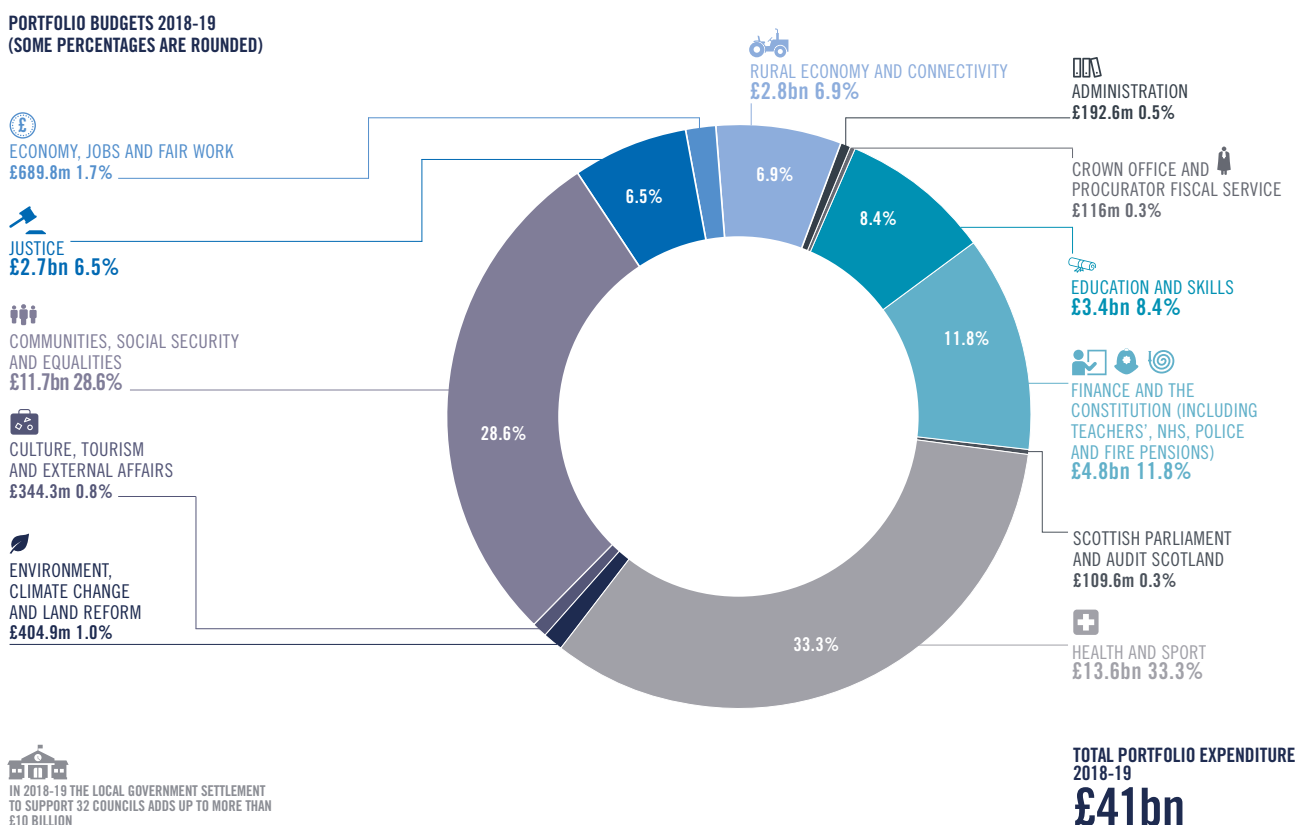
2.15. It is worth noting that Block Grant Adjustments are initially based on forecasts. Once outturn data is available, any difference between the forecast Block Grant Adjustment and the outturn Block Grant Adjustments will be applied to the Scottish Government block grant following the publication of outturn data. The exception is VAT, which relies on estimates of Scottish specific data, from survey data, as Scottish VAT cannot be identified separately without an unreasonable administrative burden on businesses.

2.16. It is recognised that these changes are new and need time to determine how they will work and best be implemented. It is therefore planned that an independent review of the current Fiscal Framework will be undertaken and that this review should be informed by an independent report with recommendations presented to both Governments by the end of 2021.

Key components of the Scottish Budget

2.17. The funding available to support the Scottish Budget consists of a number of elements: resource funding, capital funding, Financial Transactions from the UK Government through the residual block grant, and other sources of income including devolved taxes and non-domestic rates. Chart 2.1 illustrates the way in which the overall Scottish Budget (resource, capital and Financial Transactions) was allocated across Portfolios in 2018-19 – with the percentage share and budget amounts for the larger Portfolios.

CHART 2.1 – TOTAL PORTFOLIO BUDGETS FOR 2018-19



Resource budget

2.18. The resource budget funds spending on operating costs for public services. The resource budget has two elements: cash and non-cash. The cash element covers day-to-day spending, including staff pay, heating and lighting for schools, hospitals and other public buildings, support for front line public services and social security payments. This element of the budget is funded by a combination of the newly devolved taxes and the block grant.

2.19. The non-cash element of the resource budget is used to meet depreciation and particular accounting charges and is ring-fenced so it cannot be used for any other purpose. The budget projections in this document do not include any analysis of non-cash.

2.20. A small number of programmes, while they fall within the devolved responsibilities of the Scottish Government, are funded annually by the UK Government on the basis of demand (known as UK funded Annually Managed Expenditure (AME)). These budgets are ring-fenced for specific purposes – principally NHS and Teachers’ pension payments and student loans. While the amounts for these areas are significant – NHS and Teachers pension costs alone are in excess of £2.5 billion per year – the UK funding mechanism means that these areas have no impact on the wider budget management of the Scottish Government. These areas are funded on the basis of the estimates of what we need and HM Treasury fiscal rules prohibit the use of funding provided for these areas to support other expenditure. Consequently, although these amounts are included in the total budget managed by the Scottish Government, they are not considered further in this publication.

2.21. Public sector pensions are clearly a significant future call on the public finances and an area of significant financial risks given the demographic changes expected in the medium and longer term. However, the mixture of reserved and devolved funding arrangements for the vast majority of central government pension liabilities in Scotland shares the risk between the Scottish and UK Governments. We are keeping pension liabilities in devolved areas under careful review.

Capital budget

2.22. Capital spending is money that is spent on maintenance of and investment in new assets that support and will create growth in the future. The Scottish Government capital budget plays an important role in funding major infrastructure projects in Scotland. When contracts are agreed for these, they become legal commitments which run over a number of financial years and impact on future budgets. The capital budget is funded from a combination of the block grant received from the UK Government, capital receipts (for example sale of land and buildings) and any capital borrowing undertaken by the Scottish Government.

2.23. The Scottish Government’s Infrastructure Investment Programme includes both economic and social infrastructure and is defined as:

“The physical and technical facilities, and fundamental systems necessary for the economy to function and to enable, sustain or enhance societal living conditions. These include the networks, connections and storage relating to enabling infrastructure of transport, energy, water, telecoms and internet, to permit the ready movement of people, goods and services. They include the built environment of housing; public infrastructure such as education, health, justice and cultural facilities; safety enhancement such as waste management or flood prevention; and public services such as emergency services and resilience.”

2.24. The capital budget also funds expenditure on maintenance which enhances the economic life of existing assets and can also be used for financial assets such as investments and loans. Capital grants can also be used to enable other organisations, such as local authorities and registered social landlords, to fund their own capital programmes.

Financial Transactions

2.25. Financial Transactions (FTs) are a subset of capital funding from HM Treasury which were introduced in financial year 2012-13 and which can only be used to make loans to, or equity investments in, entities or individuals outside the public sector. FTs need to be repaid to the Scottish Government for onward repayment to HM Treasury. Agreement has been reached with HM Treasury that only 80 per cent of the total needs to be repaid, with the remainder available for recycling into other FT funded schemes. The most recent repayment schedule for FTs is illustrated in **Annex A**.

2.26. No interest is payable to HM Treasury by the Scottish Government for the repayment of FTs. Interest rates charged on FT schemes can vary and be at commercial or below market rates, depending on the purpose of the loan and compliance with State aid rules. The repayment period should be appropriate to the nature of the loan/investment and could be shorter or longer in duration.

Other sources of funding

Non-domestic rates

2.27. Non-domestic rates (NDR), also known as business rates, are a tax on non-domestic properties to help pay for local council services. They are charged on most non-domestic and commercial properties, including shops, offices, pubs and hotels.

2.28. This tax is collected and retained by local authorities, on behalf of the Scottish Government. The Scottish Government guarantees each local authority's needs-based formula share of the annual central government funding. This formula share is derived from a combination of the retained NDR income together with a general revenue grant paid by the Scottish Government.

2.29. The operation of the Non-Domestic Rate Account is set out in Schedule 12 of the Local Government Finance Act of 1992. The legislation requires that Ministers set a distributable amount of NDR income for any year in the annual Local Government Finance Order, which is issued in advance of the start of the financial year to which it relates.

2.30. The distributable amount is set with reference to the forecast NDR income to be collected for the year and the accumulated balance on the NDR account. From 2018-19 the Scottish Fiscal Commission (SFC) is responsible for preparing the forecast for NDR income to be collected. The forecast of the likely NDR income for the year is developed based on a number of factors (including the impact of a revaluation, an assessment of likely successful appeals losses, the level at which the poundage is set and the package of reliefs that Ministers wish to put in place). The distributable amount is based on that forecast, the accumulated balance in the NDR account and the overall financial outlook for the Scottish Budget.

2.31. The estimate of NDR income is unlikely to equal the amount actually collected for that year by local authorities, as a range of factors will influence the final receipts (e.g. economic growth may be higher/lower than forecast or successful appeals may be more/less than forecast). A statement of the NDR account is published annually in accordance with legislative requirements.

2.32. The Scottish Government is committed to keeping the NDR Account in balance over time. The impact of variations in forecast, against actual receipts, when compared with the distributable amount, can be expected to give rise to individual surpluses or deficits at times.

2.33. Details of the amounts of NDR income estimated to be collected and distributed, together with the calculation of the amount to be distributed, are published in the annual Scottish Budget.

Fees and charges

2.34. Charging for public services is a feature of the public sector landscape across the world, and is particularly important in the delivery of services provided by local authorities and public bodies.

2.35. Where it is well targeted and designed, charging can be an integral part of a progressive approach to the delivery of public services, reducing the burdens on taxpayers and encouraging the type of behaviours that we would want to see as a progressive society, particularly in relation to environmental behaviours. For example, the Scottish Government is setting up an expert panel to advise on the use of fees and charges to manage materials which are difficult to collect and recycle and which cause significant environmental impacts.

2.36. The Scottish Government, in consultation with local government partners and public bodies will continue to consider the role of fees and charges in a progressive approach to delivery of public services.

The Scottish Budget process

2.37. There are a number of important steps in the budget setting process. The resources managed by the Scottish Government must be authorised by a Budget Act agreed by the Scottish Parliament. The Scottish Fiscal Commission also has a crucial role to play here in accurately forecasting future income in Scotland from devolved taxes and expenditure on devolved social security.

2.38. The principles and procedures for the annual budgeting process, the format of the budget documents and procedures for in-year reallocation of budgetary provision are the subject of a Written Agreement between the Scottish Government and the Scottish Parliament Finance and Constitution Committee – which was agreed by the Scottish Parliament on 8 May 2018.

2.39. Under the full Scotland Act 2016 powers, the Scottish Parliament will ultimately be responsible for agreeing around £21 billion in devolved and assigned tax revenue and over £3.5 billion in devolved social security spending. To enable the Scottish Government to manage the additional risks and volatility associated with the devolution of these powers, the Fiscal Framework set out a limited set of fiscal tools available to it. These are explained further in Chapter 3.

2.40. In recent years the Scottish Government has delivered a series of annual budgets, an approach which will continue for the 2019-20 budget process, the last year of the current UK Spending Review period. There is an expectation that the next UK Spending Review (in 2019) will offer sufficient multi-year budget information to provide the Scottish Government with the opportunity to develop a multi-year approach to the development of its budgets.

Other factors which affect the Scottish Budget

2.41. In addition to spending decisions by the UK Government at the UK Autumn Budget that will impact on the Scottish Budget via Barnett consequentials, there are other factors which will have consequences for the Scottish Government's budget. These include:

- **Reconciliations of forecasts to outturn** – Block Grant Adjustments are initially based on forecasts by the UK Government Office for Budget Responsibility of corresponding UK tax receipts and expenditure in the rest of the UK. Once outturn data is available, any difference from the forecast figure will be applied to the Scottish block grant in the subsequent Scottish Budget. For the fully devolved taxes, outturn data is available around six months after the financial year and for income tax, outturn data is available around 15 months after the financial year.

For income tax, there is a further reconciliation applied to the block grant to account for any difference between the Scottish Fiscal Commission income tax forecast used at the budget for the relevant financial year and final HMRC outturn for Scottish income tax. In effect, it is therefore the net difference between this reconciliation and the income tax BGA reconciliation outlined above that will have an impact on the Scottish Budget.

- **Land and Buildings Transaction Tax and Scottish Landfill Tax** – The Scottish Government receives these receipts during the financial year from Revenue Scotland as they are collected. There is therefore no need for a reconciliation. However, any variance from forecast amounts is managed within the year as part of the overall budget management strategy.
- **Tax policy changes by the UK Government at the Autumn Budget** – Policy changes made by the UK Government to taxes that are devolved to Scotland will feed through to the Scottish Budget via adjustments to the block grant.

The role of the Scottish Fiscal Commission

2.42. The Scottish Fiscal Commission was established on a statutory basis from 1 April 2017 under the Scottish Fiscal Commission Act 2016. The Commission is structurally and operationally independent of the Scottish Government. Commissioners are accountable to and give evidence to the Scottish Parliament as required.

2.43. The Commission produces, twice yearly, independent forecasts of:

- Revenue from fully devolved taxes;
- Non-savings, non-dividend income tax receipts;
- Onshore Gross Domestic Product (GDP) in Scotland; and
- Expenditure on devolved social security benefits.

2.44. The Commission is also responsible for setting out its assessment of the reasonableness of the Scottish Government's projections of borrowing requirements.

2.45. Under the Fiscal Framework arrangements, the independent forecasts by the Commission have a crucial role in helping the Scottish Government plan its expenditure. For example, these forecasts are vitally important in developing the annual budget and this new Medium Term Financial Strategy by forecasting what the future likely income will be for the Scottish Government over the next five years as well as expenditure on social security.

3 Financial Management and Fiscal Rules

3.1. The Fiscal Framework is an agreement between the Scottish and UK Governments that determines how the Scottish Government is funded. This agreement will be reviewed in 2021, following the first five years of its operation.

3.2. The funding model agreed in the Fiscal Framework provides a transparent mechanism to adjust the Scottish Government block grant to reflect the introduction of newly devolved revenues and the transfer of additional responsibilities, such as social security, to the Scottish Government. The Fiscal Framework gives the Scottish Government access to resource and capital borrowing powers to ensure budgetary stability and manage the volatility associated with greater revenue-raising powers. Within the Framework the Scottish Government is also permitted to operate a (limited) Scotland Reserve.

3.3. This Chapter describes the range of fiscal rules and financial management mechanisms available in more detail and explains how the Scottish Government is using them.

Capital borrowing

3.4. The Scottish Government's capital borrowing powers were originally granted in the Scotland Act 2012 and the limits were increased in the Scotland Act 2016. In addition to the capital block grant, the Scottish Government can increase capital expenditure through borrowing up to £450 million per year up to a maximum total of £3 billion under the provisions of the Scotland Act 2016. These capital borrowing limits came into effect for the Scottish Government on 1 April 2017.

3.5. The Scottish Government may borrow from the UK Government through the National Loans Fund, by way of a commercial loan (directly from a bank or other lender) or by issuing bonds. Where borrowing is through the UK Government, repayment arrangements are set out in a Memorandum of Understanding between the Scottish Government and UK Government.

3.6. Capital borrowing powers have been used in each year to date to support the capital investment programme and promote economic growth in Scotland. The Scottish Government agreed a notional borrowing arrangement with HM Treasury in 2015-16 and 2016-17 as part of managing the budgetary impact of Office for National Statistics classification decisions on a number of Non-Profit Distributing (NPD) projects, including the Aberdeen Western Peripheral Route. As a result, the amounts recorded against borrowing limits for those years are notionally repaid over 30 years (linked to the life of the underlying NPD contracts). This notional borrowing arrangement counts towards the overall capital borrowing cap, but does not have a cash impact on the Scottish Budget.

3.7. The Fiscal Framework requires the Scottish Government to notify HM Treasury each month of its planned capital borrowing, its outstanding debt and its debt repayment profile. The Scottish Government is able to borrow within the agreed limits as it deems appropriate.

3.8. The Scottish Government has to date borrowed exclusively from the UK Government. The 2018-19 Scottish Budget plans to make full use of the £450 million capital borrowing powers available to maximise infrastructure investment and economic impact. Final decisions on the specific borrowing arrangements for 2018-19 will be taken over the course of the year, reflecting an on-going assessment of programme requirements and value for money assessment of the options available.

3.9. This document models the impact of one further full year of capital borrowing in 2019-20, but final decisions on future borrowing levels will be taken as part of the 2019-20 budget and subsequent budget processes. These decisions will be taken annually in light of the economic outlook at the time, weighing the cost of borrowing and the opportunity cost of using up more of the overall £3 billion borrowing limit against the potential benefits of economic stimulus.

3.10. Table 3.1 (below) sets out the capital borrowing and repayments, based upon capital borrowing undertaken to date, plus planned borrowing of a further £450 million in 2019-20.

TABLE 3.1 – CAPITAL BORROWING AND REPAYMENTS

£m	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Borrowing	283	333	450	450	450	-	-	-
Repayment on 2015-16 borrowing	-	9	9	9	9	9	9	9
Repayment on 2016-17 borrowing	-	-	11	11	11	11	11	11
Repayment on 2017-18 borrowing	-	-	-	7	14	15	15	15
Repayment on 2018-19 borrowing	-	-	-	-	7	14	15	15
Repayment on 2019-20 borrowing	-	-	-	-	-	7	14	15
Total Annual Repayments*	-	9	21	27	41	56	64	65
Repayment period for borrowing (years)	30	30	25	25	25	-	-	-

Note 1: *This reflects the repayment of the principal loan and in addition there will be interest costs to meet (at around 2% for borrowing to date).

Note 2: Figures may not sum due to rounding.

3.11. The affordability and sustainability of all Scottish Government long-term revenue commitments, including repayment of debt stock, are assessed through the budget process and are kept within a maximum of 5 per cent of the total annual budget available.

3.12. The Scottish Fiscal Commission has a duty to assess the reasonableness of Scottish Government projections of borrowing in its economic forecasts. To date the Commission has assessed the borrowing projections as reasonable.

3.13. Local authorities also have the power to borrow under the Local Government (Scotland) Act 1975 which defines the purposes for which local authorities may borrow, meaning that they can only borrow for capital expenditure. Capital borrowing by local authorities sits outside the Scottish Budget.

3.14. The amount of borrowing that a local authority can undertake is regulated by the Prudential Code under which authorities determine the maximum amount that they can afford to borrow based on a series of indicators such as affordability, prudence and sustainability.

Overall affordability of capital investment

3.15. The Scottish Government is committed to ensuring that revenue-funded methods of investment are maintained at a sustainable level and do not constrain choices in future years.

3.16. The Scottish Government uses a self-imposed limit to ensure that revenue-funded investment – including repayment of capital borrowing under the new powers – will not exceed 5 per cent of the total annual budget available.

3.17. Under current plans and arrangements, committed Scottish Government projects are estimated to peak in 2019-20 at 3.88 per cent. When planned projects, which are not yet contractually committed, and planned borrowing in 2018-19 and 2019-20 are included, this increases to 4.23 per cent in 2020-21. These investments are consistently monitored and the Scottish Budget documents include an analysis of the performance against this 5 per cent limit. Table 3.2 illustrates revenue commitments as a percentage of the annual total budget available for the years 2018-19 to 2022-23.

TABLE 3.2 – REVENUE COMMITMENTS AS A PERCENTAGE OF THE ANNUAL TOTAL BUDGET

	2018-19	2019-20	2020-21	2021-22	2022-23
Committed projects	3.63%	3.88%	3.79%	3.71%	3.59%
Committed projects plus planned projects and planned borrowing	3.74%	4.11%	4.23%	4.17%	4.04%

3.18. Table 3.3 splits out the commitments and planned commitments into the different categories of revenue-funded investment.

TABLE 3.3 – BREAKDOWN OF COMMITTED PROJECTS PLUS PLANNED PROJECTS AND PLANNED BORROWING INTO CATEGORIES (%)

	2018-19	2019-20	2020-21	2021-22	2022-23
PPP/PFI	1.94%	1.93%	1.85%	1.81%	1.72%
NPD/Hub	0.63%	0.67%	0.80%	0.81%	0.80%
Network Rail Borrowing – RAB	1.06%	1.30%	1.30%	1.28%	1.25%
Capital Borrowing	0.11%	0.21%	0.28%	0.27%	0.27%
Total	3.74%	4.11%	4.23%	4.17%	4.04%

3.19. Committed projects are those where a contract has been signed. The assets will therefore be under construction, or the project is operational. Committed projects also include the Scottish Government's share of the revenue costs of PFI projects (which are completed and in operation) and the five pre-pipeline NPD projects. Unitary charges usually include on-going maintenance commitments over the project life, as well as costs associated with project construction and financing. Costs associated with planned projects and investments are those where a contract is not yet signed.

3.20. It should be noted that, following the reclassification of Network Rail from a private to a public sector organisation, the funding regime will change from 2019-20 and rail projects will become entirely grant-funded. This will change the way the 5 per cent limit takes account of rail projects which are currently revenue-financed.

3.21. In the interests of maintaining comparability, current modelling of commitments contains estimates of the Network Rail investment as if it had been Regulatory Asset Base (RAB) funded. The Scottish Government is therefore currently reviewing this approach to reflect the new and more complex fiscal environment.

Resource borrowing

3.22. The Scotland Act 2012 gave the Scottish Government access to a resource borrowing facility of up to £200 million per year within a statutory overall limit for resource borrowing of £500 million. This could be used to meet any in-year excess in expenditure over income.

3.23. The Scotland Act 2016 extended this facility to enable the Scottish Government to borrow from the National Loans Fund in certain situations where there are specific cash management challenges. The Scottish Government now has the power to borrow up to £600 million each year within a statutory overall limit for resource borrowing of £1.75 billion, for the following reasons:

- in-year cash management, with an annual limit of £500 million;
- forecast error on devolved and assigned taxes, and on devolved social security expenditure, arising from forecasts of Scottish receipts/expenditure and corresponding UK forecasts for the Block Grant Adjustments, with an annual limit of £300 million; and
- observed or forecast shortfall in devolved or assigned tax receipts or devolved social security expenditure incurred where there is, or is forecast to be, a Scotland-specific economic shock, with an annual limit of £600 million.

3.24. It is important to note that if an economic shock occurs it is not possible for the Scottish Government to apply resource borrowing to provide an economic stimulus – only to meet a shortfall in tax receipts or demand-led social security spending.

3.25. These enhanced borrowing powers came into force from 2017-18 onwards. All resource borrowing must be from the National Loans Fund and the repayment period must be between three and five years, to be determined by the Scottish Government at the time of borrowing. The Scottish Government is required to provide regular monthly forecasts to HM Treasury of the amount of resource borrowing it expects to make, outstanding debt and repayment profiles and can borrow within the agreed limits as deemed appropriate.

3.26. The resource borrowing power is deliberately restricted to very specific circumstances and does not detract from the fundamental requirement for a balanced Scottish Budget each financial year. If circumstances arise where the conditions to allow resource borrowing become available, the Scottish Government will make a decision on whether and how to use it based on the overall situation at the time.

3.27. A decision will depend on assessing the impact of resource borrowing, including the repayments over future financial years, against the impact of taking other steps, such as reducing expenditure in-year or using money available in the Scotland Reserve.

Scotland Reserve

3.28. The Scotland Act 2016 replaced a previous power under the Scotland Act 2012 to operate a limited cash reserve. This can be used to build up funds when devolved revenues are higher than forecast and to drawdown funds when devolved revenues are lower than forecast. The Scotland Reserve replaced the previous Budget Exchange provisions set out in the Consolidated Budgeting Guidance.

3.29. The Scotland Reserve allows the Scottish Government to smooth all types of spending and is intended to assist the management of tax volatility and to determine the timing of expenditure. The Scotland Reserve applied from 2017-18 onwards and is split between resource and capital.

3.30. The Reserve is capped in aggregate at £700 million, or only 2.2 per cent of the total Scottish Budget in 2018-19, which falls to 1.8 per cent in 2022-23, based on the central projection in this document. Annual drawdowns from the Reserve are limited to £250 million for resource and £100 million for capital.

3.31. The Scotland Reserve is now the mechanism by which any underspend in the Scottish Budget can be carried forward to be used in a subsequent financial year. In recent years, with very tight financial management, underspend has been low, less than 1 per cent of the total discretionary budget, but even so, managing money across financial years is likely to use up a substantial proportion of the £250 million resource and £100 million capital limits. This very severely restricts the Scottish Government's ability to build up a reserve and draw down from it.

3.32. The balance in the Scotland Reserve at the start of 2017-18 was £74 million. The closing balance on the Reserve for 2017-18 will be reported as part of the provisional outturn statement to the Scottish Parliament in June 2018. Spending plans for 2018-19 anticipate around £230 million of expenditure that will be funded from carry forward from 2017-18, which will be managed through the Scotland Reserve.

3.33. The Scottish Government intends to build up the balance in the Scotland Reserve over time as resources allow, in order to have a financial cushion available, while ensuring that there remains sufficient capacity in the Reserve to prudently manage any underspend across financial years.

Effective financial management and reporting

3.34. The Public Finance and Accountability (Scotland) Act 2000 provides for the use of resources by the Scottish Government (and other directly funded bodies) and sets out accountability arrangements for management of those resources. The Scottish Public Finance Manual⁶ (SPFM) is issued by the Scottish Government to provide guidance to itself and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, Parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Economic intervention and investment

3.35. The Scottish Government's consideration of any investment or significant financial decision follows the principles and procedures of the SPFM to ensure the regularity, propriety and value for money of the use of resources.

3.36. This includes:

- preparing and refining a business case to ensure that proposals are in line with strategic objectives, the evaluation of options, detailed analysis of costs and benefits and all relevant commercial and financial considerations, including the affordability and balance of risks of the proposal;
- carrying out due diligence to substantiate the assessment where relevant;
- acting within EU State aid rules; and
- where appropriate, consultation with and scrutiny from the Scottish Parliament.

3.37. Before entering into any form of agreement giving rise to a contingent liability, for example a guarantee or indemnity, the SPFM requires a careful appraisal of the risks, with steps to be taken to restrict the total contingent liability to a minimum. All such arrangements are monitored as part of regular financial management activity.

Developing financial reporting – tailored for Scotland consolidated public accounts

3.38. While the Scottish Government already publishes a range of financial and economic information, it is continuing to develop its approaches. Working with financial year 2016-17 as a shadow year, the Scottish Government has collected the necessary information to support further reporting outputs. This brings together the financial information of all sectors of the devolved public sector in Scotland, including public bodies and local government, and has established a process for the 2017-18 financial year.

3.39. The Scottish Government is currently considering options for the presentation of this information, with the focus being to minimise the burden on Scottish public bodies and ensure that what is produced is useful and adds value. As part of this process, the Scottish Government will be engaging with Audit Scotland.

6 <http://www.gov.scot/Topics/Government/Finance/spfm/Intro>

4 Role of the UK Government

4.1. While the Scottish Parliament now has expanded powers, the UK Government retains a central role in determining both the size of the Scottish Budget and the overall economic climate. This is because key economic levers remain reserved to Westminster – monetary policy, macroeconomic policy and the majority of tax powers. Control over migration policy, which has a major impact on the economy, is also reserved.

4.2. Responsibility for tax policy and the economy are shared between the Scottish and UK Governments. This document outlines the Scottish Government's approach to sustainably managing Scotland's finances. Where decisions taken by the UK Government have an impact on Scotland's economy and public finances, we will continue to engage constructively with the UK Government to reduce any detriment to Scotland.

Current UK Government fiscal policy

4.3. Through the Fiscal Framework, the UK Government sets the overall funding envelope that is available to Scotland. While new powers allow the Scottish Parliament to use its taxation powers to increase or decrease the budget available, the starting point for the Scottish Budget is still determined by the size of the block grant.

4.4. This has been particularly challenging over the last decade with the UK Government's approach to austerity. This has meant that in real terms over the ten years to 2019-20 the Scottish Government's discretionary budget allocation will have been cut by over 9 per cent (£2.6 billion).

4.5. Managing difficult financial circumstances is the job of Government, which is why during the development of the 2018-19 Budget the decision was taken by the Scottish Government to introduce a five band income tax policy to generate additional revenues and reverse the real terms cut to the budget imposed by the UK Government.

4.6. The Scottish Government is committed to investing in our public services and our infrastructure and has continually urged the UK Government to change its course on austerity to provide the resources that our public services need.

4.7. A particular concern is how the UK Government's austerity policies disproportionately affect the most disadvantaged individuals. For example, the Resolution Foundation⁷ estimates that the UK Government's policies will leave the poorest third of households an average of £745 a year worse off by 2022-23.

4.8. Social security changes that came into effect in April 2018 are being imposed on some of the most vulnerable sectors of society. The Resolution Foundation has estimated that 2018-19 is set to be the second biggest single year of social security cuts, with £2.5 billion of cuts expected.

7 <https://www.resolutionfoundation.org/app/uploads/2018/03/Spring-Statement-response.pdf>

4.9. The Scottish Government is fully committed to supporting and protecting these vulnerable populations and has made available £62 million in 2018-19 to local authorities to:

- fully mitigate the bedroom tax for more than 70,000 households;
- help mitigate other UK Government policies such as the Benefit Cap and Local Housing Allowance rates; and
- support those on low incomes.

4.10. Despite the UK fiscal deficit having now returned to pre-crisis levels, the UK Government is planning for further tax rises and spending cuts until the middle of the next decade. This objective is underpinned by the UK Government's fiscal rules to:

- reduce the structural deficit to below 2 per cent of GDP by 2020-21;
- have net debt as a percentage of GDP falling in 2020-21; and
- return the public finances to balance at the "earliest possible date in the next Parliament", currently assumed to be 2025-26.

4.11. To achieve these targets, the UK Government plans to continue with its programme of tax rises and spending cuts over the coming years. It is estimated that the UK Government's current plans aim to reduce the structural deficit by 6 per cent of GDP, or around £120 billion in today's terms.

4.12. The latest forecasts from the Office for Budget Responsibility show that the scale of the tax rises and spending cuts planned by the UK Government mean that it is on course to not just meet its first two fiscal targets in 2020-21⁸ but to go beyond them. The UK Government can therefore meet these fiscal objectives while reversing some of the spending cuts that are currently planned. As a broad illustration:

- this could provide approximately £60 billion of additional investment over the five year period to 2022-23, compared to current UK Budget plans, as set out at the Spring Statement. This in turn would make an additional £5 billion of investment available for Scotland over this period, compared to current UK Budget plans;
- alternatively, the UK Government could also adopt a more gradual deficit reduction which strikes a better balance between ensuring the sustainability of the UK public finances and investing in the public services which are vital to supporting households and long-term economic growth. As outlined in **Annex C**, such an approach could potentially provide an additional £7 billion in investment for Scottish public services relative to current plans.

8 See OBR March 2018 Economic and Fiscal Outlook: http://cdn.obr.uk/EFO-MarCh_2018.pdf page 185.

4.13. The UK Government therefore has flexibility to meet its fiscal objectives without implementing in full the spending cuts that are currently planned for the coming years. Were the UK Government to use some of this fiscal headroom, this could result in billions of investment in our vital public services in Scotland.

4.14. While the central budget forecasts in this document have to be based on the UK Government fiscal rules and therefore upon a continuation of UK Government austerity, it is clear that austerity is a choice made by the UK Government rather than an economic necessity.

Immigration

4.15. In considering the financial outlook for this new document, it is important to reflect on the key fact that population growth has been the most significant driver of GDP growth in both Scotland and the UK in recent years.

4.16. The strategic importance of population growth to Scotland's economy has been recognised since 2007 in the National Performance Framework. The Purpose Target to match average European (EU15) population growth over the period 2007 to 2017 has been met – statistics published in April 2018 confirm that Scotland's population grew slightly faster than the EU15 average over the last 10 years, closing the previous gap between Scotland and the EU15 in relation to population growth.

4.17. International migration has been the largest contributor to Scotland's population growth over the past 10 years, and to a greater extent than in any other part of the UK. The most recent population projections from National Records of Scotland indicate that all of Scotland's population growth over the next 25 years is expected to come from migration (from both overseas and the rest of the UK). Therefore migration is essential for Scotland and is particularly important given the prospect of more projected deaths than births in Scotland every year from now on.

4.18. The age profile of the population will also change. The proportion of the population of state pension age will increase by 25 per cent over the next 25 years. People aged 75 and over are projected to be the fastest growing age group in Scotland, increasing by 79 per cent over the same period.

4.19. At the same time as we expect to see these large increases in the proportion of the population of pensionable age, the working age population will grow only slightly, by around 1 per cent over the next 25 years.

4.20. All of this creates challenging future population demographics for Scotland.

4.21. The Scottish Fiscal Commission, in its first Economic and Fiscal Forecasts published in December 2017⁹, observes that “the size of the population aged 16 to 64, which makes up most of the working age population, is very important for the economy and public finances. These individuals are more likely to be working and will be generating the highest tax receipts, for example, in income tax.”

4.22. In variant population projections, where migration is reduced, the proportion of working age people in the population begins to decline. For example, in the scenario where projected migration from the EU is cut by half, the proportion of the population of working age falls by 0.8 per cent over the next 25 years.

4.23. Migration is crucial to help grow our working age population, but the impact of the UK's exit from the EU, the prospect of future restrictions on migration from the EU, and the 'hostile environment' policy of the UK Government all exacerbate the challenge and inhibit Scotland's population growth.

4.24. That has a direct impact on our economic prospects. The long-term impact on the economy of lower migration, as a result of the UK's exit from the EU, was set out in our recent paper "*Scotland's population needs and migration policy: Discussion paper on evidence, policy and powers for the Scottish Parliament*".¹⁰ The 'Brexit' effect of reduced migration could reduce Scotland's GDP by 4.5 per cent per year by 2040 – equivalent to a fall of almost £5 billion a year. That is a more significant reduction than the rest of the UK will face, where real GDP could be 3.7 per cent lower by 2040 as a result of an EU exit-driven reduction in migration. The proportionately larger impact on Scotland is equivalent to £1.2 billion per year by 2040.

4.25. If the UK Government achieves its arbitrary net migration target, to reduce net migration to the 'tens of thousands', the economic impact would be even more extreme. Using a low migration variant of the population projections, where net migration to the UK is assumed to be +85,000 per year in the long-term, real GDP in Scotland could be 9.3 per cent lower by 2040, or £10.2 billion of lost GDP.

4.26. This provides a compelling economic case for why Scotland needs a tailored approach to migration, particularly in the context of an evolving devolution settlement where the Scottish Parliament now has significant new powers in relation to taxation. The downside risks of immigration policies decided by the UK Government, and not supported by any party in the Scottish Parliament, have significant consequences for Scottish areas of devolved responsibility.

UK exit from the EU

4.27. The prospect of the UK leaving the European Union has created huge and significant uncertainties for the Scottish Government, the public sector, businesses and families.

4.28. While the outcome of the negotiations on the UK's departure from the EU is not yet known, both the Scottish Fiscal Commission and the Office for Budget Responsibility expect it to have a negative impact on the economy. This is due to the uncertainty created by the negotiations, and the anticipated outcome of the final settlement, which is expected to reduce growth in trade and limit immigration.

4.29. The actual impact on the Scottish Budget will depend on future UK Government spending decisions and the relative impact on Scottish and UK tax receipts. Changes in UK Government spending will directly affect the Scottish Budget through the Barnett formula.

4.30. The uncertainty over a UK exit from the EU – with no clearly agreed path in terms of our on-going access to key EU markets – is hampering economic growth and investment. The UK Government pursuit of a hard exit will undermine Scotland's economic prospects by creating significant impediments to trade in good and, in particular, services. Our paper "Scotland's Place in Europe: People, Jobs and Investment" showed that the pursuit of a hard exit will damage the Scottish economy and risk jobs and investment. A hard exit threatens to cost our economy £12.7 billion (£2,300 per person) a year by 2030, compared to remaining in the EU.

4.31. An EU exit which results in the UK being outside the European Single Market and Customs Union will have the most damaging consequences for Scotland. The EU is the largest single market for Scotland's international exports, with exports worth £12.7 billion in 2016 supporting directly and indirectly hundreds of thousands of jobs across Scotland.

4.32. Outside the Single Market we would also miss out on new measures in services and digital, for example, estimated to be worth an additional 2.4 per cent of EU GDP. The equivalent for Scottish GDP would be £3.6 billion, or £668 per person.

4.33. It is therefore clear that membership of the Single Market and Customs Union is the only way to allow the continued level of EU market integration that is so critical to the future of the economy.

4.34. Membership of the European Union also allows direct access to EU funding programmes, worth over £5 billion in the current 2014-20 EU budget round. Outside of the European Union, access to these funding streams is not guaranteed, creating significant uncertainty for those who are reliant on them.

Funding disputes

4.35. In recent years, the Scottish Government has also been pursuing a number of funding discussions with the UK Government in relation to issues such as the backdating of Police and Fire VAT; the funding deal that the UK Government reached with the Democratic Unionist Party (and the consequences of that for the rest of the UK); future levels of Network Rail funding; and funding to support the preparation for the UK Government's decision to leave the European Union – which taken together represent over £3 billion of potential funding.

4.36. Clearly all of these topics have a bearing on the overall level of funding available to the Scottish Government and a positive resolution to these would provide additional funding to support public services in Scotland.

5 Investing in Our Economy

5.1. Support for the economy is key to our efforts to ensure financial stability and maximise the resources available for our public services. Our ambition is to build a modern, dynamic, open economy which benefits everyone in Scotland. The 2017 Programme for Government puts transforming Scotland's economy at the heart of everything this Government does, including the way in which we plan, utilise and allocate our available financial resources.

5.2. In line with this, we have an ambitious programme of infrastructure investment for 2018-19 of more than £4 billion and £20 billion over the life of this Parliament. Our investment strategy is set out in our Infrastructure Investment Plan, with sustainable economic growth through increasing competitiveness and supporting employment opportunities for all included in our guiding principles for investment. We recognise that both economic and social infrastructure help the productive capacity of the economy in both the short term through employment effects, and also in the longer term by improving productivity. We are therefore using all of the levers at our disposal to maximise investment to support economic growth and ensuring that spending is targeted as effectively as possible.

5.3. Capital expenditure in the Scottish Budget in 2018-19 is estimated to support around 22,000 Full Time Equivalent (FTE) jobs directly. In total, when supply chain and re-spending of wages are taken into account, the entire Scottish capital budget for 2018-19 is estimated to support around 40,000 FTE jobs and contribute £2.3 billion to Scottish GDP.

5.4. When the indirect effects arising from this are considered, this expenditure is estimated to support a further 11,000 FTE jobs through supplier industries in the wider Scottish economy. This means that an additional 6,000 FTE jobs are supported through the 'induced' effects, as a result of the re-spending of wages.

Supporting business growth through business rates

5.5. The non-domestic rates system has a key role to play in delivering sustainable economic growth through the direct impact on the operating costs of businesses and on the totality of resources available to fund public services. The Barclay Review of non-domestic rates was established to deliver a rates system designed to better support business growth, long-term investment and reflect changing market places. The subsequent recommendations include measures to support growth, to improve administration of the system and to increase fairness.

5.6. While responding to the Barclay Review, the Scottish Budget delivered the most attractive package of non-domestic rates in the UK. The Budget delivered the number one ask of Scottish businesses by capping the business rates uplift at the consumer price index (CPI) rather than the retail price index (RPI). It supported the most competitive reliefs package in the UK, worth a record £720 million, up from £660 million in 2017-18, and maintained the Small Business Bonus Scheme with the maximum savings achievable through the scheme increasing to £7,200.

5.7. Having been introduced in April 2018, the Business Growth Accelerator will encourage new business investment by temporarily suspending rates liabilities and the Day Nurseries relief will reduce the overheads to nursery providers who have such an important role to play in ensuring our children have the best start in life. These recommendations were delivered as quickly as possible following the Programme for Government and are unique across the UK.

5.8. Scotland's Economic Strategy¹¹ sets out an overarching framework for how we aim to achieve a more productive, more cohesive and fairer Scotland. Our Economic Strategy has made clear that the questions of tackling inequality and securing economic growth are not mutually exclusive. That is why inclusive growth is central to our Economic Strategy – it aims to increase productivity and reduce inequality through fostering innovation, increasing investment and promoting internationalisation.

5.9. Scotland's economy continues to show resilience but it faces challenges of demographic change, technological advances and preparing our workforce for the jobs of the future. The UK's exit from the EU continues to provide serious economic headwinds and our economy continues to show the impacts of years of austerity. But we know we can and must do more to secure growth for everyone in Scotland, no matter their background or where they live.

Fair Work and pay

5.10. In creating the conditions for a more productive, more cohesive and fairer Scotland, the Scottish Government is doing everything it can to promote fair working practices.

5.11. The past 30 years have seen a marked narrowing of the priorities of many private sector companies. An increasing emphasis on short-term profit and shareholder return has promoted a business model which rewards the minimisation of labour costs. This situation has led to the imbalance in shared benefit of enterprise, and some unwelcome developments such as greater job insecurity, poor contracting through the inappropriate use of zero-hours contracts, underemployment and poverty pay – all of which reinforce cycles of inequality.

5.12. Despite the challenge of employment law being reserved to the UK Government, the Scottish Government is determined to take action to improve these working practices and promote, champion and to support a Fair Work approach.

5.13. Fair Work sits at the intersection between economic and social policy and is central to the Scottish Government's twin goals of boosting competitiveness and tackling inequality. Increasing the quality of jobs has wider social benefits beyond productivity and tax.

5.14. Fair Work has demonstrable benefits to:

- health;
- skills development;
- reducing inequalities; and
- can support greater innovation in our businesses.

5.15. As a Government we are at the forefront of the promotion of Fair Work through measures including the promotion of the Living Wage, the creation of the Fair Work Convention, our approach to procurement, and the delivery of the Business Pledge.

11 [Scotland's Economic Strategy 2015](#)

5.16. As a key part of driving forward Fair Work and promoting fair working practices, the Scottish Government is actively championing the real Living Wage to help ensure that people's basic pay meets the cost of living. We have achieved our target of reaching 1,000 accredited employers by autumn 2017, are the first Government of the home nations to be Living Wage accredited and are actively promoting the payment of the 'real' Living Wage to those working on government contracts. All these actions help ensure that, at 81.6 per cent, Scotland has the highest rate of workers in the UK earning the real Living Wage.

Growing our economy

5.17. Beyond creating the conditions for Fair Work, we want Scotland to be the best place to do business in the UK and Europe. To do that we need to ease the cost of doing business, provide high quality transport and digital infrastructure, attract talent, create opportunity for exports, trade and investment, drive ambition and make sure that ambitious businesses can get the help they need to overcome their barriers to growth.

5.18. That is why the Programme for Government articulated the Scottish Government's vision for Scotland to be an inventor and producer of the goods, industries and skills of the future, not just a consumer. Scotland has a competitive advantage in the emerging technologies and innovations that will both drive future growth and deliver our low carbon future. We have also established strengths in key sectors like renewable energy, creative industries, life sciences, tourism, food and drink and advanced manufacturing – we intend to build on these strengths. We are now delivering that vision and will build on this theme in future years.

5.19. Critical to this vision is the Scottish Government's commitment to build and invest in Scotland's infrastructure. The recent Scottish Budget delivered major investments that underpin our focus on innovation, infrastructure and investment, internationalisation and inclusive growth. These include:

- Developing our cities and regions, reducing costs and making Scotland an attractive place to do business:
 - committing over £1 billion over the next 10-20 years to support City Region Deals for Glasgow, Aberdeen, Inverness, Edinburgh and South-East Scotland, with planned action to secure new deals for Stirling, Clackmannanshire and the Tay Cities;
 - £96 million to deliver the most attractive business rates package in the UK with the increase to the rates poundage capped at CPI inflation; and
 - a 64 per cent increase of £270 million in the Economy, Jobs and Fair Work budget, forming part of a total investment of £2.4 billion in our enterprise and skills bodies.
- Supporting innovation and commercialisation of research through:
 - a 70 per cent increase in investment in business Research and Development; and
 - £18 million as part of a £65 million package of investment for the National Manufacturing Institute to make Scotland a global leader in advanced manufacturing.

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- Providing world class infrastructure and building low carbon innovation through:
 - supporting every home and business across Scotland to have access to superfast broadband by 2021 through the procurement of the R100 programme;
 - investing £1.2 billion in our transport infrastructure, including key road projects and further electrification of the rail network;
 - the Low Carbon Infrastructure Transition Programme, which is co-funded by the European Regional Development Fund (ERDF) and is expected to fund large scale projects which support the ambitions of Scotland's Energy Strategy, which was published in December 2017. This, coupled with a new £60 million fund to support innovative energy projects, will keep Scotland at the forefront of low carbon innovation; and
 - investing almost £40 million to provide electric vehicle charging infrastructure, with concentrated action to support and encourage the take-up of electric vehicles in cities and towns to contribute essential action towards our target to phase out the need for new petrol and diesel cars and vans by 2032.
 - Improving the financial investment landscape in Scotland by creating a programme of additional economic investment of almost £0.5 billion over the next three years, by:
 - setting aside resources of £340 million to provide initial capitalisation for the Scottish National Investment Bank; and
 - creating a new £150 million Building Scotland Fund announced by the Scottish Government in December 2017.

5.20. Providing the right environment to encourage and support investment in Scotland is a fundamental building block for growing the Scottish economy. That is why the creation of the new Scottish National Investment Bank is so important. As an innovative, commercial enterprise which will provide a new supply of capital to boost investment in the Scottish economy, this is expected to encourage the leverage of additional private investment and will drive forward new investment in Scotland.

5.21. The publicly owned Scottish National Investment Bank will become a cornerstone of the economy that we want to create in Scotland. It has the potential to be transformative and will operate under a core set of principles and missions. It will support sustainable growth and bring benefits to individuals and communities across the country, in the process making Scotland a fairer and more prosperous country.

5.22. This represents a significant new development in helping to build the economy of Scotland, and the Scottish Government is committed to investing £2 billion over ten years to support this venture to capitalise the Bank, to provide a significant boost to the supply of capital stimulating the Scottish economy.

5.23. Beyond providing the environment to encourage and support major infrastructure investment, we are taking strides to reform our business environment in order to underpin long-term economic growth. We will do this primarily through building on the successes and transforming the impact of our enterprise and skills agencies. The Scottish Government has established a new Strategic Board to maximise the impact of the collective investment made in enterprise and skills development and to create the conditions for delivering inclusive growth.

5.24. We need to take action at all levels to build and grow the economy, which is why the Scottish Government has committed to creating a new enterprise agency in the South of Scotland, with an interim Economic Partnership in place, backed with an investment of £10 million.

5.25. In light of the UK's exit from the EU and an uncertain European landscape, it is especially important to build collaborations and networks to encourage future European and worldwide investment. To that end, the Scottish Government is boosting Scotland's trade, export and international profile through establishing a Board of Trade to support the delivery of our Trade and Investment Strategy; is establishing new hubs in Berlin and Paris to help ambitious Scottish companies take advantage of business opportunities across Europe; and is strengthening our existing presence in Brussels and Canada.

Economic performance

5.26. As our economic approach builds momentum, we are seeing Scotland lead the way on many economic indicators:

- Scotland has secured more Foreign Direct Investment projects than any other part of the UK outside London;
- Scotland has seen the fastest productivity growth in the UK since 2007;
- Scotland's international goods exports (including oil and gas) increased by 19 per cent to £28.8 billion between 2016 and 2017 – the fastest growth of any of the UK nations;
- Scotland has outperformed the UK in terms of R&D spending growth – over the latest year and since 2007;
- Scotland has the highest proportion of employees paid at least the Living Wage of all UK nations – at 81.6 per cent; and
- Scotland outperforms the UK on female and youth employment, unemployment and inactivity rates.

5.27. Scotland's economic performance has been resilient in 2017 despite challenging economic conditions that continue to be dominated by heightened uncertainty as the UK moves closer to leaving the EU. With four consecutive quarters of growth in 2017, Scotland's economy grew 0.8 per cent overall in 2017, rising from 0.2 per cent growth in 2016. While the pace of growth remains below its long run trend rate, the strengthening over the year was driven by continued growth in the services sector alongside a return to growth in the production sector. The construction sector contracted in 2017 as it continues to adjust back to its long-run trend following exceptionally fast growth in 2015.

5.28. Scotland's labour market is strong – over the past year unemployment and inactivity have fallen, while employment has risen. The latest data for January to March 2018 show that unemployment fell to 4.3 per cent, while the number of people in employment rose to 2.63 million. This is up by 10,000 over the past year and 66,000 more than the pre-recession peak in 2008.

Economic outlook for the next five years

5.29. Over the next couple of years, a number of independent forecasters present a slightly stronger outlook for economic growth. However, the pace of growth is expected to remain below its historic trend. Independent forecasts for the Scottish economy suggest that GDP will grow by between 0.7 per cent and 1.4 per cent in 2018 and that growth will increase in 2019.¹² The improved outlook relative to 2017 reflects a stronger world economy and more optimism for oil and gas and related production activities.

5.30. There are signals from some business surveys that, while business optimism has improved over the past year, business investment intentions are fragile and Scottish consumer sentiment remains weak. This period of heightened uncertainty as a result of the UK's exit from the EU is identified as a key factor affecting the economic outlook by all independent forecasters.

5.31. The Scottish Fiscal Commission produces official forecasts of the Scottish economy over a five year time horizon and its latest forecasts are published alongside this document.

5.32. The Scottish Fiscal Commission's economic forecasts in turn feed into its fiscal forecasts. Forecasts of employment and wage growth are key drivers of the economic and income tax forecasts. Other factors such as demography, migration, productivity and trade in the coming years are also key to determining the forecasts.

5.33. Table 5.1 sets out the latest headline economic forecasts by the Scottish Fiscal Commission (SFC).

TABLE 5.1 – HEADLINE ECONOMIC FORECASTS (CALENDAR YEAR BASIS)

	2017 (outturn)	2018	2019	2020	2021	2022	2023
GDP (per cent growth)	0.8%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%
Employment (millions)	2.64	2.65	2.65	2.65	2.66	2.66	2.66
Earnings (per cent growth)	1.1%	1.6%	1.9%	2.2%	2.6%	2.9%	3.2%

12 Fraser of Allander Economic Commentary
https://www.sbs.strath.ac.uk/economics/fraser/20180328/FEC_Vol_42_No_1.pdf
 EY Scottish ITEM Club 2018 Forecast
[http://www.ey.com/Publication/vwLUAssetsPI/ey-scottish-item-club-2018-forecast/\\$FILE/ey-scottish-item-club-2018-forecast.pdf](http://www.ey.com/Publication/vwLUAssetsPI/ey-scottish-item-club-2018-forecast/$FILE/ey-scottish-item-club-2018-forecast.pdf)
 PWC UK Economic Outlook
<https://www.pwc.co.uk/economic-services/ukeo/pwc-ukeo-march18-full-report.pdf>
 Scottish Fiscal Commission
<http://www.fiscalcommission.scot/publications>

5.34. The SFC's latest forecasts continue to suggest that economic growth will be lower in Scotland than the UK as a whole over the next five years. This reflects their judgement that productivity growth will be weaker in Scotland over the period, as well as an expectation that the working age population will grow more slowly in Scotland.

5.35. The SFC's report highlights that:

- the UK's exit from the EU will impact negatively on Scotland's economy and reduce migration, productivity and trade in the coming years;
- in comparison with Office for Budget Responsibility (OBR) forecasts: while there is a gap in total GDP growth between the SFC and OBR forecasts, it is much narrower for GDP per head; and
- by 2022 GDP per capita is forecast to grow by 1.0 per cent a year in the UK (OBR) and 0.7 per cent in Scotland (SFC).

Longer-term economic outlook

5.36. Over the long term, Scotland's economy faces significant challenges from demographic change and the UK's exit from the EU but there are also opportunities associated with transition to the low carbon economy, digitalisation and technological advances and preparing our workforce for the jobs of the future.

5.37. The world economy is changing at a dramatic pace. The successful economies of the future will be resource efficient and low carbon, and they will harness the power of technology. The opportunities for those that adapt and lead these changes are substantial. The Programme for Government 2017 sets out actions to make Scotland a country that will lead change and reap the economic rewards it will bring.

5.38. The Scottish Government recognises the importance of emerging technologies in Scotland, such as automation, and its role in shaping our future prosperity. Scotland has a highly skilled workforce and we will continue to support and develop it in line with modern advances in technology. We can capitalise on changes in global forces, focusing on safeguarding and developing future jobs by preparing a workforce that can adapt and respond effectively to these changes. We share a common objective with the Scottish Trades Union Congress (STUC) – to ensure automation and digitalisation have positive outcomes for all of Scotland's people. Taking this action now to harness the potential of technological change is vital to building a modern, successful and dynamic economy.

5.39. The Scottish Government will continue to place the transformation of Scotland's economy at the heart of everything we do, and through our Economic Strategy we will achieve a more productive, cohesive and fairer Scotland. Building and growing our economy will in turn provide increased tax revenues for Scotland, which will be used to support and enhance the range of public services that we provide.

6 Funding Outlook

6.1. As explained in Chapter 2, the way in which the Scottish Government is funded is changing significantly and as a result the Scottish Government's overall budget is increasingly influenced by the performance of the Scottish economy.

6.2. In 2015-16, almost all of the Scottish Budget came from the UK Government via a block grant. In 2016-17, this had fallen to around 80 per cent and in 2017-18 to 60 per cent. It is expected to fall further following the assignment of VAT in 2020-21.

Range of factors and uncertainties affecting the funding outlook

6.3. As the Scottish Government moves away from being funded primarily through the block grant to a combination of devolved taxes and the block grant, the number of variables which will affect its longer term funding outlook will increase. UK Government spending decisions will continue to affect the Scottish Budget but, as well as these, Scottish Government policy and the relative performance of the Scottish economy will play increasingly important roles.

6.4. One of the most important parts of the new Fiscal Framework is the Block Grant Adjustment for the devolved taxes. This means that the Scottish Budget is not dependent on the total amount of tax raised through devolved taxes, but rather on whether Scotland is raising relatively more or less tax than the rest of the UK.

6.5. Broadly speaking, therefore, under the Fiscal Framework there are three key determinants that can impact upon the Scottish Budget either positively or negatively. All of these relate in some way to UK Government policy, and so are not entirely within the control of the Scottish Government:

- **Changes in UK Government spending** – the block grant from the UK Government remains the single largest source of funding for the Scottish Budget. Changes in the grant are determined by changes in the spending of UK Government Departments through the Barnett formula, and so remain entirely outside the control of the Scottish Government;
- **UK Government fiscal policy** – changes in UK Government tax policy can result in UK Government tax receipts growing at different rates from devolved tax receipts. For example, increases in property taxes in England may result in property tax income increasing faster in the rest of the UK than in Scotland, which would reduce the size of the Scottish Budget. As this occurs as a result of UK Government policy, it is outside the Scottish Government's control; and
- **Scottish tax revenue relative to the rest of the UK** – through the Block Grant Adjustment process, the Scottish Budget is determined by the relative amount of tax raised in Scotland compared to the rest of the UK. If the Scottish Government can successfully grow tax revenue per head for devolved taxes faster than in the rest of the UK, through better economic performance, its budget will increase. If the Scottish Government makes tax policy decisions which increase or decrease tax revenue, these will also increase or decrease the Scottish Budget.

6.6. Further uncertainty in the funding outlook is introduced through the forecast process itself and through divergence in economic performance. Risks around Scottish Government income differing from forecast can be twofold:

- Scottish devolved tax is different from forecast; or
- the rest of UK tax is different from forecast.

6.7. If Scottish and UK taxes are both different from forecast by the same amount, the Scottish Government income should be unaffected. However, it should be recognised that there is an additional risk in forecasting Scottish taxes, as there is a greater lag in data becoming available for Scotland, with the latest Scottish Fiscal Commission (SFC) forecasts of income tax currently based on 2015-16 data.

6.8. Tax forecasts are often linked to economic forecasts. Economic variables such as employment and incomes will be important in determining decisions such as whether households decide to purchase a house, or whether businesses choose to invest. For example, the income tax forecast can be affected by a range of potential factors including:

- relative employment growth;
- relative wage growth;
- changes in income distribution in Scotland and the rest of the UK; and
- impact of policy changes.

6.9. To this extent, the tax forecasts are often viewed as being closely linked to the economy forecast, with the overall business cycle effects on employment and wage growth likely to be key drivers in the short term, although other factors such as the distribution of incomes and policy choices also play a role. Towards the end of the five year period, longer term underlying trends such as productivity, demographics, and labour market participation may also begin to affect the forecast.

6.10. It should be noted that, while tax receipts can vary, the impact on the Scottish Budget is driven by the scale of any changes relative to any changes in the rest of the UK on a per capita basis.

6.11. While the Scottish and UK economies have historically tended to follow similar paths, they do on occasion diverge. Recent data suggests that they are in a period of divergence at the moment across several areas, with GDP growth, earnings growth and employment growth currently weaker in Scotland. For example, in 2017 the Scottish economy grew by 0.8 per cent, compared to 1.8 per cent for the UK, and although employment grew in Scotland by 0.3 per cent over the year, this was slower than the 1 per cent for the UK. However, the most recent GDP figures showed UK growth of only 0.1 per cent for the first quarter of 2018, which suggests that previous growth forecasts for the UK may have been optimistic.

6.12. It is difficult to assess if and for how long this divergence will continue and to what extent it will impact on the Scottish Budget. As set out in Chapter 5, growing the economy and tax base are key priorities for the Scottish Government. These are reinforced by Scotland's Economic Strategy which presents the strategic plan for existing and future Scottish Government policy, offering a cohesive platform for building economic policy. The Scottish Government is taking a wide range of actions to build and support the Scottish economy through building high quality infrastructure, creating opportunities, driving ambition and supporting entrepreneurial talent and innovation.

6.13. The economic picture is complex. Income tax per head in Scotland has historically been lower than in the UK as a whole, representing a difference of income distributions, with relatively fewer additional rate taxpayers in Scotland.

6.14. This difference can in part be explained by the downturn in the oil and gas industry over this period. Recent evidence suggests that this sector is returning to growth. The divergence may be partly offset by the introduction of a lower higher-rate income tax threshold in Scotland in 2017-18 which would increase Scottish receipts.

Latest forecasts

6.15. The forecasts used to inform the economic modelling change over time and the Scottish Fiscal Commission has produced an updated set of forecasts alongside the publication of this document.

6.16. Table 6.1 (below) shows the SFC forecasts that were produced for the 2018-19 Scottish Budget and updated in February 2018 to reflect changes in income tax policy and compares these to the Block Grant Adjustment figures that were provided by the UK Government as part of the UK Autumn Budget 2017.

TABLE 6.1 – FEBRUARY 2018 FORECASTS FOR REVENUE AND BLOCK GRANT ADJUSTMENT (AS AT BUDGET ACT 2018)

£m		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Income Tax	Revenue forecast	11,214	11,584	12,177	12,647	13,152	13,733	14,372
	BGA forecast	11,214	11,523	11,749	12,056	12,477	12,936	13,403
	Difference	0	61	428	591	675	797	969
LBTT	Revenue forecast	483*	557	588	628	668	707	748
	BGA forecast	534*	591	600	622	650	682	689
	Difference	-51	-34	-12	6	18	25	59
SLfT	Revenue forecast	148*	137	106	88	90	82	82
	BGA forecast	131*	104	94	86	79	75	71
	Difference	17	33	12	2	11	7	11
TOTAL	Revenue forecast	631	12,278	12,871	13,363	13,910	14,522	15,202
	BGA forecast	665	12,218	12,443	12,764	13,206	13,693	14,163
	Difference	-34	60	428	599	704	829	1,039

Note 1: At the UK Spring Statement 2018, no BGA information from HM Treasury was available beyond 2021-22. The 2022-23 BGA data has been calculated by the Scottish Government.

Note 2: *The 2016-17 LBTT and SLfT revenues and Block Grant Adjustment figures are outturn figures.

Note 3: Figures may not sum due to rounding.

6.17. Since then, the UK Government has provided updated Block Grant Adjustment figures at the UK Spring Statement 2018 and the SFC has now published their updated revenue forecasts to accompany the publication of this document. Table 6.2 details the latest revenue forecasts provided by the SFC in May 2018 and the latest Block Grant Adjustment estimates from the 2018 UK Spring Statement.

TABLE 6.2 – MAY 2018 FORECASTS FOR REVENUE AND BLOCK GRANT ADJUSTMENT

£m		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Income Tax	Revenue forecast	11,267	11,467	11,969	12,345	12,805	13,335	13,936
	BGA forecast	11,267	11,626	11,930	12,215	12,612	13,015	13,531
	Net Difference	0	-159	39	130	193	320	405
LBTT	Revenue forecast	484	550	614	656	697	738	781
	BGA forecast	534	586	588	606	630	656	689
	Net Difference	-50	-36	26	50	67	82	92
SLfT	Revenue forecast	148	142	114	93	95	87	87
	BGA forecast	131	104	106	91	81	77	71
	Net Difference	17	38	8	2	14	10	16
TOTAL	Revenue forecast	11,899	12,159	12,697	13,094	13,597	14,160	14,804
	BGA forecast	11,932	12,316	12,623	12,912	13,323	13,749	14,291
	Net Difference	-32	-157	74	182	274	411	513

Note: Figures may not sum due to rounding.

6.18. These revised estimates for income tax revenues and Block Grant Adjustments for 2017-18 and 2018-19 do not have any immediate impact on the Scottish Budget. Under the Fiscal Framework, Block Grant Adjustments (BGA) for income tax are fixed for a financial year based on the forecast at the previous fiscal event: for the 2018-19 budget the net revenues for that year were fixed based on the BGA and tax forecast in autumn 2017.

6.19. Final revenues and Block Grant Adjustments for income tax are recalculated when outturn data is available and a budget adjustment agreed at that point. In the case of income tax, this reconciliation will only take place with a considerable lag. For example, outturn data for Scottish income tax revenues in 2017-18 will not be available until July 2019, with the impact of any reconciliation being applied in the 2020-21 Scottish Budget.

6.20. The updated forecasts for future years provide an indication of the level of revenues that the SFC anticipates, but these figures will not be used to set the 2019-20 budget in December 2018, as that will make use of the next set of forecasts that the SFC produces.

Approach to modelling the funding outlook

6.21. Other countries have developed medium term financial reporting and have generally used some form of scenario or sensitivity analysis to forecast available funding, based on levels of risk and forecast errors measured on a combination of economic and fiscal variables.

6.22. Modelling Scottish Government funding scenarios is more challenging as the Fiscal Framework is still very new and there is limited information to consider on the performance of forecasts relative to outturn data. In addition, under the current UK Government Spending Review, the UK Government has not yet set budgets for UK Departments and Devolved Administrations beyond 2019-20 (2020-21 for capital), but has indicated an intention to set out an updated plan for the overall UK public spending envelope at the Autumn Budget in 2018 and to undertake a Spending Review in spring 2019.

6.23. The Scottish Government has undertaken economic modelling to develop a scenario analysis based on forecasting potential levels of funding available over the next five years and aggregating these to produce a path for total potential funding. This sets out a central scenario and then quantifies the uncertainty around the central scenario to produce upper and lower ranges.

6.24. The central funding scenario includes the following elements:

- resource budget limit (excluding new social security funding);
- social security funding;
- capital budget limit;
- Financial Transactions;
- Block Grant Adjustment;
- income from devolved and assigned taxes; and
- capital borrowing.

6.25. The economic modelling looks directly at the evidence on historical variations in the individual factors determining the Scottish Budget, such as Barnett consequential or differences in per person income tax growth rates in Scotland and the rest of the UK. These historical variations are used to build up a probability of such differences continuing, and their impact on the Scottish Budget. The estimated uncertainty is then used to present fan charts around the central forecast. Further detail is presented in **Annex B**.

6.26. This modelling approach assumes that the current Fiscal Framework methodology (indexed deduction per capita) is used across the entire five year period.

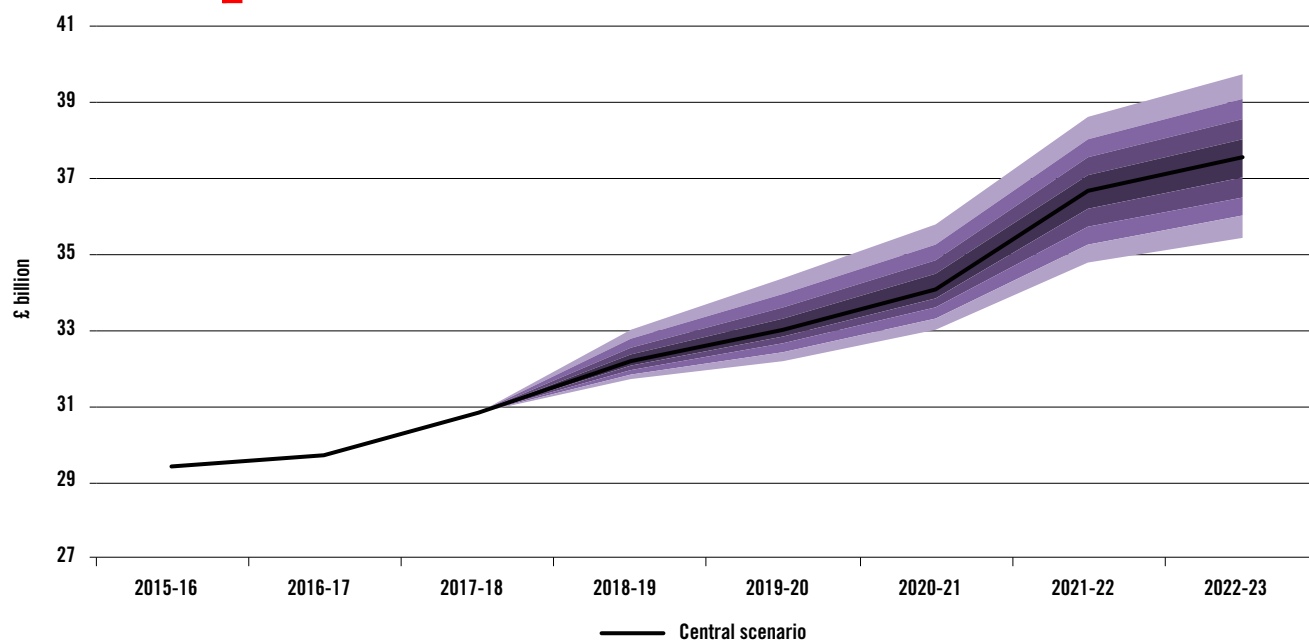
6.27. It should be noted that there are a number of risks to the Scottish Budget which have not yet been captured within this modelling and scenario development, such as the assignment of VAT which will impact on the Scottish Budget from 2020-21. It is expected that further information will be built into modelling in future years as information and understanding increases, including future UK Government funding once a new Spending Review is undertaken.

Paths for the Medium Term Financial Strategy

6.28. Chart 6.1 illustrates the forecast path for the potential overall Scottish Budget. By 2022-23, the budget is forecast to reach £37.6 billion, within a likely range of between £35.5 billion and £39.7 billion. While this represents the most likely upper and lower range, there is a chance that the final budget will lie outside this range.

6.29. This 2022-23 figure includes £3.6 billion associated with the devolution of social security powers. As this additional funding is accompanied by new social security responsibilities for the Scottish Government, this increased funding will not be available for use in other areas. This social security directed funding will increase from 2019-20 onwards, with a particularly large increase in 2021-22 when the powers for some of the major benefits are expected to be devolved to Scotland.

CHART 6.1 – OUTLOOK FOR THE OVERALL SCOTTISH BUDGET



6.30. The model uses the following assumptions for estimating the net impact of the newly devolved revenues on the Scottish Budget (i.e. the difference between Scottish revenue and the corresponding Block Grant Adjustment (BGA)). For the years up to and including 2018-19, we use the agreed Scottish Budget positions for each Budget Act. For income tax, these forecasts will not be revised until forecasts are reconciled to outturn data in 2020-21 and 2021-22 respectively.

6.31. For 2019-20 onwards, we use the May 2018 Scottish Fiscal Commission forecast for each devolved tax. The BGA forecast data used is based on the UK Government 2018 Spring Statement forecasts. The figures covering 2019-20 until 2022-23 are included in Table 6.2 and these figures will all be updated prior to the next Scottish Budget.

6.32. Table 6.3 illustrates this devolved tax and BGA data for 2016-17 to 2022-23 that has been used in the central scenario.

TABLE 6.3 – REVENUE AND BLOCK GRANT ADJUSTMENT IN THE CENTRAL SCENARIO (£M)

£m		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Income Tax	Revenue	4,900	11,857	12,177	12,345	12,805	13,335	13,936
	BGA	4,900	11,750	11,749	12,215	12,612	13,015	13,531
	Net Difference	0	107	428	130	193	320	405
LBTT	Revenue	538	507	588	656	697	738	781
	BGA	500	545	600	606	630	656	689
	Net Difference	38	-38	-12	50	67	82	92
SLfT	Revenue	133	149	106	93	95	87	87
	BGA	100	119	94	91	81	77	71
	Net Difference	33	30	12	2	14	10	16
TOTAL	Revenue	5,571	12,485	12,871	13,094	13,597	14,160	14,804
	BGA	5,500	12,414	12,443	12,912	13,323	13,749	14,291
	Net Difference	71	71	428	182	274	411	513

Note 1: Tax revenues for 2016-17 to 2018-19 are as agreed in respective Scottish Budget Acts and from 2019-20 onwards are the May 2018 SFC forecasts.

Note 2: BGA forecasts for 2016-17 to 2018-19 are specified by HM Treasury (HMT) at the time of agreeing the respective Scottish Budget Acts. From 2019-20 onwards these are the latest forecasts provided by HMT at the Spring Statement 2018.

Note 3: 2016-17 income tax revenue forecast: in this year the Scottish Rate of Income Tax applied. Full Scottish income tax powers took effect from 2017-18. This explains the substantial increase in forecast revenues between 2016-17 and 2017-18.

Note 4: Figures may not sum due to rounding.

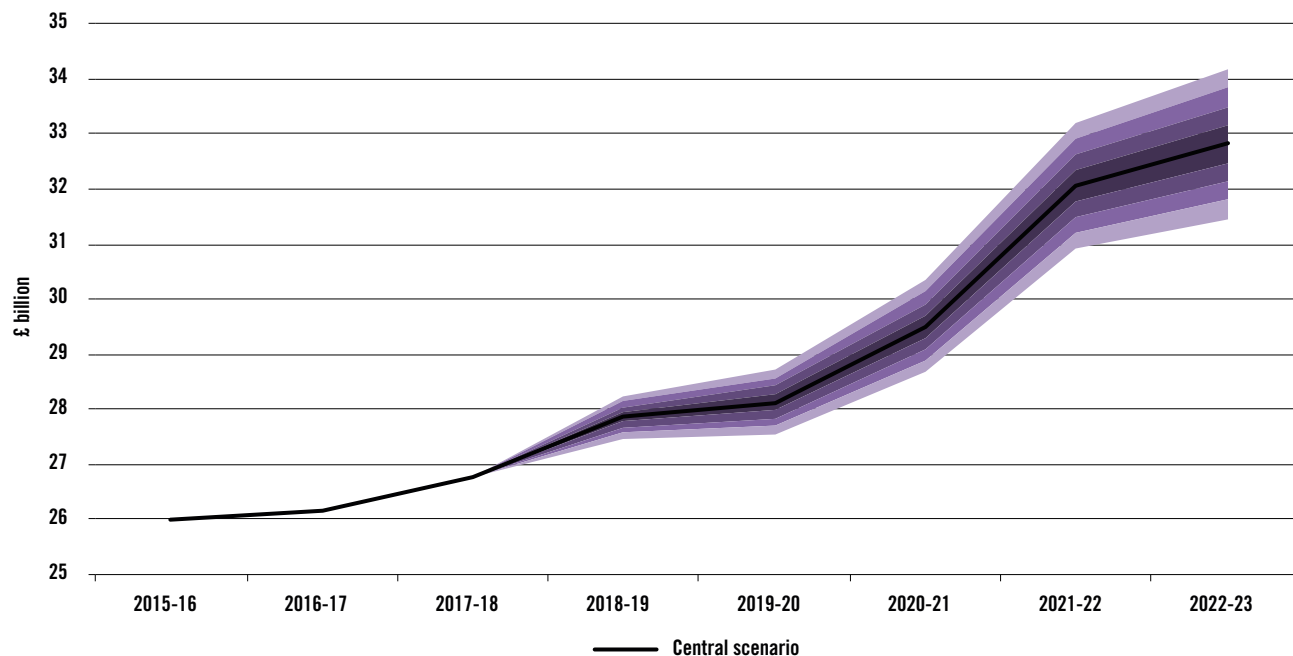
6.33. While indicative estimates of Scotland's net budget position, such as those shown in Tables 6.1, 6.2 and 6.3, may provide an indication of the direction of travel and potential scale of the final reconciliation, significant uncertainties remain, as experience shows that forecasts are subject to considerable change between fiscal events.

6.34. In addition, forecasts of Scottish receipts are produced by the Scottish Fiscal Commission while the Block Grant Adjustment is determined by forecasts of growth in receipts from the rest of the UK as provided by the OBR. This introduces an additional element of uncertainty, as there are many factors that may contribute to differences in these forecasts, some of which are unrelated to different views about the outlook for the Scottish and UK economies. For example, the OBR and SFC produce these forecasts at different times using different methodologies, assumptions and input data.

6.35. Once outturn data is published a reconciliation and a budget adjustment are agreed for the financial year thereafter. The Scottish Government will subsequently manage any negative or positive variance from the initially agreed budget position. The Scottish Government will closely monitor any risks arising from the net BGAs.

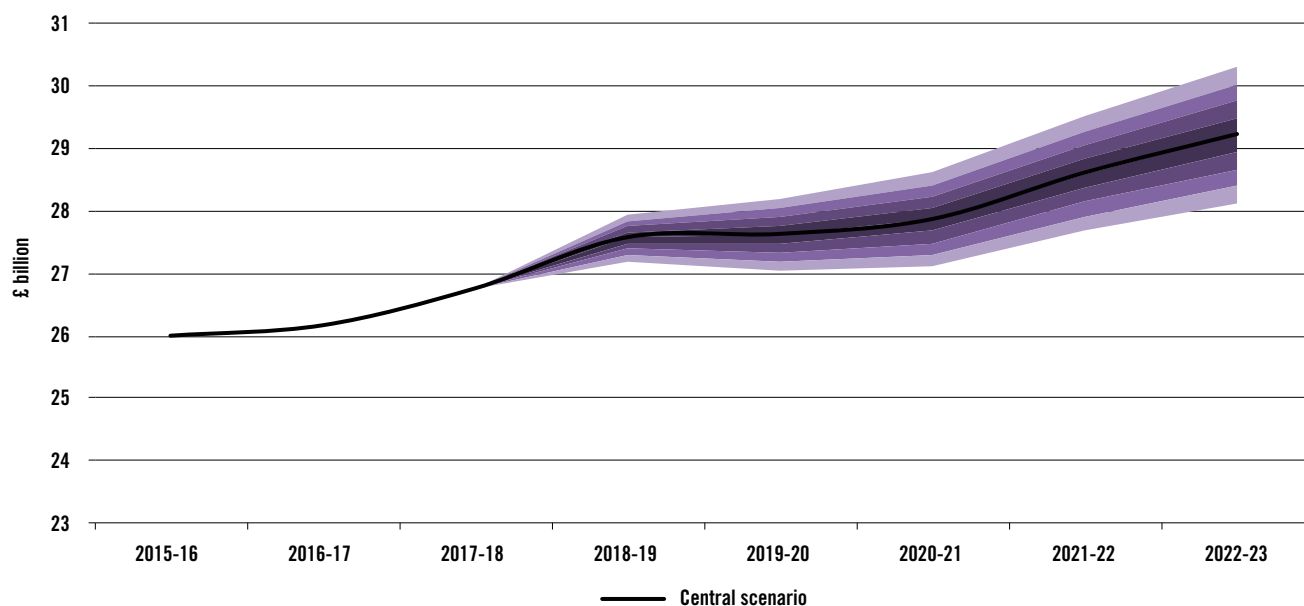
6.36. Chart 6.2 illustrates the potential path for the total resource budget. The increase in the resource budget in 2021-22 associated with additional social security powers is visible in the projection.

CHART 6.2 – OUTLOOK FOR RESOURCE BUDGET (INCLUDING SOCIAL SECURITY)



6.37. The potential path for the resource budget excluding funding for the new social security powers has also been considered and Chart 6.3 illustrates that. The profile for growth in 2021-22 is noticeably flatter than for overall resource spend. The risks are proportionately similar to the overall resource budget, with a range of ±£1,095 million.

CHART 6.3 – OUTLOOK FOR RESOURCE BUDGET (EXCLUDING SOCIAL SECURITY)



6.38. Chart 6.4 illustrates the potential path for the capital budget excluding Financial Transactions. This is symmetric around the central forecast, at \pm £240 million by 2022-23. This variation in the earlier years is smaller as we already have allocated capital budgets out to 2020-21, which could still vary due to spending decisions by the UK Government. The variation in later years reflects the uncertainty over funding levels ahead of the next UK Spending Review in 2019.

6.39. The capital budget also assumes that full capital borrowing (£450 million) will be undertaken in 2019-20, but that no commitment on capital borrowing has been included at this stage for any years beyond 2019-20.

CHART 6.4 – OUTLOOK CAPITAL BUDGET (EXCLUDING FINANCIAL TRANSACTIONS)

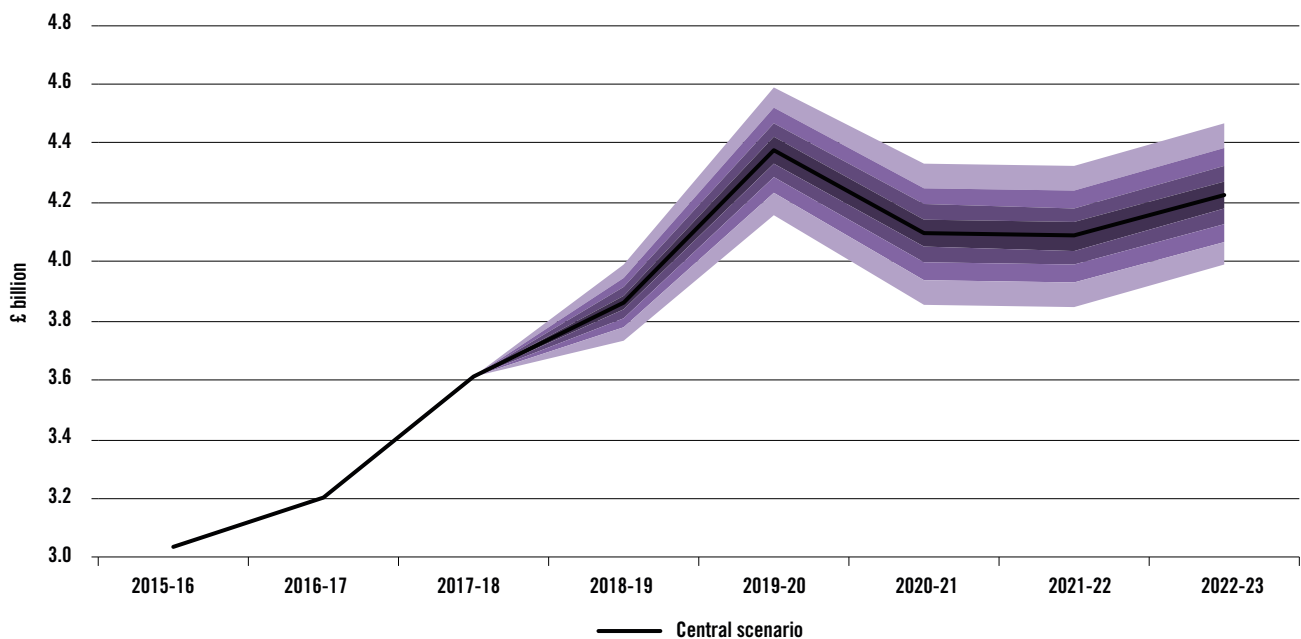


TABLE 6.4 – SUMMARY OUTLOOK FOR THE MEDIUM TERM FINANCIAL STRATEGY, WITH UPPER AND LOWER RANGES (£M)

	2018-19	2019-20	2020-21	2021-22	2022-23
OVERALL BUDGET¹					
Upper range	33,035	34,373	35,770	38,621	39,736
Central scenario	32,212	33,024	34,110	36,661	37,555
Lower range	31,704	32,201	33,026	34,774	35,447
Resource budget²					
Upper range	28,238	28,736	30,355	33,214	34,189
Central scenario	27,860	28,129	29,510	32,070	32,824
Lower range	27,481	27,522	28,664	30,926	31,458
<i>Of which, new social security</i>					
Upper range	298	528	1,738	3,689	3,872
Central scenario	290	507	1,649	3,466	3,602
Lower range	282	486	1,560	3,243	3,332
Capital budget³					
Upper range	3,993	4,592	4,333	4,324	4,464
Central scenario	3,863	4,376	4,095	4,086	4,226
Lower range	3,733	4,160	3,857	3,848	3,989
Financial Transactions					
Upper range	804	1,044	1,083	1,083	1,083
Central scenario	489	519	505	505	505
Lower range	489	519	505	0	0

Notes:

1 Overall budget: Total Scottish Government funding excluding non-cash elements.

2 Resource budget: Fiscal Resource Budget limit and the net Block Grant Adjustment; updated for the Scottish Rate Resolution; including additional adjustments for NDR, Scotland Act Implementation, Migrant Surcharge, Queen's and Lord Treasurer's Remembrancer (QLTR), Rail Resource Grant; and social security funding.

3 Capital budget: Capital Budget limit plus Capital Borrowing.

TABLE 6.5 – SUMMARY OUTLOOK FOR THE MEDIUM TERM FINANCIAL STRATEGY, WITH UPPER AND LOWER RANGES (£M) – EXPRESSED IN REAL TERMS (AT 2018-19 PRICES*)

	2018-19	2019-20	2020-21	2021-22	2022-23
OVERALL BUDGET					
Upper range	33,035	33,841	34,642	36,764	37,142
Central scenario	32,212	32,514	33,033	34,898	35,104
Lower range	31,704	31,703	31,984	33,102	33,133
Resource budget					
Upper range	28,238	28,292	29,397	31,617	31,957
Central scenario	27,860	27,694	28,578	30,528	30,681
Lower range	27,481	27,097	27,760	29,439	29,405
<i>Of which, new social security</i>					
Upper range	298	520	1,683	3,512	3,619
Central scenario	290	499	1,597	3,299	3,367
Lower range	282	478	1,511	3,087	3,114
Resource budget (<i>exc Social Security</i>)					
Upper range	27,940	27,780	27,722	28,112	28,360
Central scenario	27,570	27,203	26,990	27,235	27,336
Lower range	27,199	26,626	26,257	26,358	26,312
Capital budget					
Upper range	3,993	4,521	4,196	4,116	4,173
Central scenario	3,863	4,308	3,966	3,889	3,950
Lower range	3,733	4,096	3,735	3,663	3,729
Financial Transactions					
Upper range	804	1,028	1,049	1,031	1,012
Central scenario	489	511	489	481	472
Lower range	489	511	489	0	0

*Using HM Treasury GDP Deflators as at 3 April 2018

What does this modelling indicate?

6.40. The central scenario analysis suggests that, by 2022-23, the Scottish Budget (excluding non-cash and Annually Managed Expenditure) could be around £37.6 billion.

6.41. The scenario modelling indicates that the potential range for this could be between £35.5 billion and £39.7 billion, reflecting potential growth in the Scottish Budget between 2017-18 and 2022-23 of between £4.2 billion and £8.4 billion (in cash terms).

6.42. The range of this variability amounts to around ± 6 per cent of the overall budget. This reflects the uncertainty around the block grant and Scottish devolved tax income and the impact of economic uncertainty around the UK's exit from the EU, but also highlights how differences can cumulate over a relatively short period.

6.43. As Chapter 5 sets out, the Scottish Government is committed to the delivery of our Economic Strategy and on improving overall Scottish economic performance and ensuring revenues are towards the upper end of the forecasts. We are seeing positive results as our economic approach builds momentum and now see a number of positive economic indicators in Scotland including on foreign direct investment, productivity growth, international goods exports and R&D spending growth. This includes:

- the number of VAT/PAYE registered businesses increasing to 176,400 in 2017 – the highest figure since the time series began (in 2000);
- Scotland securing 122 Foreign Direct Investment (FDI) projects in 2016, more than any part of the UK outside London for the fifth year in a row; and
- all three of Scotland's largest cities (Glasgow, Edinburgh and Aberdeen) being in the UK's top 10 for numbers of FDI projects secured.

6.44. The analysis also suggests that the single largest source of variance in the Scottish Budget is likely to be the Block Grant Adjustment. Uncertainty around the Block Grant Adjustment is estimated at around \pm £930 million by 2022-23, while uncertainty around Barnett consequentials, social security and Financial Transactions taken together is around \pm £1,200 million.

6.45. As new data on income tax becomes available and as new Scottish Fiscal Commission forecasts are issued, these figures will be subject to change.

6.46. As mentioned earlier, there are also a number of variables in the Scottish Budget that are not yet captured, such as the assignment of VAT, which will impact on the Scottish Budget from 2020-21.

6.47. **Annex B** describes some of the background information and assumptions used to produce this modelling approach.

7 Policy Priorities

The distinct Scottish Government policy approach

7.1. A decade ago, in 2007, the introduction of the Scottish Government National Performance Framework (NPF)¹³ and the outcomes-based approach to Government was ground breaking and presented the foundation for a transformative shift in how future policy would be developed and delivered by the Scottish Government.

7.2. Our “Scottish Approach” is focused on outcomes – on driving improvement; on building on the strengths and assets of individuals and communities; and on services which are shaped and co-produced by both service providers and the people and communities who receive and engage with those services.

7.3. The principles of this performance framework have stood the test of time and they are as relevant now as they were ten years ago. Since its introduction the NPF was refreshed in 2011 and 2016. With the introduction of the Community Empowerment (Scotland) Act 2015 (which came into force 15 April 2016), the outcomes-based approach has been given a statutory footing and the Scottish Government has taken this opportunity to undertake a wholesale review of the framework to ensure that it is as strong and relevant as it can be.

7.4. The scope of this review includes building wider consensus around the framework; improving alignment with the UN Sustainable Development Goals and other frameworks, such as Scotland’s National Action Plan for Human Rights and Scotland’s Economic Strategy; and simplifying the language and look of the framework to make it more accessible. Subject to Parliamentary consideration, the new National Performance Framework will be formally launched in summer 2018.

7.5. Building on the outcomes approach, Scotland’s Economic Strategy sets out an overarching framework for how we aim to achieve a more productive, cohesive and fairer Scotland. It is the strategic plan for existing and future Scottish Government policy and represents the blue print for building a stronger and more diverse future Scottish economy.

Managing challenges and uncertainty

7.6. Despite the economic turbulence created by the UK Government through the uncertainty around the UK’s exit from the EU and its continued approach to austerity, the Scottish Government’s clear vision of building the economy, protecting public services and developing a fairer and more inclusive society continues to lead Scotland through these uncertain times.

7.7. In common with other developed countries, Scotland has an ageing population, reflecting welcome medical and economic advances, and Scotland will benefit hugely from the skills and life experiences of its older citizens. However, changes in the Scottish population will create pressure on public sector budgets in the future.

7.8. This is reflected in the latest Programme for Government, where the First Minister highlights that, “as our population ages, we must meet the needs of our older citizens while ensuring fairness across the generations”.

13 [The Scottish Government National Performance Framework](#)

7.9. An ageing population is not new. It has been with us for the last 15 years but is set to accelerate from 2021 onwards and is happening at a faster rate than in the rest of the UK. There are two dimensions to this:

- first, we will see a big increase in the number of people aged 75 plus, as baby boomers age. Over the next 20 years, more than 70 per cent of all population growth will be in the 75 plus age group. The Fraser of Allander Institute's assessment of long-term fiscal challenges noted that as our population ages and as the prevalence of chronic health conditions increases, Scotland's public finances are likely to come under significant pressure over the medium to long term from rising health costs; and
- second, our working population is ageing too, with fewer younger workers and more workers in the 50 plus age bracket. Over recent years the number of people aged 50 plus who are still working has increased in Scotland, but remains lower than in some countries in Europe. With less certainty over migration levels after the UK's exit from the EU, it will be even more important that people aged 50 plus remain in work to retirement age. As well as maintaining the size of our working population and associated income tax revenues, it is important that Scotland draws on the skills and experience of older workers and provides the opportunity for work as an important part of a fulfilling life.

7.10. A further challenge is to ensure that Scotland can maximise the benefits of its currently diverse population. A more inclusive economy where all members of Scottish society, irrespective of gender, race, disability, age or socio-economic background, are able to access appropriate, quality jobs, generate business opportunities or undertake skills progression would optimise economic and social impact.

7.11. While there is some uncertainty about how elements of demographic change will play out, the fundamentals are set, and are well understood. The challenge of an ageing population will continue at least for the next 25 years and over the longer term all future Scottish Governments will need to respond to the pressures this creates.

7.12. In contrast, the impact of technological change is less clear, yet is likely to be significant in scale. Commentators have described artificial intelligence, automation and other technological changes as one of the 'biggest economic issues of our age' and forecasts suggest that one in five jobs in Britain's cities could be displaced by 2030.

7.13. 80 per cent of the workforce in 2030 is already in the workforce now. One of the biggest strategic challenges associated with technological change is its impact on jobs – some jobs are at risk of being overtaken by automation entirely, many others will change significantly. Overlaying Scotland's demographics – in particular our ageing workforce – amplifies this challenge.

7.14. Again this will play out well beyond the five year time horizon of the Medium Term Financial Strategy, but its potential impact on economic performance, employment levels and tax revenue, constitutes a key consideration for current and future Governments and drives our investment in the economy.

Paying for public services and our policy goals

7.15. The First Minister set out a clear vision for Scotland through the 2017 Programme for Government, focused on building an inclusive, fair, prosperous and empowered Scotland. The Scottish Government will continue to implement that vision in 2018-19 and beyond and this year's budget provided the resources necessary to support that work in 2018-19.

7.16. The Programme for Government sets out the key elements of the social contract between the Scottish Government and the people of Scotland including health care, a strong and fair justice system, excellent public sector education (including free tuition fees) and support for the vulnerable – an approach which begins to lay foundations to address the demographic challenges outlined above.

7.17. Despite the challenging economic and financial context, the Scottish Government has sought to protect public services, but recognised that a fresh debate was required to talk about how we continue to maintain appropriate investment in our public services, while recognising the pressure that household incomes are under.

7.18. Ahead of the 2018-19 Budget the Scottish Government published an income tax discussion paper. Following that, we have introduced a revised, fairer income tax system for Scotland which uses the powers available to us as a lever to counter on-going UK Government austerity and support sustainability in our public services.

7.19. The Scottish Government's approach to taxation is founded on the four key Adam Smith principles of certainty, convenience, efficiency and proportionality to the ability to pay:

- **certainty** – this is important for households and businesses alike to ensure that financial decisions can be taken from an informed position on the path of future tax policy. That is why, for example, the Scottish Government provided certainty to landfill operators by committing that Scottish Landfill Tax will be no lower than prevailing UK rates;
- **convenience** – the vast majority of income taxpayers pay their income tax through Pay As You Earn (PAYE), with little or no administrative impact on taxpayers. Decisions made in setting Scottish income tax rates and bands were made with this in mind. That is why the Scottish Government also legislated for a digital first approach to the fully devolved taxes, delivering convenience and efficiency through the use of a modern electronic payment system, while still allowing for paper returns where required;
- **efficiency** – this is central to the Scottish Government's approach on the fully devolved taxes. That is why the Scottish Government enabled the Land and Buildings Transaction Tax to be collected by Registers of Scotland, on behalf of Revenue Scotland, drawing on their existing knowledge and expertise of property taxes and the familiarity of taxpayers and agents with the processes involved; and
- **proportionality** – proportionality to the ability to pay is vital. Everyone benefits from public services and all those who can contribute are expected to do so, and those with the broadest shoulders should make the greatest contribution. Scotland led the way in the UK by establishing a progressive approach to the setting of rates and bands for Land and Buildings Transaction Tax, with the amount paid more closely related to the value of the property or transaction and therefore to the ability of individuals to pay.

7.20. As well as these principles, the Scottish Government's approach to tax is based on collaborative tax policy development, characterised by regular and engaged consultation with taxpayers, industry representatives and professional bodies and a firm approach to tax avoidance.

7.21. We want to encourage a culture of responsible taxpaying where people and companies pay their tax as Parliament intended.

7.22. The 2018-19 Budget provided a more progressive approach to taxation in Scotland, that offers both significant protection to the lowest earning tax payers and asks those best able to afford it to contribute more towards sustaining public services.

7.23. This approach introduced new income tax Starter and Intermediate rates which, alongside the increase in the Personal Allowance, see no one earning less than £33,000 per year paying more than they did in 2017-18 – meaning that more than half of all taxpayers will pay less than if they lived elsewhere in the UK.

7.24. Those changes are combined with a 1 per cent increase in the Higher Rate Threshold and asking Higher and Top rate taxpayers to pay 1 per cent more. In combination, these policies were sufficient to reverse the real terms cuts to Scottish Budgets in 2018-19, imposed by the UK Government, and are projected to contribute over £400 million a year in net additional revenues by 2022-23.

7.25. The public response to the taxation changes confirms a wider public acceptance of this balanced approach to funding public services. In developing that approach we set out four policy tests that we believe any income tax policy change must meet if it is to successfully support our economy and the delivery of, and investment in, our public services. The four tests are:

- **revenue** – income tax policy should maintain and promote the level of public services which people in Scotland expect;
- **protecting lower earners** – the lowest earning taxpayers should not see their taxes increase;
- **progressivity** – any tax changes should make the tax system more progressive and reduce inequality; and
- **economic growth** – the changes we make, along with our decisions on spending, should support our economy.

7.26. The Scottish Government's chosen income tax policy met those tests in the following ways:

- **revenue** – the policy is expected to raise over £210 million in 2018-19 in net additional revenues for public services in Scotland. Rate-setting decisions have been taken to ensure a balance where any behavioural impacts are forecast to be minimised;
- **protecting lower earners** – overall, when combined with the planned increase in the Personal Allowance, for an unchanged income, 70 per cent of Scottish taxpayers (those earning up to £33,000) will not pay any more tax in 2018-19 than they did in 2017-18;

- **progressivity** – the policy improves the progressivity of the tax system by increasing the number of bands, lowering the rate on income up to £13,850, and asking the highest earning 30 per cent of taxpayers to contribute more for an unchanged income than they did last year. Under our proposal the Gini co-efficient¹⁴ in Scotland is estimated to fall; and
- **economic growth** – the proposal will increase income tax revenues by around 1.4 per cent and the Budget sets out a range of expenditure decisions that will support inclusive growth. As outlined in the income tax discussion paper, any economic impacts from a tax rise on this scale are likely to be relatively small. Moreover, because lower earners (who spend a higher proportion of their income) are protected, the risk of an immediate impact on consumer spending will be reduced. Increasing the Top Rate by 1p, rather than the 5p proposed under some of the alternative approaches assessed in the discussion paper, also reduces the risk that high earners would change their behaviour in ways that impact on the economy.

7.27. The additional revenues generated from our income tax policy are part of what allows us to sustain our social contract with the people of Scotland and deliver on the key policy commitments set out below, which we will deliver over the medium term.

Public Service Reform – maximising the use of our resources

7.28. In addition to building the tax base in Scotland and maximising available funding, the Scottish Government is committed to reforming how public services use resources to address demographic and resource pressures to improve outcomes, especially for those whose wellbeing and life chances are poorest.

7.29. This commitment is rooted in the Christie Commission's four key principles of prevention, performance, partnership and people. This recognises that public services can improve outcomes and work more efficiently when they work together to shape joined-up services around the distinctive needs of communities, including building preventative approaches to strengthen positive outcomes and tackle persistent inequalities.

7.30. This commitment to reform underpins many of our key spending commitments, including supporting the transformation in health and social care; investment in preventative activity to give all our young people the best start in life; closing the attainment gap; and extending healthy life expectancy.

7.31. This approach requires our public services to shape their work around the needs of people – working together and with the third sector, private sector and communities to pursue accelerated progress on reform activity at local and regional levels through:

- strong, shared leadership to provide vision and drive;
- digital transformation;
- freeing up frontline staff to draw on their skills, insight and understanding of people's needs to reform local services;

¹⁴ The Gini co-efficient is a measure of how equally income is distributed across the population. It takes a value between 0 and 100 where 0 represents perfect equality. In 2015-16, the Gini co-efficient for Scotland was 34. World Bank figures show a range from around 60 (South Africa) to around 25 (Norway).

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- involving and empowering communities to take action to improve their wellbeing; and
 - embracing the power of data and digital technologies to improve outcomes.

7.32. Examples of this work and how we are creating the conditions for reform include:

- **education reform** – with local government we have established six new Regional Improvement Collaborative areas. These bring together local and national expertise to support our schools to respond to local needs, work collaboratively and drive improvement, including in closing the attainment gap;
- **children’s services** – we are supporting local public services to redesign children’s services in ways that enable prevention and early intervention and reduce the need for high-intensity, high-cost services; and
- **public health** – our joint work with COSLA to take forward public health reform recognises that we must empower communities to make decisions to create the conditions for health in their areas. This work will take advantage of the Local Governance Review, which is creating space for new ideas to empower local communities and support inclusive growth at local and regional levels.

Outline of key policy priorities

7.33. The Scottish Government’s core purpose, to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth, drives the delivery of our policies and public services.

7.34. This is built on the principle of equality for all, from birth through early years and education, to employment and retirement, with access to essential public services, at the right time, which are free at the point of delivery. We target our resources to support the delivery of this ‘social contract’.

7.35. We have a clear vision of the main commitments that will achieve this, which have been set out in the Programme for Government each year, with delivery over the current Parliamentary term and beyond.

7.36. The budget for these commitments in 2018-19 has been agreed by the Scottish Parliament and decisions on the level of future investment required in these policy areas will be taken as part of future budget setting processes. In detailing these commitments and explaining the challenges ahead, it is important to understand that this document is not seeking to set or determine future budgets for individual commitments or portfolios.

7.37. It is also important to note that this document does not cover all of the spending commitments that the Scottish Government will meet over the next four years, but instead highlights a range of key commitments with an indication of the potential investment that will be required to deliver them.

Resource budget

7.38. The key resource budget commitments that support the Scottish Government's social contract and require significant investment are:

- Health;
- Police;
- Early Learning and Childcare;
- Attainment;
- Higher Education; and
- Social Security.

Health

7.39. The NHS, which celebrates its 70th anniversary in 2018, is our most treasured public service. The Scottish Government is committed both to reform of and investment in the health service, including a pledge to increase resource spending on the NHS by £2 billion over the course of this Parliament.

7.40. The Scottish Government will also be publishing a Medium Term Health and Social Care Financial Framework in June 2018. The Health Framework has been developed in consultation with NHS Boards, COSLA, local government and Integration Authorities. That document considers the whole health and social care landscape (recognising that it is a framework and that further detail on financial plans and how transformation will be achieved will require to be set out elsewhere). That Framework has been structured into five main sections that:

- set out an overview of current expenditure – considering historical expenditure trends and examine how these resources have been used to deliver additional activity and an associated estimate of productivity;
- provide an estimate of the resources required to meet Scotland's health and social care needs in the future - Scotland like all other countries in the world is facing increases in demand for care due to demographic growth and increased expectations from people using services;
- map out policy initiatives and how these will influence the future shape of expenditure;
- set out the transformation activities that will be required to ensure the health and social care system is financially sustainable in the long term; and
- consider transformation funding - how reform and system change will be financed.

7.41. In the early years of the Parliament the health budget has received significant additions on an annual basis, including additional resource investment of over £400 million in the health service in 2018-19. This continued investment will ensure that prevention and early intervention improve healthy life expectancy while we transform the way we deliver health and social care to adapt to Scotland's changing health and care needs. As part of the overall financial settlement for Health, reflecting our commitment to the social contract, the Scottish Government will continue to support the provision of free prescriptions, free personal care for the elderly and free eye examinations.

7.42. That investment needs to continue over the remainder of this Parliament and decisions on the precise allocations for each year will be taken as part of the annual budget setting process.

7.43. In order to illustrate the impact of the £2 billion commitment (and to meet the commitment to pass on all health resource consequentials), Table 7.1 models an increase in the health budget of around £400 million in 2019-20, a further £300 million in 2020-21 and around an additional £600 million in 2021-22. The precise profile of funding will be considered as part of the annual budget process in the usual way.

7.44. The commitment for increased health funding runs to 2021-22 and no commitments on funding levels for the period beyond 2021-22 currently exist. For the purposes of this Medium Term Financial Strategy we have modelled an inflationary uplift in the health budget for 2022-23.

TABLE 7.1 – POTENTIAL HEALTH FUNDING UPLIFT PROFILE

£bn	2018-19	2019-20	2020-21	2021-22	2022-23
Potential Health Funding Uplift	-	+0.38	+0.29	+0.59	+0.24
Potential Health Budget Total	12.87	13.25	13.54	14.13	14.37

Police

7.45. The Scottish Government is dedicated to protecting local communities through effective policing and, with recorded crime at a 42 year low, Scotland is as safe as it has been for over a generation.

7.46. Building on the success of police reform, we will continue to support the Scottish Police Authority (SPA) and Police Scotland to deliver the priorities in the Policing 2026 Strategy which was laid before Parliament in June 2017. The Strategy sets out how Police Scotland will strengthen its service to communities and respond to changing demands.

7.47. In order to support that work the Scottish Government will continue to protect the resource budget of the SPA in real terms for the entirety of the Parliament – delivering an additional £100 million of investment by 2021. This equates to approximately £20 million extra in each financial year.

7.48. In addition, from April 2018 we have ensured that policing will fully benefit from being able to reclaim the VAT previously paid to the UK Government. This commitment means that the effective spending power on policing will increase by around £25 million compared with previous years. This does not require additional budget to be allocated to Police Scotland, it simply allows them to use their existing budget provision for other purposes as they no longer need to meet the VAT liability.

Early Learning and Childcare

7.49. Our focus on the early years will embed an approach rooted in prevention and early intervention, and will support those children and families who will benefit most. That is why, as part of providing the best start for every child, we are committed to a transformative expansion of Early Learning and Childcare (ELC) provision.

7.50. We have already increased publicly funded, high quality Early Learning and Childcare by almost 50 per cent to 600 hours per year since 2007 and extended entitlement to around a quarter of two year olds, and the 2018-19 budget continues to fund that in full through local authorities. We are now working closely with local authorities to deliver our ambitious goal of increasing funded ELC entitlement to 1,140 hours per year – the same number of hours a child spends in primary school.

7.51. This will require substantial additional investment in both extra staff and premises – the 2018-19 budget delivers over £240 million of investment (resource and capital) for ELC expansion.

7.52. In line with the commitment in the 2017 Programme for Government to provide multi-year funding allocations for the ELC expansion programme, agreement has now been reached with COSLA on both the overall quantum of funding to support the expansion and the profile of that funding between now and 2021-22.

7.53. This will require further (recurring) uplifts in resource funding to local authorities of £210 million in 2019-20, £201 million in 2020-21 and £59 million in 2021-22. The multi-year funding deal agreed with local authorities currently extends until 2021-22. For the purposes of this modelling we have simply rolled forward the 2021-22 figures into 2022-23 (decisions on funding beyond 2021-22 will be agreed in future budget processes).

7.54. Table 7.2 sets out the resource funding package that has been agreed with local authorities to support the ELC expansion.

TABLE 7.2 – ELC EXPANSION RESOURCE FUNDING AGREED WITH LOCAL AUTHORITIES

£m	2018-19	2019-20	2020-21	2021-22	2022-23
Resource funding	96	307	508	567	567
Annual additional funding	-	+210	+201	+59	-

7.55. In addition to the local authority funding outlined above there are also other small elements of ELC funding within the Scottish Government Education and Skills Portfolio budget.

Attainment

7.56. All children and young people, whatever their background or circumstances, deserve the same chance to reach their full potential. That is why improving outcomes for children, young people and their families is at the heart of the Scottish Government's agenda and spending plans.

7.57. Our top priorities are to raise attainment and close the attainment gap; promote health and wellbeing; and improve skills and employability. Ensuring the best start in life for every child, irrespective of their gender, ethnicity, disability or socio-economic background, contributes to each of these four high-level priorities. Everyone will benefit in future if we invest in our young people now.

7.58. In order to support this work, the Scottish Government has committed to allocate £750 million through the Attainment Scotland Fund, over the term of the Parliament, to tackle the attainment gap.

7.59. We are already two years into this commitment, with Pupil Equity Funding already beginning to transform schools by enabling head teachers to secure the additional staffing or resources they need to support pupils affected by poverty and boost attainment levels. As minority ethnic children and children living in a household with a disabled parent or child are more likely to be in poverty, this fund also tackles wider inequalities. In 2018-19, we have allocated £180 million towards raising attainment and closing the attainment gap.

7.60. In order to fulfil this commitment, we will need to allocate around £180 million in each of the remaining years of the Parliament in order to meet the £750 million overall commitment. The precise profile of this funding has not yet been finalised, but for the purposes of the Medium Term Financial Strategy, we have assumed that this will be approximately £180 million in 2019-20 and 2020-21.

Higher Education

7.61. Scotland has an internationally successful Higher Education sector, including some of the world's oldest and most prestigious universities as well as world leading modern and specialist institutions.

7.62. The Scottish Government has made clear that we want every child, no matter their background, to have an equal chance of entering and succeeding in Higher Education – a commitment that was made in the 2014 Programme for Government. By 2030, the Scottish Government wants 20 per cent of students entering university to be from Scotland's 20 per cent most deprived backgrounds and we want a better gender balance across subjects studied.

7.63. We believe education should be based on the ability to learn, not to pay, and we are providing record levels of support for students in higher and further education as part of our commitment to the social contract. We are protecting free tuition and are also committed to providing an annual minimum income for the least well-off full-time students in higher education. We are also working closely with universities and colleges to reach a better gender balance across courses with more girls entering Science, Technology, Engineering and Mathematics (STEM) and more boys entering social science, teaching and care courses.

7.64. We continue to prioritise funding for this and have invested over £1 billion in Higher Education in the budget settlement for the Education and Skills portfolio in 2018-19. We will fund over 125,000 free places in 2018-19. For the purposes of this document, we have assumed that a similar level of funding will be required in each of the following financial years out to 2022-23 to continue to support the delivery of this policy. Decisions on the actual amounts of funding in each year will be taken in the annual budget process. Funding is delivered through the Scottish Funding Council.

Social Security

7.65. The Social Security (Scotland) Bill was approved by the Scottish Parliament on 25 April 2018. The Bill sets up a framework for a new, Scottish social security system, drawing on the responses received to our wide public consultation and engagement programme. It transposes 11 devolved social security benefits onto a Scottish legislative platform, allowing the Scottish Government to shape a distinctly Scottish social security system based on dignity and respect. At all stages we have committed to include the views of people with lived experience of applying for and receiving devolved benefits.

7.66. The range of benefits that are being transferred from the UK Government to the Scottish Government are:

- Personal Independence Payments;
- Carer's Allowance;
- Attendance Allowance;
- Disability Living Allowance;
- Winter Fuel Payments;
- Cold Weather Payments;
- Severe Disablement Allowance;
- Industrial Injuries Disability Benefits;
- Funeral Expenses Payments (to be replaced by Funeral Expense Assistance);
- Sure Start Maternity Grant (to be replaced by Best Start Grant); and
- Discretionary Housing Payments.

7.67. The annual block grant to the Scottish Government will be adjusted to reflect the transfer of responsibility for social security from 2018-19, with additional adjustments made in future years as these social security benefits transfer to Scotland. This transfer process will be undertaken in a phased way with the majority of the social security expenditure (and associated funding) expected to come online from 2021-22 and the years that follow. Initial baseline additions to the block grant will be calculated based on UK Government spending on the area in Scotland in the year prior to devolution (as forecast by the Office for Budget Responsibility) – additions or deductions to the baseline will then be processed based on UK Government spending.

7.68. The Scottish Fiscal Commission will be responsible for the production of independent forecasts to inform the Scottish Government's annual budget.

7.69. The Scottish Government has made a number of clear commitments around the way in which it will manage the social security system in Scotland. This includes announcing that the delivery of the first of the newly devolved benefits – an increased Carer’s Allowance – will take place from summer 2018 (and be backdated to April 2018) preparing for the effective delivery of the new Best Start Grant and the new Funeral Expense Assistance by summer 2019, and the introduction of a Young Carer Grant by autumn 2019.

7.70. The anticipated costs associated with these new and enhanced benefits will be met from the Scottish Budget and the anticipated additional costs for the four benefits referred to here are set out in Table 7.3.

TABLE 7.3 – ANTICIPATED ADDITIONAL COSTS OF DEVOLVED BENEFITS

£m	2018-19	2019-20	2020-21	2021-22	2022-23
Carers Allowance Supplement	35.0	37.0	40.0	42.0	44.0
Best Start Grant	-	15.3	15.4	15.4	15.6
Funeral Expense Assistance	-	3.4	3.5	3.5	3.5
Young Carer Grant	-	0.5	0.5	0.5	0.5
TOTAL	35.0	56.2	59.4	61.4	63.6

7.71. The estimated implementation costs for the new social security system (as set out in the Financial Memorandum to the Social Security (Scotland) Bill) are £308 million over the period to 2020-21. These costs continue to be refined and updated as the iterative transfer of the powers progresses and as a result an agreed profile of spend has not been fixed at this time – but the Minister for Social Security confirmed at the Stage 3 debate on the Bill in April 2018 that she does not expect that figure to increase.

7.72. The Fiscal Framework provides a baseline £66 million for social security administration costs and a one-off amount of £200 million for implementation for all the newly-devolved powers (these amounts are factored into the funding projections contained in Chapter 6 of this document). These amounts represent the financial settlement delivered by the Fiscal Framework, but do not represent the full costs of implementation or administration of the new social security powers. Any additional sums required would need to be funded from the existing Scottish Budget envelope. Any required funds will be allocated as part of the normal Scottish Budget process.

7.73. In addition to the benefits highlighted above, as part of our commitment to tackling child poverty, the Scottish Government has pledged to introduce an Income Supplement for low income families. Further work is being undertaken to develop the policy of the income supplement and assess what the most cost-effective delivery route would be. Decisions on a delivery model will be based on analysis which demonstrates the most effective use of resources in lifting the maximum number of children out of poverty. Funding for the income supplement will be considered through the normal budget process at the appropriate time and no costs have been included as part of the Medium Term Financial Strategy.

7.74. The Scottish Government also remains committed to continue to fully mitigate the deductions to housing support for working age households in the social rented sector who are deemed to be under-occupying their home by the Department for Work and Pensions (DWP), commonly known as the bedroom tax. This is currently achieved through Discretionary Housing Payments. We are committed to using our new powers to abolish the bedroom tax at source through Universal Credit (UC) as soon as practicable and officials had been working with DWP towards achieving this by spring 2019. DWP have recently advised that the changes to the UC system to allow the bedroom tax to be abolished in Scotland would be delayed until May 2020 at the earliest. We expect to spend over £125 million in 2018-19 on social security reform mitigation measures including fully mitigating the bedroom tax to help protect those on low incomes and continuing to mitigate the bedroom tax in full is expected to cost around £55 million each year of the Medium Term Financial Strategy period.

What this means for spending elsewhere

7.75. In addition to these key areas of investment, there are of course a range of wider commitments across all Scottish Government portfolios that will need to be managed from within our available budget. This will include commitments on homelessness, child poverty, concessionary travel, free personal care, supporting the Scottish economy, establishment of the Scottish National Investment Bank, delivering on our climate change ambitions and continuing to deliver the range of public services that we have responsibility for. All of these will require a share of the overall resource budget funding that is available.

Local government funding

7.76. As partners in the delivery of public services, the Scottish Government invests a significant proportion of its budget in supporting local government to provide the essential and high quality services the people of Scotland expect and deserve.

7.77. This funding is split into revenue and capital funding and in 2018-19 the Scottish Government will provide local government with £9,814 million¹⁵ of resource funding and £876 million capital funding. This represents a real terms increase in the level of resource and capital funding available to local government in 2018-19.

7.78. Revenue funding from the Scottish Government to local authorities is made up of three different components:

- general revenue grant – this makes up the majority of the funding support from the Scottish Government for local authority for revenue expenditure;
- non-domestic rates income (NDR) – this tax is collected and retained by local authorities on behalf of the Scottish Government. The Scottish Government guarantees each local authority's needs-based formula share which consists of a combination of the retained NDR income together with the General Revenue Grant paid by the Scottish Government; and
- specific revenue grants – these are provided by the Scottish Government and are tied to spending to support the delivery of specific policy objectives.

¹⁵ This includes £34 million agreed at Stage 1 of the 2018-19 Budget Bill which was paid in 2017-18.

Public sector pay

7.79. The Scottish Government recognises the importance of supporting workers across the public sector and in 2017 agreed to remove the 1 per cent public sector pay cap from 2018. The cap had been in force since 2013 as a result of austerity measures. To help the public sector further, the Scottish Government allowed public bodies to bring forward their pay award date, meaning early access to pay awards for many public sector workers.

7.80. The Scottish Government is acutely aware of the impact that inflation and social security cuts have on working households and the removal of this 1 per cent pay increase cap will bring a much needed boost to family finances. Given the prevalence of women employed in the public sector, it should also particularly boost women's income. At the same time the need remains to balance this with what public sector employers can reasonably afford in the context of a Scottish Budget squeezed by a continued UK Government austerity policy.

7.81. Decisions on future pay policy will be taken as part of the annual Scottish Budget process, with the next budget expected in December 2018. To illustrate the potential costs of a progressive approach to pay for public sector workers, we have modelled three theoretical public sector pay award scenarios (see Table 7.4).

7.82. A central scenario assumes a continuation of the 2018-19 pay policy (based on 3 per cent up to £36,500, 2 per cent up to £80,000 and £1,600 above £80,000) in each of the years covered by the modelling. An upper scenario of 4 per cent and a lower scenario of 2 per cent are also modelled. Table 7.4 indicates what the aggregate cost could be for each year for each scenario. The costings of the policy are based on the Scottish Government, the 43 public bodies covered by the pay policy, the NHS, teachers, police, fire and further education (they do not include other local government pay costs).

TABLE 7.4 – MODELLED PUBLIC SECTOR PAY SCENARIOS

Forecast Paybill based on Scenarios	Cost (inc on-costs) – £m			
	2019-20	2020-21	2021-22	2022-23
2% per year	248	253	258	264
3%/2% per year	313	321	330	338
4% per year	497	517	537	559

7.83. The importance of carefully controlling pay increases in the public sector remains. The Scottish Government recognises that maintaining employment and fair rates of pay in the public sector is crucial in ensuring Scotland's economy remains strong and that investment in Scotland's public services remains a priority.

7.84. That is why the Scottish Government has continued its commitment to the real Living Wage and why it has maintained its position on no compulsory redundancy. It is also the Scottish Government's view that it is for employers to take their own decisions about pay progression based on business need, maintaining headcount and affordability.

7.85. The Scottish Government acknowledges the contribution of public sector workers in achieving our ambition and delivering on our priorities. That is why the 2018-19 pay policy sets an important direction of travel, subject to available resources, and will continue in future years to strike the balance between affordability and offering a fair deal for staff.

EU funding

7.86. European funding in Scotland is very important to a wide range of sectors and its loss following the UK's exit from the EU could create pressures on Scotland's public finances. The current EU funding round (2014 - 2020) is expected to benefit Scotland by over £5 billion, with the funding programmes supporting jobs, delivering infrastructure, sustaining rural communities, providing valuable support for the farming and fishing industries and delivering research funding for universities.

7.87. Details of successor arrangements to replace these EU funding programmes have yet to be proposed by the UK Government and this continues to create significant uncertainty for those who rely heavily on this investment. In addition to the direct funding that Scotland's people, public services and businesses receive from the EU, there will be wider cost implications of the UK's exit from the EU. These cannot be fully quantified at present as they are dependent on the outcome of negotiations with the EU and on policy decisions yet to be taken, and this creates an uncertain future for Scotland.

7.88. This document does not therefore speculate on the future financial arrangements for post-exit EU funding as these have yet to be set out by and agreed with the UK Government. However, we have been absolutely clear that Scotland must not be any worse off in respect of the funding allocations that replace those currently provided from the EU.

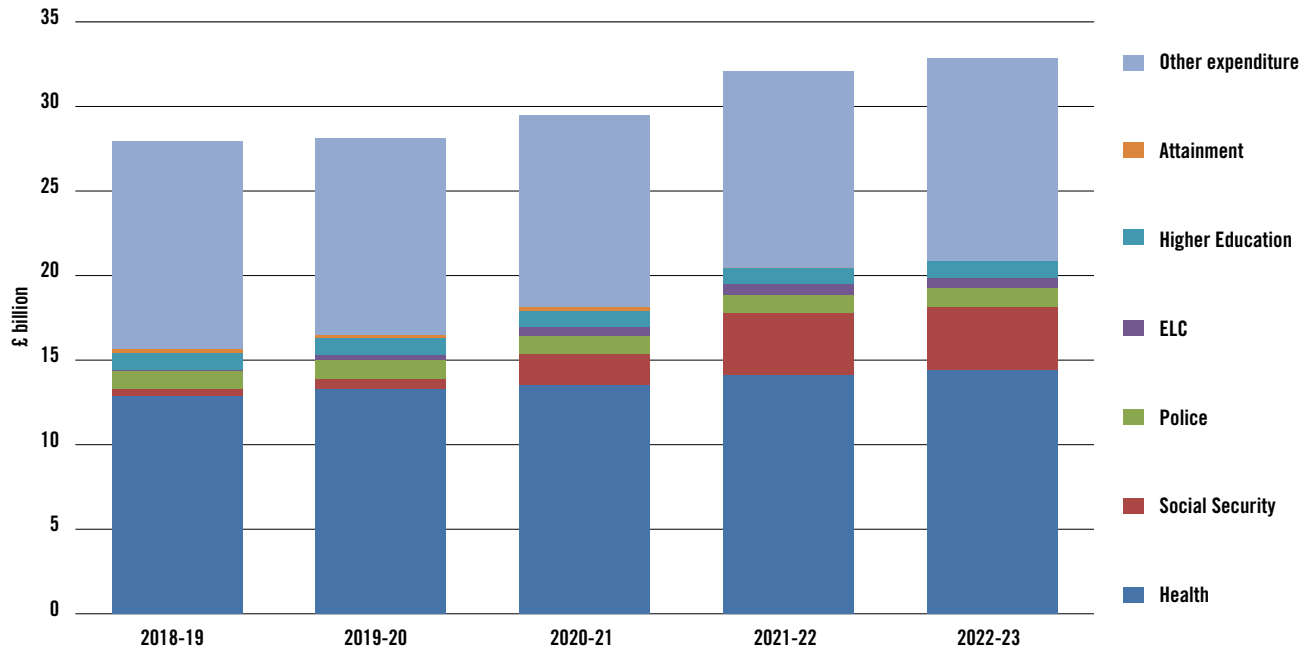
7.89. Despite the UK's exit from the EU not being Scotland's choice, the Scottish Government is working hard to press the UK Government to fully consider its implications for Scotland's public finances, in order to mitigate the worst effects in Scotland and to ensure that Scotland's finances are not detrimentally impacted.

Future shape of the resource budget

7.90. As is the case in any organisation, the setting of budgets to meet the organisation's commitments and obligations requires careful choices, decisions and prioritisation. As part of that process, we will be exploring a wide range of options, looking to deliver efficiency savings across portfolios, carefully prioritising expenditure to ensure that it has maximum impact on delivering key outcomes and priorities, including options to reduce demand through earlier intervention, looking at options for generating additional revenues and considering options for further public service reform to allow us to protect the delivery of public services at a time of financial constraint.

7.91. Looking at the central scenario for the resource budget, and taking account of the key policy commitments outlined above, this shows that in future years the proportion of the overall resource budget that is utilised by these commitments grows from 56 per cent in 2019-20 to 64 per cent in 2022-23, with overall health spending making up between 68-82 per cent of that share across the five year period. All other funding commitments will need to be met from the remainder of the budget. This position is summarised in Chart 7.1 below.

CHART 7.1 – RESOURCE EXPENDITURE CENTRAL SCENARIO



7.92. Clearly, the other two funding scenarios set out in Chapter 6 of this paper result in different shares of the overall budget being committed to these key government priorities. Under the “upper scenario” the proportion of the budget utilised by the commitments grows from 55-62 per cent over the period and under the “lower scenario” it grows from 57-66 per cent. These positions are set out in Chart 7.2 and Chart 7.3.

CHART 7.2 – RESOURCE EXPENDITURE UPPER SCENARIO

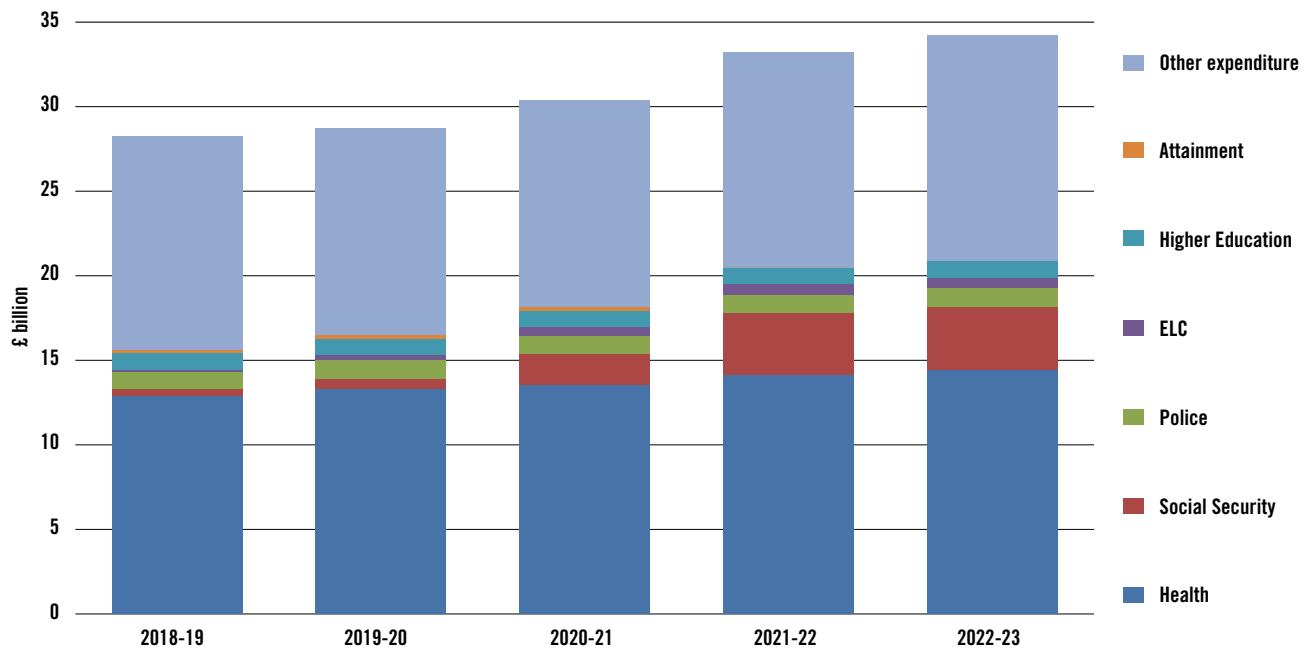
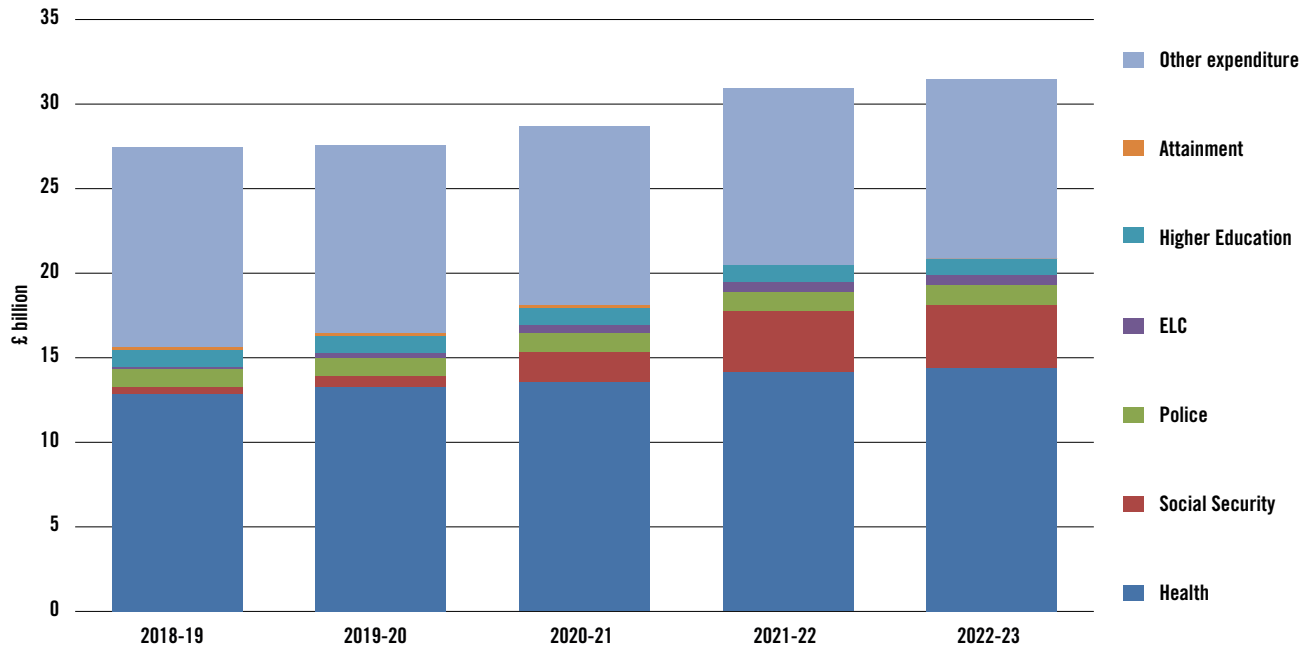


CHART 7.3 – RESOURCE EXPENDITURE LOWER SCENARIO

7.93. In setting the annual budget each year, the Scottish Government has to make careful choices in the prioritisation of commitments and expenditure in order to reach a balanced budget position – which has been delivered in every year since the Scottish Parliament came into existence.

7.94. That process will continue over the years covered within this document, and the decisions that will be taken will include consideration of the balance of funding that will be allocated to the range of priorities, to local government and to support other key public services across Scotland.

7.95. The central funding scenario that is set out in this document indicates that, as is the case in almost all annual budget processes, that decisions around prioritisation of spending, options for increasing revenues, delivery of efficiencies across all budget areas and considering options for reform will need to be undertaken to accommodate these priorities and continue to support high quality public services across Scotland.

7.96. The required level of efficiency will vary depending on the choices that are made as to the extent of reform and reprioritisation that is undertaken, and the final level of funding that is available in each year – all key considerations that will form part of annual budget processes and the next Spending Review. It is, however, clear that even under the most optimistic scenario, if no reprioritisation or reform were agreed and no additional revenues generated, then efficiency savings of 5 per cent per year could be required. While future efficiency targets (rightly) will be challenging, the decisions we take will ensure they are manageable. The Scottish Government's Efficiency Outturn report for the last 3 years indicate that efficiency savings within a range of 3-6 per cent annum are deliverable. The most recent report was published in May 2018.¹⁶

16 <http://www.gov.scot/Resource/0053/00535569.pdf>

7.97. The decisions taken in setting the budget will ultimately be dependent on the size of the overall budget for each financial year. We will gain greater certainty on the block grant that the Scottish Government expects to receive from the UK Government through the 2019 UK Spending Review and anticipated levels of tax receipts will continue to be refined.

7.98. This paper provides a range of potential funding scenarios that may emerge in future years. The next budget setting process will be taken at a time when there is greater clarity and certainty on funding levels.

7.99. The Scottish Government will be carefully considering the prioritisation choices required as part of the forthcoming 2019-20 annual budget process (and those that follow) and crucially through the next Spending Review which is expected to take place following the UK Government's Spending Review in 2019. The Scottish Government will set out its approach to the next Spending Review following the conclusion of the UK process next year.

Choices on capital budget and other forms of infrastructure investment

7.100. A crucial foundation to building and supporting a successful and economically buoyant Scotland is maximising investment in infrastructure. This is central to the Scottish economy and the Scottish Government's vision for a prosperous, fair and well-connected Scotland.

7.101. In addition to the capital grant from HM Treasury, there are a number of additional approaches which the Scottish Government uses to support the economy through infrastructure investment.

7.102. This includes utilising borrowing powers to provide additional investment to support the overall capital programme and a revenue-financed hub programme to deliver schools and community health facilities. This provides additional investment and is paid for through resource budgets over a long-term period.

7.103. Non-Profit Distributing (NPD) and revenue-financed hub programmes provide ways of financing additional projects over and above those that could be supported through capital grant alone. Such projects may also have a capital funded element. The revenue-funded element is paid through unitary charges for a period of 25-30 years once the project is completed and is funded from resource budgets.

7.104. The annual estimated unitary charges are published on the Scottish Government website.¹⁷

7.105. As part of the assumptions that underpin this paper, the Scottish Government currently plans to borrow a further £450 million in 2019-20 to support additional infrastructure investment. Final decisions on future borrowing levels will be taken as part of the 2019-20 and subsequent budget processes. These decisions will be taken annually in light of the economic outlook at the time, weighing the cost of borrowing and the opportunity cost of using up more of the overall £3 billion borrowing limit against the potential benefits of economic stimulus.

17 <http://www.gov.scot/Topics/Government/Finance/18232/12308/NPDhubPipelinepayments>

7.106. Innovative financing approaches such as Tax Incremental Financing and Growth Accelerator are also used in partnership with the Scottish Futures Trust and local authorities to attract private investment. This is paid for through increases in non-domestic rates or other economic growth metrics and the provision of guarantees to boost investment such as the Rental Income Guarantee Scheme to increase the supply of houses available for rent.

7.107. In order to maximise the government's investment in infrastructure, leverage of other funding is pursued where possible. Examples of this include the City Region Deals where it is estimated that the Glasgow City Region Deal will lever in an additional £3.3 billion of private sector investment into the proposed infrastructure investment programme, the Inverness Deal which is expected to unlock an additional £800 million of private sector investment and the Aberdeen City Region Deal anticipating around a further £500 million of leverage from the private sector and other economic partners.

7.108. Publicly funded social housing and mid-market rented (MMR) housing also attracts matching private investment. There will be variations for individual projects but social housing grant pays approximately half the unit build cost with the remainder being funded by lenders. For many MMR schemes the private finance leverage can be much higher, generating significant investment at scale.

7.109. The Scottish Government's planned investment in infrastructure is set out in the Infrastructure Investment Plan¹⁸ which was published in December 2015 and is refreshed regularly.

7.110. This plan sets out why the Scottish Government needs to invest; how it will invest and what strategic investments are planned over the medium to long term. The following guiding principles are applied to infrastructure investment:

- delivering sustainable economic growth through increasing competitiveness and tackling inequality;
- managing the transition to a more resource efficient, lower carbon economy;
- supporting delivery of efficient and high quality public services; and
- supporting employment and opportunity across Scotland.

7.111. Key commitments in the 2015 Scottish Government Infrastructure Investment Plan include:

- transforming Early Learning and Childcare - expansion to 1,140 hours per year;
- increasing housing supply in Scotland - 50,000 affordable homes;
- creating a new, overarching energy strategy for Scotland;
- delivery of super-fast broadband across Scotland;
- investment in healthcare infrastructure, including the establishment of several new diagnostic and treatment centres;

- continued investment in Scotland's *Schools for the Future* Programme – which will deliver 117 new schools by March 2020; and
- investment to improve transport infrastructure including measures to improve journey times and connections (e.g. through the dualling of the A9), reduce emissions and improve the quality and accessibility of public transport.

7.112. A number of these commitments already have published multi-year profiles of anticipated capital expenditure, including long term resource planning assumptions for the affordable housing programme (out to 2020-21), and capital funding to support the expansion of Early Learning and Childcare (until 2020-21). The profile of these two key commitments is set out in Table 7.5 out to the end of their existing commitment periods. Decisions beyond 2020-21 will be taken in future budget processes once capital budgets for that period have been provided by the UK Government.

TABLE 7.5 – MULTI-YEAR CAPITAL FUNDING ALLOCATIONS

£m	2018-19	2019-20	2020-21	2021-22	2022-23
Affordable Housing Resource Planning Assumptions	532	592	630	-	-
ELC Expansion	150	175	121	-	-
TOTAL	682	767	751	-	-

7.113. Other capital commitments have a total quantity of investment confirmed for them, but the profile of that expenditure will be confirmed as part of future annual budget processes – examples include expenditure on the R100 Broadband project (£600 million by the end of 2021-22); a four year investment commitment in energy efficiency and heat decarbonisation (£500 million over 2017-18 to 2020-21); a commitment to expand the Golden Jubilee Hospital and develop five elective care centres in Aberdeen, Dundee, Edinburgh, Inverness and Livingston (£200 million); and planned investment in the Building Scotland Fund spread over 2018-19 to 2020-21 (£150 million – of which £70 million was allocated in 2018-19).

7.114. There are also a range of other commitments that are time-bound, but funding profiles for future years beyond 2018-19 have still to be agreed in future Scottish Budgets. These commitments principally relate to individual significant projects (e.g. the final profile of the remaining work to dual the A9) and detailed information on project costs and spend, and anticipated costs for future planned projects in the pipeline is released every six months, including to the Scottish Parliament Public Audit and Post-legislative Scrutiny Committee and is placed on the Scottish Government website.¹⁹

Local government capital

7.115. The Scottish Government funds capital investment for local authorities through providing a General Capital Grant and a small number of specific grants. In addition to the settlement, other specific grants are paid to local authorities by Scottish Government agencies and other public bodies such as Non-Departmental Public Bodies.

7.116. Specific Capital Grants are paid for specific projects or to fund specific policy objectives. The terms and conditions of each grant are set out in the offer letters for these grants. The General Capital Grant supports the delivery of a council's Single Outcome Agreement and contributes to the National Outcomes. Councils determine how they use these resources to meet local and national priorities.

7.117. In 2018-19, the amount of capital funding provided to local authorities was £876 million. The level of local authority capital grant for future years will be considered alongside all other capital requirements in the 2019-20 budget process.

Financial Transaction budgets

7.118. In recent years the Scottish Government has also made use of Financial Transactions (FTs) as part of its overall approach to capital investment. FTs can only be used to support loan or equity investment in bodies outside the public sector. FTs also need to be repaid to the Scottish Government for onward repayment to HM Treasury. Agreement has been reached with HM Treasury that only 80 per cent of the total needs to be repaid, with the remainder available for recycling into other FT funded schemes. The current planned FT repayment profile to HM Treasury is set out at **Annex A**.

7.119. FTs have been used to support a number of housing initiatives, including equity stakes in Help to Buy and other shared equity schemes, as well as innovative financing schemes to increase the supply of homes available for mid-market rent. We have also used FTs to provide loan funding to small and medium enterprises, to provide support for energy efficiency programmes, to establish the Building Scotland Fund and to increase loan funding available for low carbon vehicles.

7.120. The Scottish Government's 2017 Programme for Government committed to establishing a Scottish National Investment Bank to boost Scotland's competitiveness and realise the Scottish Government's ambitions for the economy by providing patient capital to finance growth. This commitment was made on strong international evidence that national investment banks of scale can lead to a strong, positive impact on investment, innovation and long-term economic growth.

7.121. In 2018-19, it was announced that £340 million of FTs would be set aside over 2019-20 and 2020-21 (profile of investment still to be confirmed) to provide the initial capitalisation of the Scottish National Investment Bank. The Implementation Plan for the Bank (which was published in February 2018) indicated that there should be an aim to provide a target level of public capital for the Bank at a minimum of £2 billion over the first 10 years (2019-20 to 2028-29).

7.122. Taking the sums above along with the £150 million of planned investment in the Building Scotland Fund (as a precursor to the establishment of the Bank in 2019), the overall plan is therefore an initial investment in the Bank of almost £0.5 billion in the first three years.

7.123. It is our intention to continue to support similar types of schemes into the future through the use of the on-going profile of Financial Transactions out to 2022-23 (subject to confirmation in the 2019 UK Spending Review that the funding will continue beyond 2020-21).

7.124. The Scottish Government has an ambitious capital expenditure programme and it is simply not possible to progress everything at once due to the size of the overall capital budget. Projects will be prioritised and progressed both to deliver upon the key commitments that have been made and to align with the overall availability of the approximately £4 billion per year of capital funding in the Scottish Budget.

7.125. Decisions on the content of the capital programme for 2019-20 and beyond will be made up of a combination of expenditure on maintaining our existing asset stock, continuation of projects that are currently underway and the commencement of new projects. Final details of the content of the programme (for both capital and Financial Transactions) will be confirmed in the 2019-20 Scottish Budget, in December 2018.

8 Conclusions

8.1. This financial strategy describes the Fiscal Framework, policy environment and spending pressures that the Scottish Government and its public services face over the next five years, and the financial consequences that arise from specific policy interventions.

8.2. The data and modelling that underpin this document are based on the information available in May 2018 and will be subject to change as new and updated information becomes available.

8.3. This forward look does not set out any new decisions or policy commitments, particularly in relation to the public sector, and only seeks to explore and explain the range of factors and variables which require consideration by the Scottish Government when making financial decisions and undertaking longer-term budget planning.

8.4. There are a number of strategies available to be adopted to meet the financial challenges ahead and these will include:

- continuing our core focus of growing the economy and our tax base;
- securing additional or increased revenues and income to support the overall budget;
- reprioritising expenditure in areas across the budget; and/or
- reforming how public services are delivered across Scotland in a manner that maintains or improves outcomes in ways that moderate future demand pressures on these services.

8.5. The use of each of these options will be actively considered and explored by the Scottish Government as it develops the 2019-20 budget and those that follow.

8.6. Consideration of the key aspects of this document and the options available to address the financial circumstances that we face are relevant not only for the current Scottish Government (and for any future Scottish Government), but also for the Scottish Parliament as a whole as it undertakes its scrutiny of Government decisions.

8.7. The next major considerations of spending will be made by:

- the Scottish Government as it develops the 2019-20 Scottish Budget; and
- the Scottish Parliament in undertaking its budget scrutiny during 2018 and when it considers the 2019-20 Scottish Budget later this year.

Annex A Financial Transactions Repayment Profile

Annual Scottish Government return to HM Treasury (July 2017)

REPAYMENT PROFILE AT 31 MARCH 2017

Year	£m	%
By 2019-20	51	6
2020-21	15	2
2021-22	22	3
2022-23	37	5
2023-24	37	5
2024-25	48	6
2025-26	88	11
2026-27	106	13
2027-28	71	9
2028-29	56	7
2029-30	24	3
2030-31	28	4
2031-32	26	3
2032-33	26	3
2033-34	26	3
2034-35	27	3
2035-36	26	3
2036-37	25	3
2037-38	15	2
2038-39	15	2
2039-40	15	2
2040-41	1	0
2041-42	6	1
2042-43	21	3
2043-44	1	0
TOTAL	812	100

Note: Figures may not sum due to rounding.

Annex B Further Detail on Economic Modelling

Constructing the central scenario

B.1. The central scenario of Scottish Government funding is built up by forecasting separate elements of funding and then aggregating these to produce a path for the total level of potential funding. The elements of income are:

- the resource budget limit (excluding new social security funding);
- new social security funding;
- the capital budget limit;
- Financial Transactions;
- net Block Grant Adjustment (BGA) income;
- non-domestic rates income; and
- capital borrowing.

B.2. For the years up to and including 2019-20, the central forecast is taken from the Scottish Government Draft Budget 2018-19, adjusted for Scottish Rate Resolution tax changes. Beyond 2019-20, the approach to forecasting each component is set out below.

Fiscal resource budget limit excluding social security

B.3. In general, the fiscal resource budget limit is assumed to grow in line with overall UK Resource Departmental Expenditure Limit (RDEL) from the UK Office for Budget Responsibility (OBR) March 2018 Economic and Fiscal Outlook.²⁰ However, there are a small number of additional sources of income which are treated separately. These relate to: non-domestic rates; Scotland Act Implementation; the Migrant Surcharge; the Queen's and Lord Treasurer's Remembrancer (QLTR); and the Rail Resource Grant. Separate forecasts of these sources are available out to 2022-23. Therefore, the fiscal resource budget limit is projected excluding these items, and then combined with the forecast of these individual elements to produce the overall projection.

New social security funding

B.4. The forecast for social security funding is based on projections produced by Scottish Government analysts.

Capital budget limit

B.5. UK spending plans for capital have been set out to 2020-21, one year further than for resource, so a figure is available for the capital budgets which is used as the baseline for future growth. The capital budget limit is then assumed to grow in line with the overall UK Capital Departmental Expenditure Limit (CDEL) from the OBR March 2018 forecast.

Financial Transactions

B.6. Financial Transactions in 2020-21 are expected to fall in line with plans set out at the last UK Spending Review. Beyond 2020-21, there is no new lending and Financial Transactions are kept constant in cash terms. The risk around loss of Financial Transactions is reflected in the scenarios for the capital budget.

20 http://cdn.obr.uk/EFO-MarCh_2018.pdf

Net Block Grant Adjustment

B.7. Beyond 2019-20, the net Block Grant Adjustment for Scotland is forecast to grow in line with the SFC's forecast for devolved taxes, relative to the OBR's forecast for the rest of the UK.

Non-domestic rates income

B.8. Non-domestic rates income is forecast to grow in line with the SFC's forecast.

Capital borrowing

B.9. Capital borrowing powers are assumed to be fully utilised in 2019-20, but no capital borrowing is currently planned after this.

B.10. This approach is summarised below in Table B.1.

TABLE B.1 – FORECASTS OF INDIVIDUAL INCOME COMPONENTS (£ MILLION)

	2019-20	2020-21	2021-22	2022-23
	Latest estimate	Forecast using:		Final estimate
Total budget excl non-cash	£33,024	Sum of individual series		£37,555
Fiscal resource budget limit	£27,440	UK departmental resource spend ¹		£28,709
New social security funding	£507	Scottish Government projections		£3,602
Capital budget limit	£3,926	UK departmental capital spend ¹		£4,226
Financial Transactions	£519	2020-21 budget figure then held flat		£505
Net Block Grant Adjustment	£182	Relative devolved tax growth per head		£513
Capital borrowing	£450	No decision on borrowing beyond 2019-20		£0

¹ Source: OBR, series Public Sector Current Expenditure (PSCE) in RDEL and Public Sector Gross Investment (PSGI) in CDEL

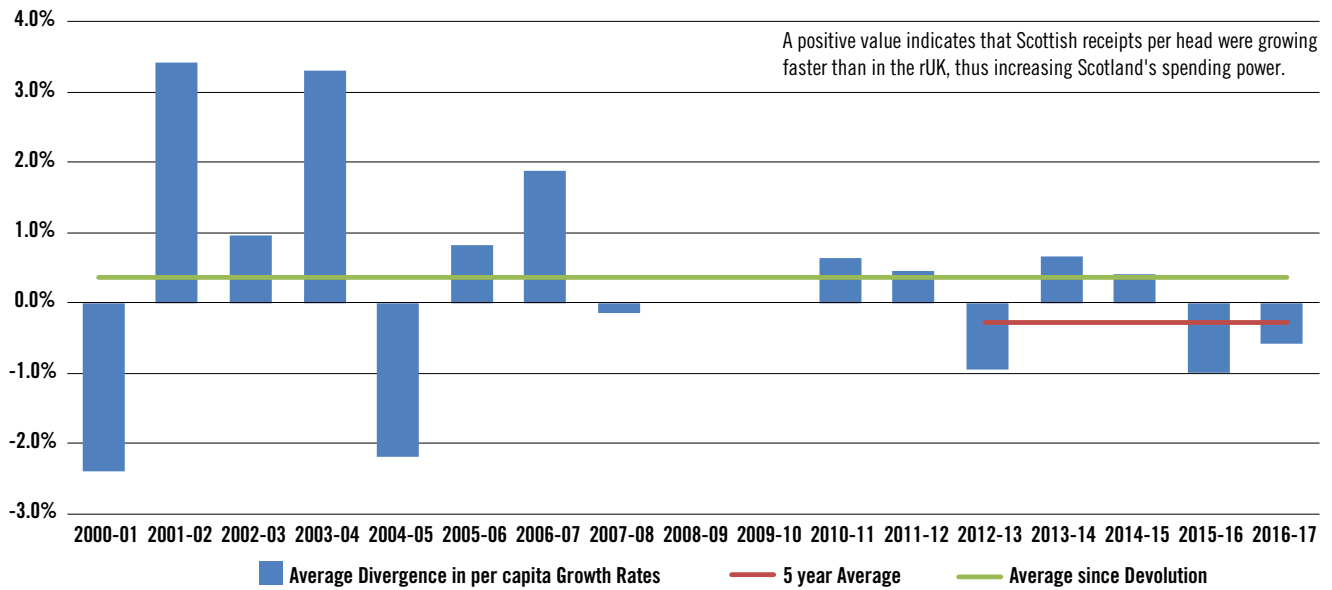
Assumptions on historical performance and uncertainty

B.11. The impact of devolved taxes on the Scottish Budget is determined by changes to the accompanying Block Grant Adjustment (BGA). As the BGA grows in line with tax receipts per head in the rest of the UK, the Scottish Budget will only be better off if Scotland can grow its tax revenues per head more quickly than the rest of the UK.

B.12. To understand the risks around this, we consider how tax receipts in Scotland have performed historically. The section below shows how this approach is implemented using income tax as an example.

B.13. As indicated in Chart B.1, non-savings and non-dividend (NSND) income tax liabilities per head have grown faster in Scotland than the rest of the UK in nine out of the 15 years for which data is available. However, this is partly due to a relatively strong performance in the years immediately following the 1999 devolution settlement.

B.14. Two patterns can be observed from Chart B.1. Firstly, the divergence between tax per head growth appears to have decreased quite significantly and has not exceeded 1.0 percentage points since 2009-10. Secondly, looking at the performance over the past five years, the UK has grown more strongly in three out of the past five years, with the differential averaging -0.3 percentage points over this period.

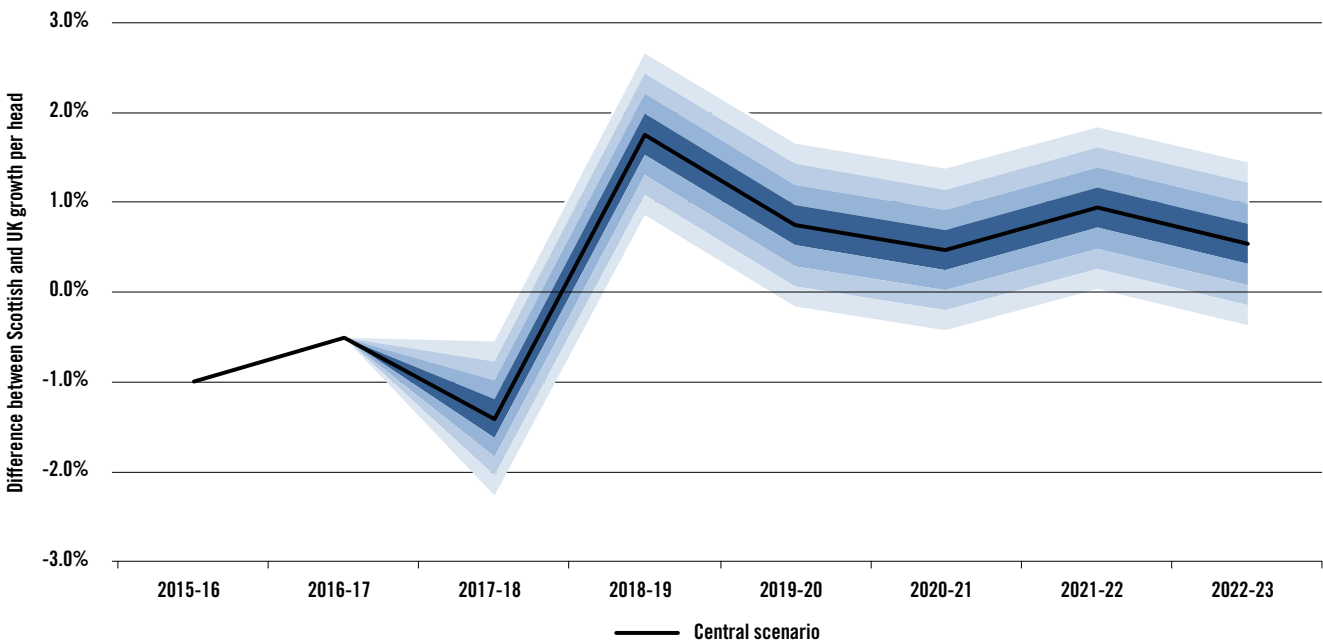
CHART B.1 – DIFFERENTIAL GROWTH IN INCOME TAX LIABILITIES

Source: GERS 2016-17. Figures up to and including 2014-15 are provided by HMRC. Figures for 2015-16 and 2016-17 are OBR estimates.

Uncertainty analysis

B.15. The OBR and the Bank of England (BOE) both use fan charts to present uncertainty around their central forecasts.

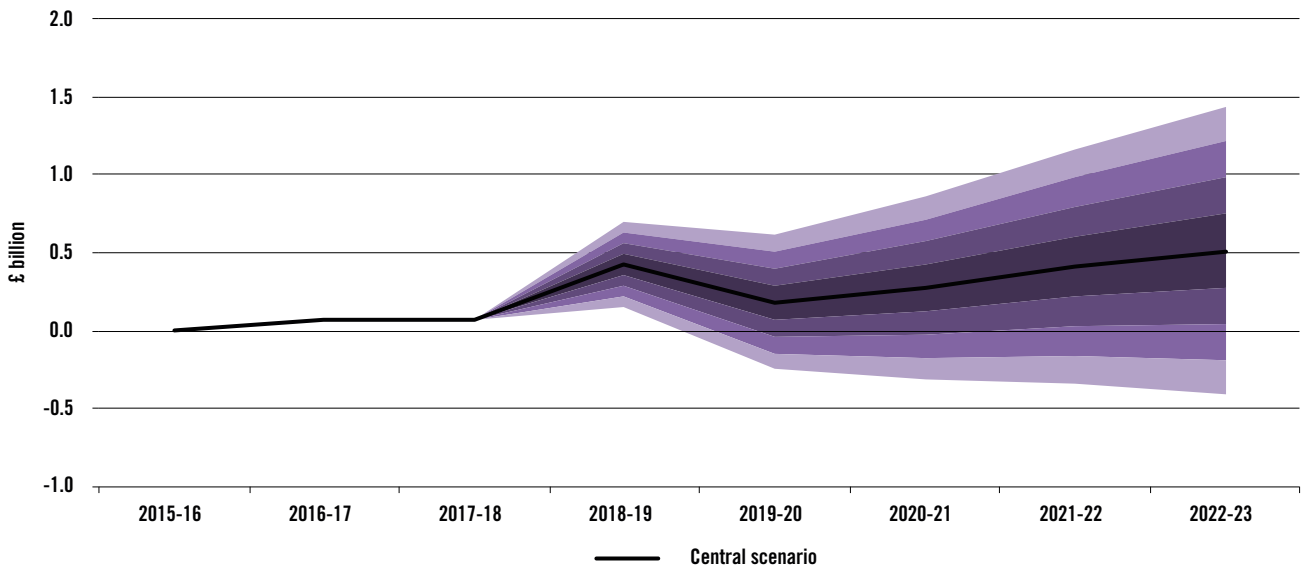
B.16. Chart B.2 illustrates Scottish Government estimated uncertainty about the SFC's central forecast for the difference in Scottish and UK growth in income tax liabilities. The SFC currently forecasts that per person NSND income tax receipts in Scotland will grow faster than in the rest of the UK from 2018-19. This is primarily due to different choices about the future path of income tax policy in Scotland. For example, in the chart below, Scottish receipts are forecast to grow faster than the rest of the UK by 1.8 percentage points in 2018-19 largely due to the Scottish Government's decision to introduce a new five band income tax regime in that year.

CHART B.2 – UNCERTAINTY AROUND DIFFERENTIAL GROWTH IN NSND INCOME TAX LIABILITIES

B.17. A variety of ways exist to estimate this uncertainty. The approach used by the OBR is to draw lessons from the accuracy of previous forecasts as a guide to the accuracy of any current forecast. However, as forecast errors are not available for Scottish income tax, we currently take an alternative approach in estimating the level of uncertainty. This approach will be reviewed in future, and it is expected that further information will be built into the modelling in future years as information and understanding of the uncertainty in the Fiscal Framework increases.

B.18. The Scottish Government modelling approach is to base the future uncertainty on the historical variation in the data. Looking at the range of different values that have occurred in previous years allows us to construct a range of possible values that may occur in the future. This approach has a number of advantages. First, the process is relatively non-subjective, as the future values are drawn from available historical data. Second, we can adjust the model to capture the fact that uncertainty grows as the length of the forecast horizon expands. We base this adjustment on work undertaken by the OBR, who allow the variance of their distributions to expand year-on-year.

B.19. This is illustrated in Chart B.3 which shows the impact and level of uncertainty for Scotland's net spending power in relation to all the devolved taxes. Forecasts inevitably become more uncertain the further we look ahead. This means that by 2022-23 Scotland's net spending power could be between -£414 million and +£1.4 billion, with the SFC's central estimate at £513 million (based on Scottish Government forecasts of the BGA and the SFC central tax forecasts).

CHART B.3 – FORECAST OF SCOTLAND'S SPENDING POWER: NET BLOCK GRANT ADJUSTMENT

Annex C Illustration of Alternative UK Government Spending Paths

C1. This section discusses the path for UK fiscal policy (as announced in the UK Government's Spring Statement 2018) and illustrates alternatives that would keep the public finances on a sustainable path, while also allowing for an increase in investment in public services above the levels currently planned by the UK Government.

Alternative Spending Paths

C2. As an illustration, two alternative paths for public spending are set out below:

1. Use the fiscal space available within the existing fiscal rules in full. Under current UK Government plans there is a degree of flexibility to increase spending while remaining on track to meet the Chancellor's fiscal mandate to reduce the structural deficit below 2 per cent of GDP and have net debt falling as a share of GDP in 2020-21.
2. Balance the current budget in 2021-22. This means that public sector receipts are sufficient to fund day to day spending on public services, but that limited borrowing is still undertaken to support capital investment, reflecting the fact that such expenditure will both produce an asset which will generate benefits for future generations and increase the country's productive capacity.

C3. Using the available fiscal space in full (Example 1) could free up around £60 billion over the next five years, relative to the UK Government's current plans, while remaining on course to meet the UK Government's 2020-21 fiscal targets.

TABLE C.1 – EXAMPLE 1 – ADDITIONAL FUNDING UNDER CURRENT FISCAL MANDATE

Additional Funding (£bn)	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
UK	8	12	15	19	7	60
Scotland	0.6	0.9	1.2	1.5	0.5	4.7

C4. Example 2 could release up to £86 billion over the next five years, relative to the UK Government's current plans, with Scotland's share of this estimated at almost £7 billion over the same period.

TABLE C.2 – EXAMPLE 2 – ADDITIONAL FUNDING UNDER BALANCED CURRENT BUDGET IN 2021-22

Additional Funding (£bn)	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
UK	13	17	23	26	7	86
Scotland	1.0	1.4	1.8	2.0	0.6	6.8

C5. The UK Government's recent commitment to increase NHS pay, which is not yet incorporated above, shows that there is scope for fiscal policy to be eased within the existing fiscal rules.

Implications for public finances

C6. Charts C.1 and C.2 illustrate the potential path for the UK public finances under the current UK Government's plans compared to the alternative spending plans detailed above.

C7. Under the two examples outlined above, the deficit does not exceed the pre-crisis average of 2.4 per cent and debt, as a share of GDP, starts falling from 2020-21 onwards.

CHART C1: IMPACT OF ALTERNATIVE SPENDING PATHS ON DEFICIT

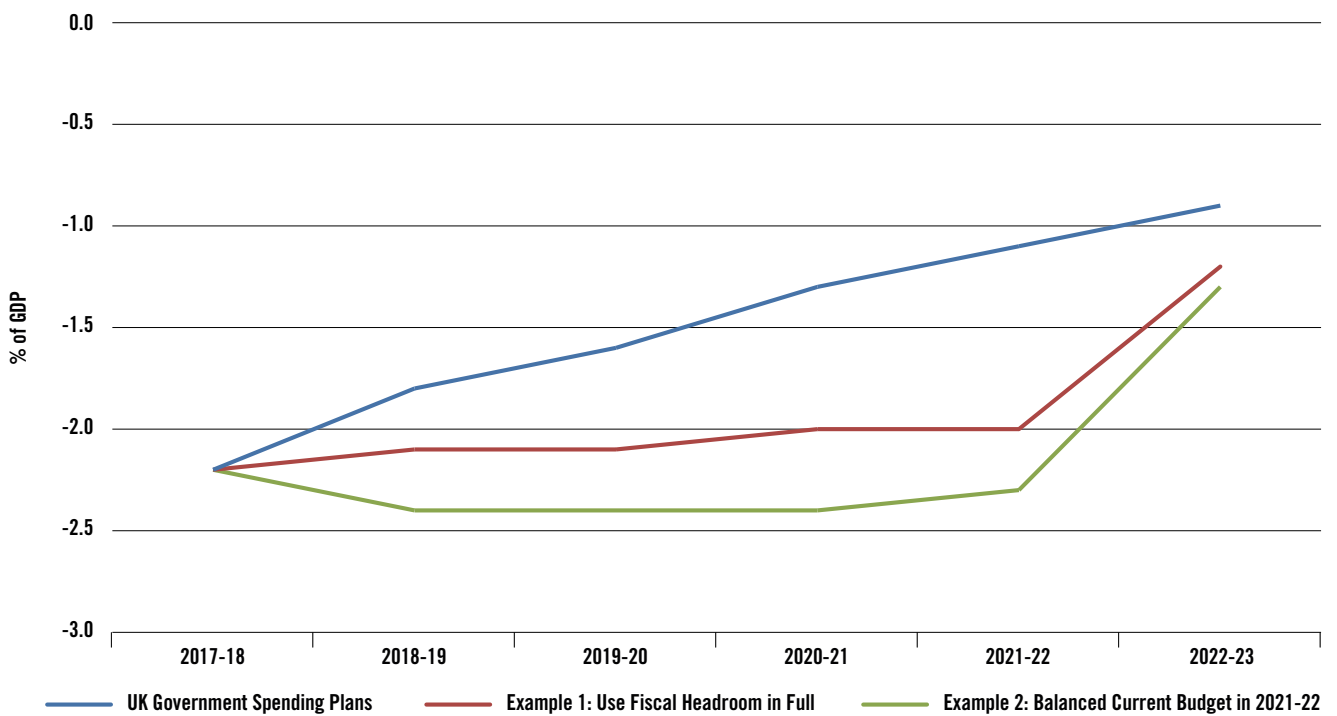
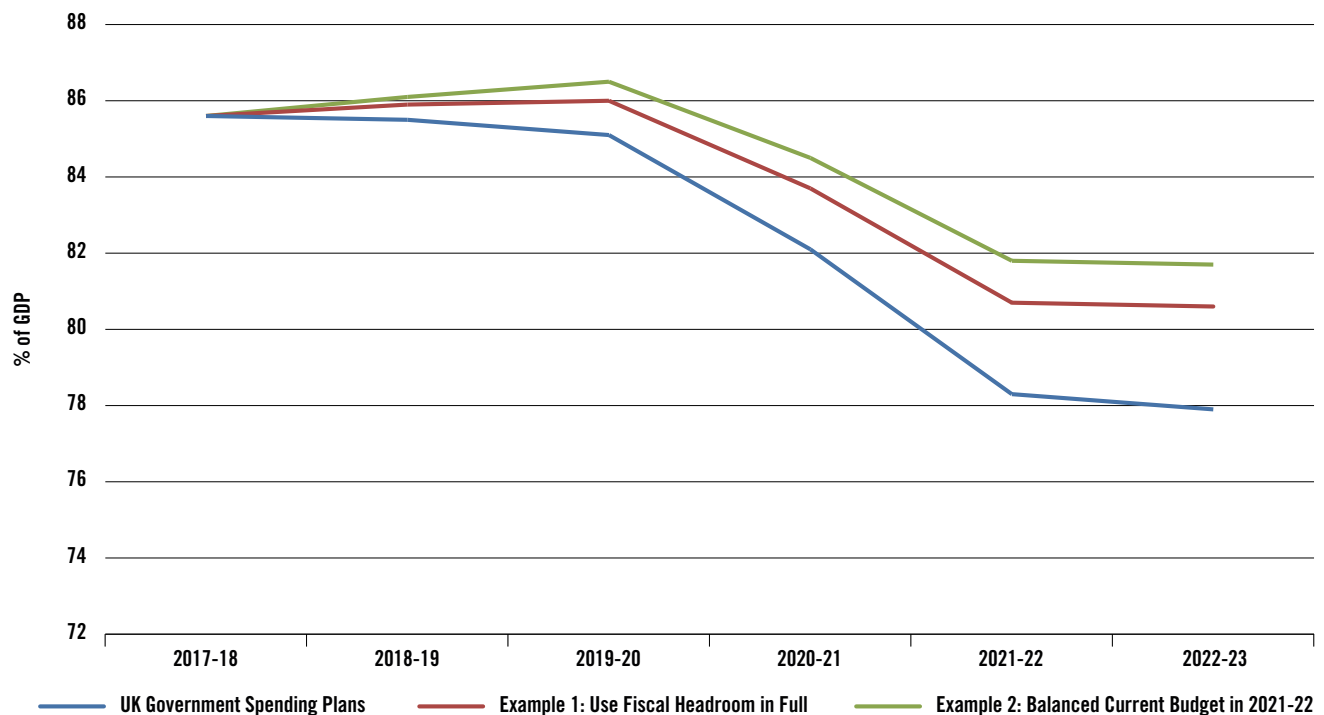


CHART C.2 – IMPACT OF ALTERNATIVE SPENDING PATHS ON DEBT

Constructing the alternative spending paths

C8. The UK Government's plans for borrowing and debt, as published in the Spring Statement 2018 (OBR Economic and Fiscal Outlook (EFO), Table 4.40), have been used as the baseline for the analysis. In addition, the following assumptions were made:

- under Example 1, we assume that the UK Government utilises the headroom of £15.4 billion in full in 2020-21 and the deficit is reduced more gradually to its target of 2.0 per cent in that year. Beyond this point, an illustrative path for public spending is chosen which ensures that debt falls as a share of GDP;
- under Example 2, we assume that the current budget is in balance in 2021-22, allowing for an extra £27 billion of borrowing in that year, with the deficit falling gradually to achieve this target. Beyond this point, an illustrative path for public spending is chosen which ensures that debt falls as a share of GDP; and
- the analysis incorporates the impact that alternative fiscal paths would have on public sector debt interest costs. This is taken into account in the analysis by multiplying the additional cumulative borrowing in each year by the market gilt rate (EFO, Table 4.1). The spending figures presented in Tables C.1 and C.2 are therefore net of the change in debt servicing costs.



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Report To:	Policy and Resources Committee	Date:	7 August 2018
Report By:	Steven McNab, Head of Organisational Development, Policy and Communications	Report No:	PR/18/19/SMcN/MMcK
Contact Officer:	Miriam McKenna	Contact No:	712042

Subject: Local Outcome Improvement Plan 2017-2022

1.0 PURPOSE

1.1 The purpose of this report is to present the final version of Inverclyde's Local Outcome Improvement Plan 2017-2022 for adoption by the Policy and Resources Committee on behalf of Inverclyde Council.

2.0 SUMMARY

2.1 As part of the Community Planning element of the Community Empowerment (Scotland) Act 2015, the Inverclyde Alliance has a responsibility to develop a Local Outcome Improvement Plan (LOIP). The new LOIP replaces the Single Outcome Agreement 2012-17.

2.2 The LOIP must demonstrate a clear, evidence-based and robust understanding of local needs, circumstances and aspirations of local communities. It must also set out which communities experience significantly poorer outcomes.

2.3 Inverclyde's LOIP has been informed by both the results from the 'Our Place Our Future' Survey and a comprehensive strategic needs analysis.

2.4 The plan identifies three strategic priorities that the Alliance Board will focus on.

- Population
- Inequalities
- Environment, Culture and Heritage

2.5 A draft LOIP was developed and issued to members of the Alliance Board, Programme Board, Outcome Delivery Groups and supporting networks. In addition, the LOIP was published on Inverclyde Council's web site to allow the public the opportunity to provide comments and feedback. The consultation ended on the 31st of October and the LOIP has now been finalised and all the comments and feedback from the consultation has been incorporated where appropriate.

2.6 The final Inverclyde Local Improvement Plan 2017-22 is contained within Appendix 2. It was approved by the Inverclyde Alliance Board on 11 December 2017.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- Adopts Inverclyde's Local Outcome Improvement Plan as the overarching partnership strategy for Inverclyde.

Steven McNab
Head of Organisational Development, Policy and Communications

4.0 BACKGROUND

- 4.1 As part of the Community Planning element of the Community Empowerment (Scotland) Act 2015, the Inverclyde Alliance has a responsibility to develop a Local Outcome Improvement Plan (LOIP). The new LOIP replaces the Single Outcome Agreement 2012-17.
- 4.2 The new LOIP must demonstrate a clear, evidence-based and robust strong [understanding of local needs, circumstances and aspirations and specify how these vary for different places and population groups within Inverclyde. The LOIP must also identify which communities experience significantly poorer outcomes relative to other communities in the area and Scotland overall.](#)
- 4.3 Extensive community engagement has been carried out across Inverclyde to inform the development of the LOIP. The opinions of local residents were sought via a survey and a series of community events, named 'Our Place Our Future'. The engagement was carried out using the national Place Standard Tool (<http://www.placestandard.scot/#/home>) to gather the views of people across Inverclyde. In total, we had a participation rate of just under 2% of the population over 16 years of age. There was also targeted engagement with the Youth Council to ensure that the voices of children and young people were heard.
- 4.4 A comprehensive strategic needs analysis was also developed to inform the development of the LOIP. The strategic needs analysis contains a range of data on population, economy, deprivation, health and the environment that was also used to inform our strategic priorities and the key issues that the Alliance will focus on.
- 4.5 Inverclyde's Local Outcome Improvement Plan 2017-2022 identifies the following three strategic priorities that the Alliance will focus on tackling:
- **Population** - Inverclyde's population will be stable and sustainable with an appropriate balance of socio - economic groups that is conducive to local economic prosperity and longer term population growth.
 - **Inequalities** - There will be low levels of poverty and deprivation and the gap between the richest and poorest members of our communities will be reduced.
 - **Environment, Culture and Heritage** - Inverclyde's environment, culture and heritage will be protected and enhanced to create a better place for all Inverclyde residents and an attractive place in which to live, work and visit.
- 4.6 Inverclyde Council's new Corporate Plan 2018 – 2022 sets out how the Council will seek to deliver its part of the LOIP and this is reflected in the diagram attached at Appendix 1. The priorities set out in the Corporate Plan have been informed by the LOIP and the Our Place, Our Future engagement. The Corporate Plan was agreed by Inverclyde Council on 7 June 2018.
- 4.7 The final Inverclyde Local Improvement Plan 2017-22 is contained within Appendix 2.
- 4.8 Inverclyde Alliance is now developing community led Locality Plans, which will set out the detail of how communities and public agencies will seek to tackle inequalities across Port Glasgow and Greenock.

5.0 IMPLICATIONS

- 5.1 Financial Implications: Any financial implications will be contained within the Partnership Action Plans.
- 5.2 Human Resources: none at present
- 5.3 Legal: none at present

5.4 Equalities: none at present

5.5 Repopulation: none at present

6.0 CONSULTATIONS

6.1 n/a

7.0 LIST OF BACKGROUND PAPERS

- 7.1
- Inverclyde Strategic Needs Assessment
 - Our Place Our Future Survey Results

Inverclyde Alliance strategic priorities

Inverclyde Council organisational priorities

In support of the Inverclyde Outcomes

Enablers

Our Vision
Getting it right for every child, citizen and community

- Safe
- Healthy
- Achieving
- Nurtured
- Active
- Respected
- Responsible
- Included

- Population
- Inequalities
- Environment Culture & Heritage

- To promote Inverclyde to both residents and visitors alike, as a great place to live, work and visit
- To work collaboratively to enable strong, connected and empowered communities, particularly in areas of deprivation, so that residents have influence and control over the things that matter to them
- To grow the local economy in a way that creates opportunities for all our residents, including access
- To reduce the prevalence of poverty in our communities, with a particular focus on reducing child poverty
- To safeguard, support and meet the needs of our most vulnerable families and residents
- To improve the health and wellbeing of our residents so that people live well for longer
- To protect and enhance our natural and built environment
- To preserve, nurture and promote Inverclyde's unique culture and heritage

- To deliver services that are responsive to community needs and underpinned by a culture of innovation, continuous improvement and effective management of resources
- To develop motivated, trained and qualified employees who deliver quality services that meet current and anticipated service needs

Inverclyde Alliance

Outcomes Improvement Plan
2017 – 2022



Moving Forward Together



Inverclyde Alliance



This document can be made available in other languages, large print, and audio format upon request.

Arabic

هذه الوثيقة متاحة أيضا بلغات أخرى والأحرف الطباعية الكبيرة وبطريقة سمعية عند الطلب.

Cantonese

本文件也可應要求，製作成其他語文或特大字體版本，也可製作成錄音帶。

Gaelic

Tha an sgrìobhainn seo cuideachd ri fhaotainn ann an cànanan eile, clò nas motha agus air teip ma tha sibh ga iarraidh.

Hindi

अनुरोध पर यह दस्तावेज़ अन्य भाषाओं में, बड़े अक्षरों की छपाई और सुनने वाले माध्यम पर भी उपलब्ध है

Mandarin

本文件也可应要求，制作成其它语文或特大字体版本，也可制作成录音带。

Polish

Dokument ten jest na życzenie udostępniany także w innych wersjach językowych, w dużym druku lub w formie audio.


Punjabi

ਇਹ ਦਸਤਾਵੇਜ਼ ਹੋਰ ਭਾਸ਼ਾਵਾਂ ਵਿਚ, ਵੱਡੇ ਅੱਖਰਾਂ ਵਿਚ ਅਤੇ ਆਡੀਓ ਟੇਪ 'ਤੇ ਰਿਕਾਰਡ ਹੋਇਆ ਵੀ ਮੰਗ ਕੇ ਲਿਆ ਜਾ ਸਕਦਾ ਹੈ।

Urdu

درخواست پر یہ دستاویز دیگر زبانوں میں، بڑے حروف کی چھپائی اور سننے والے ذرائع پر بھی میسر ہے۔



 01475 712042

 corporate.policy@inverclyde.gov.uk

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Foreword

Councillor Stephen McCabe, Leader of Inverclyde Council and Chair of Inverclyde Alliance

As Chair of the Inverclyde Alliance, the Inverclyde Community Planning Partnership, I am delighted to introduce Inverclyde's Outcomes Improvement Plan 2017 – 2022. This Plan sets out what the Inverclyde Alliance wants to achieve by way of improving outcomes over the short, medium and longer term for the citizens of Inverclyde.

The Alliance achieved significant progress in delivering the outcomes contained within our Single Outcome Agreement 2013/17 and this has informed partners' views on what the key issues for Inverclyde continue to be and how these should be taken forward in this Outcomes Improvement Plan.

We have also undertaken a Strategic Needs Assessment to enable the Alliance to make an informed appraisal of where the greatest needs of our communities lie and where partnership working could make the greatest impact.

Communities from across Inverclyde have been engaged in the development of the priorities within this OIP to ensure that the agreed priorities are the right ones and will make the most difference to people's lives. We have called this Plan 'Moving Forward Together' because we recognise that working with communities will be fundamental to the successful delivery of these priorities and that communities themselves often have the answers to the problems experienced by those living in their area. 'Moving Forward Together' will be a core principle as we further embed our approaches to early intervention, community empowerment and co-production.

As a Partnership, we recognise that whilst challenges will undoubtedly lie ahead, Inverclyde also has a number of substantial strengths that we can build upon. All partners are focussed on ensuring that all our children, citizens and communities are safe, healthy, achieving, nurtured, active, respected, responsible and included through the delivery of the three strategic priorities contained within this Plan.

Through this Outcome Improvement Plan we will work to ensure that we get it right for every child, citizen and community in Inverclyde. We are committed to improving outcomes for all our citizens' but particularly those living in our most deprived communities and our most vulnerable residents.

Partnership working is more important now than it has ever been, with the need to deliver better, more targeted services together, using shared resources where possible. The Alliance is committed to continuing to develop co-ordinated, effective, efficient services together, that meet the needs of our communities and deliver better outcomes for all.

Councillor Stephen McCabe
Chair of Inverclyde Alliance Board
Leader of Inverclyde Council

Introduction

Inverclyde's Outcomes Improvement Plan (OIP) 2017/22 sets out the outcomes that the community planning partners in Inverclyde, known as the Inverclyde Alliance, will seek to improve, which in turn should improve the wellbeing and quality of life of the residents of Inverclyde, with a particular focus on reducing inequality and poverty.

The Community Empowerment (Scotland) Act 2015 placed a legal duty on community planning partners to demonstrate that they are making a significant difference to the lives of their residents through the planning and delivery of local outcomes and the involvement of community bodies at all stages of community planning.

The Act places a very specific focus on tackling inequalities for those that are most disadvantaged in our communities and this should be articulated in a Local Outcomes Improvement Plan which must be:

- Clearly based on evidence and analysis of the area and its communities, variations in outcomes between communities and the communities and outcomes where improvement is a priority;
- Specific about the preventative work required by the plan and how resources will be used in new ways to support prevention;
- A driver for CPPs to develop integrated approaches to improving outcomes;
- A focus for the CPP to identify where partnership working adds value and genuinely improves outcomes;
- Clearly based on active participation by communities and community organisations;
- Clear about the resources necessary to deliver the planned improvements and how they will be provided by the statutory partners;
- Precise about the level of improvement and timescales for each improvement commitment in the plan;
- Clear about scrutiny, performance and accountability arrangements for the plan.

Inverclyde Alliance Board

The Inverclyde Alliance Board is made up of the following members:

- Community Councils Forum
- NHS Greater Glasgow and Clyde
- Inverclyde Chamber of Commerce
- Greenock and District Trades Council
- Inverclyde Council
- West College Scotland
- Job Centre Plus/Department of Work and Pensions
- Skills Development Scotland
- Strathclyde Fire and Rescue
- Scottish Enterprise
- Strathclyde Partnership for Transport
- Strathclyde Police
- CVS Inverclyde
- The Scottish Government

In addition to the above, locally there are a number of other partner agencies who are involved in the delivery of the outcomes such as Riverside Inverclyde, River Clyde Homes and Inverclyde Leisure, among others.

Each of these organisations has made a commitment to delivering the outcomes for Inverclyde and the OIP covers all the services delivered by partners operating within the Inverclyde Alliance.

The OIP will run on a five year rolling basis, while being subject to annual reviews and sits within the

Appendix 2

Council's, public bodies' and Scottish Government's duties in relation to Community Planning and Best Value.

The OIP has been, and will continue to be, developed in consultation and through engagement with all relevant stakeholders and the communities of Inverclyde.

We want to get it right for everyone in Inverclyde, but recognise that there are particular communities that require targeted attention. Those areas which are identified as being subject to multiple deprivation and experiencing the greatest inequalities will receive targeted interventions in regard to housing, health, community safety, environmental improvements and community capacity building etc. We have developed Locality Plans for three areas in Inverclyde which experience the greatest level of inequality and deprivation, using a wide variety of data including the Scottish Index of Multiple Deprivation, to identify those areas. In the plans we set out priorities to improve outcomes for communities that have been developed with communities. These Plans cover the localities of:

- Port Glasgow
- Greenock East and Central
- Greenock South and South West

Our Vision for Inverclyde

The Community Planning Partnership vision for Inverclyde is:

‘Nurturing Inverclyde: Getting it right for every Child, Citizen and Community’

This means that the Alliance will work in partnership to create a confident, inclusive Inverclyde with safe and sustainable, healthy, nurtured communities, and a thriving, prosperous economy, with active citizens who are resilient, respected and responsible and able to make a positive contribution to the area.

As part of the Nurturing Inverclyde approach, the Inverclyde Alliance, are focussing on achieving wellbeing outcomes for our communities, which have been adapted from Getting it Right for Every Child. The wellbeing outcomes have been expanded so that they include all our citizens and communities in Inverclyde.

We want all our children, citizens and communities to be:

- | | |
|----------------------------------|---|
| Safe | Protected from abuse, neglect or harm and supported when at risk. Enabled to understand and take responsibility for actions and choices. Having access to a safe environment to live and learn in. |
| Healthy | Achieve high standards of physical and mental health and equality of access to suitable health care and protection, while being supported and encouraged to make healthy and safe choices. |
| Achieving | Being supported and guided in lifelong learning. Having opportunities for the development of skills and knowledge to gain the highest standards of achievement in educational establishments, work, leisure or the community. |
| Nurtured | Having a nurturing place to live and learn, and the opportunity to build positive relationships within a supporting and supported community. |
| Active | Having opportunities to take part in activities and experiences in educational establishments and the community, which contribute to a healthy life, growth and development. |
| Respected and Responsible | Respected and share responsibilities. Citizens are involved in decision making and play an active role in improving the community. |
| Included | Overcoming social, educational, health and economic inequalities and being valued as part of the community. |

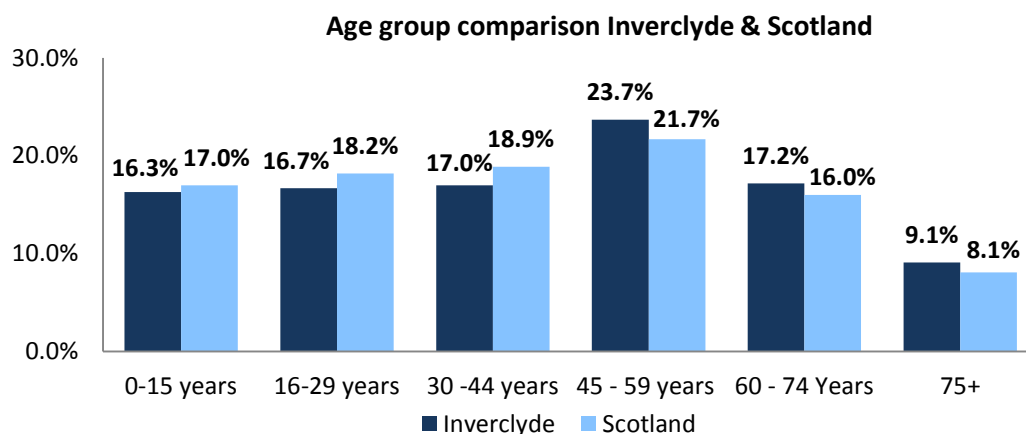
Our Place

Inverclyde is located on the west coast of Scotland and is one of the most attractive places in Scotland to live, work and visit, with breath-taking scenery, excellent transport links to Glasgow and Edinburgh, some of the best walking and sporting activities in Europe and the best school estate in Scotland.

The main towns of Greenock, Port Glasgow and Gourock sit on the Firth of the Clyde. The towns provide a marked contrast to the coastal settlements of Inverkip and Wemyss Bay which lie to the South West of the area and the picturesque villages of Kilmacolm and Quarriers Village which are located further inland, and offer a further dimension to the area's diversity, particularly in social, economic and physical terms.

A strong sense of community identity exists within Inverclyde and to local neighbourhoods in particular. Local citizens are rightly proud of their area, and its history which is steeped in centuries of maritime and industrial endeavour.

Inverclyde's population in 2016 was estimated to be 79,160. There are more females than males in Inverclyde's population; 52% females compared to 48% males. Compared to the Scottish average, Inverclyde has a slightly lower proportion of children and young people and slightly higher proportion of older people (aged 60+). The composition of Inverclyde's population compared to Scotland is shown in the graph below:



Source: [NRS mid-2015 population estimates](#)

In order for the Alliance to evaluate where partnership working will add the greatest value, it needs to have a clear understanding of the current and future health, social and economic needs of the population. A comprehensive Strategic Needs Analysis for Inverclyde has been developed to inform the identification of the priorities in this Outcome Improvement Plan. You can view the Inverclyde Strategic Needs assessment here: <https://www.inverclyde.gov.uk/council-and-government/community-planning-partnership/inverclyde-outcome-improvement-plan>

It should be noted however that the Inverclyde Strategic Needs Assessment does not stand alone and as well as the Alliance partner plans and strategies that support it, additional information on the needs of Inverclyde and its population can be found in the following:

- The Inverclyde Health and Social Care Partnership Strategic Needs Assessment
- The Inverclyde Alliance Joint Children's Services Strategic Needs Assessment
- The Inverclyde Community Safety Strategic Needs Assessment

What does our Strategic Needs Analysis tell us?

Population

- A declining population has implications for the future of services within Inverclyde. In particular, the projected decline in the numbers of young people and working age population, coupled with the substantial increase in the numbers of over 60s will place additional pressures on those services required by an ageing population.
- More local jobs will be the biggest determinant of future population growth and critical to attracting migrants and retaining young people currently living in Inverclyde.
- Partners need to ensure that appropriate support is available that meets the changing needs of our older people e.g. older adults are at increased risk of being socially isolated or lonely which in turn impacts on health and wellbeing.
- A poor perception of the area is the primary reason given by our young people who are considering leaving. Also, the majority of residents leaving Inverclyde move elsewhere in Scotland and Inverclyde has been less successful than other areas in Scotland in attracting in migrants, although the recent increase in the number of migrants moving to Inverclyde is encouraging.

Economy

- Inverclyde's employment remains heavily reliant on the public sector. With public sector budgets reducing resulting in a shrinking workforce in this sector, this will put additional pressure on the local employment market.
- The reduction in the working age population of Inverclyde is a long term issue for the partnership.
- Planned and future training and upskilling opportunities must take cognisance of the predicted market changes to ensure that Inverclyde residents have the required skills to meet the needs of employers.
- The closing of the gap between Inverclyde and Scotland in relation to gross weekly pay is a positive outcome for Inverclyde residents.
- There has been a significant increase in the number of new enterprise births between 2010 and 2015, however Inverclyde's business base remains relatively narrow with a lower business survival rate than the Scottish average. Growing small businesses is one route to employment growth.
- Business density remains well below the Scotland average and there continues to be a challenge in growing private sector jobs.
- Tackling entrenched rates of dependency on Employment Support Allowance and Incapacity Benefit remain a challenge.
- The number of residents in Inverclyde with no qualifications is higher than the Scottish average and acts as a barrier to finding employment.
- Respondents from the Our Place Our Future survey have fairly low satisfaction levels with work and the local economy overall. Respondents cited the need for more well paid jobs and meaningful employment opportunities locally.

Deprivation

- Income, employment and health deprivation, as measured by the SIMD16, remain a significant issue for a large number of people living in Inverclyde. Deprivation levels vary significantly across communities in Inverclyde with the most deprived area being Greenock Town Centre.
- Child poverty in Inverclyde has increased in recent years, with more than 1 in 4 children now estimated to be living in poverty.
- Fuel poverty is growing and those in our most deprived areas are spending a higher proportion of their income on fuel.
- The ongoing improvement in attainment for those young people living in the most deprived 20% is encouraging.

Health

- There is a welcome improvement in life expectancy for both males and females in Inverclyde, although longer life expectancy does not always translate to healthy life expectancy with people living longer but living with disability or chronic illness. For example, there is a difference of nearly 17 years for women in Inverclyde between healthy life expectancy and life expectancy. Stark health inequalities continue to exist in life expectancy and other health outcomes across communities in Inverclyde.
- Obesity is a growing issue both nationally and locally. Children in Inverclyde are at a higher risk of weight problems compared to the national average and this has potentially serious implications for their health later in life.
- Alcohol and drug misuse continues to be higher than the national levels and targeted approaches through the work of the Alcohol and Drug Partnership will continue to be important.
- It is anticipated that as the population ages, growing numbers of Inverclyde residents will be at risk of developing dementia.
- Based on current trends, an ageing population will result in a continued increase in the number of hospital admissions as well as increased demand for home care services.
- Feelings of influence and a sense of control are not particularly high in any Inverclyde locality. Residents of Port Glasgow in particular, have notably lower levels of satisfaction. As mentioned previously, asset based approaches will help to ensure that people living in poverty and deprivation have their voices heard.

The Environment

- Satisfaction levels with natural / open space are high overall however there is less usage of natural space in our most deprived communities who have a lower frequency of visits but who stand to benefit the most.
- Levels of cultural engagement in Inverclyde have remained relatively unchanged between 2012-2015 and are marginally lower than the Scottish average.

Appendix 2

- Despite a fall in recorded crime, a significant proportion of the population have the perception that crime has increased.
- Fire call outs in Inverclyde are the highest in Scotland and deliberate fire raising is a particular issue locally.

Engaging with our Communities

Extensive community engagement has been carried out across Inverclyde to inform the development of this LOIP. This engagement has provided us with a clear, evidence-based and robust understanding of local needs, circumstances and the aspirations of local communities. The feedback from local communities has informed our strategic priorities and the key issues that the Alliance will focus on tackling.

Our Place Our Future



The opinions of local residents were sought via a survey and a series of community events, named 'Our Place Our Future'. The engagement was carried out using the national Place Standard Tool (<http://www.placestandard.scot/#/home>) to gather the views of people across Inverclyde. Those that responded to the survey were asked to consider how satisfied they are in relation to each of the 14 themes of the Place Standard:

- Work and local economy
- Social interaction
- Feeling safe
- Influence and sense of control
- Public transport
- Streets and spaces
- Play and recreation
- Housing and community
- Identity and belonging
- Care and maintenance
- Moving around
- Traffic and parking
- Natural space
- Facilities and local amenities

The engagement was carried out via a wide range of mechanisms to reach as many people as possible:

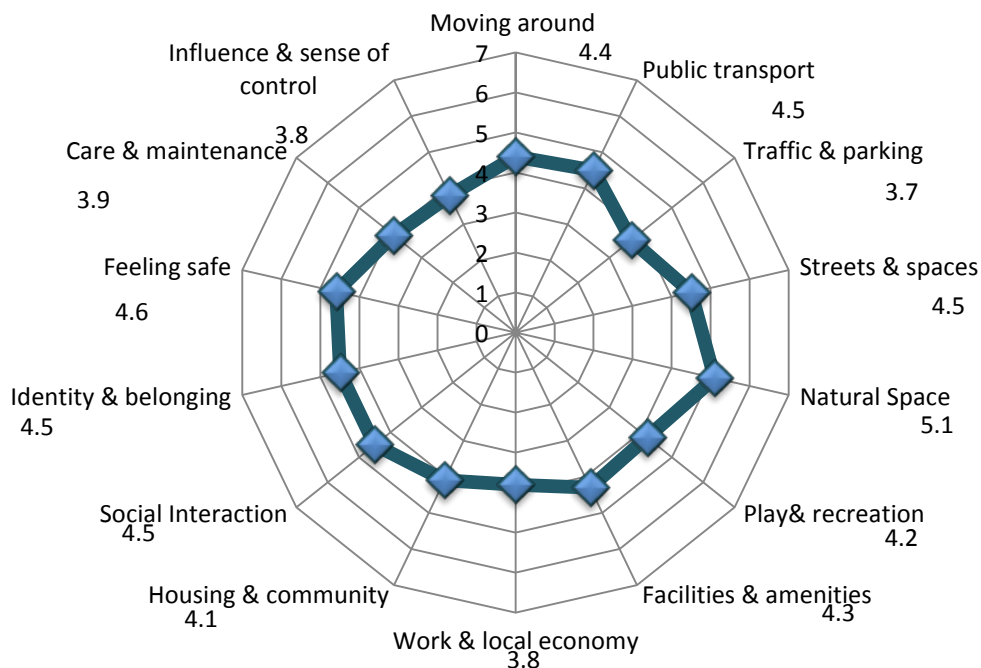
- Social media and online advertising e.g. school websites, online newspapers, community group websites
- A series of community 'drop-in' days across Inverclyde
- Stalls in public places with high footfall e.g. town centres and supermarkets
- Across community networks and groups including ESOL classes, LGBTI, Youth Council, Older People's and Women's groups. Your Voice Community Care Forum also engaged with residents with health conditions/ patient groups, disability, women's groups, faith groups and those in recovery from addiction.

In total, we had a participation rate of just under 2% of the population over 16 years of age. There was also targeted engagement with the Youth Council to ensure that the voices of children and young people were heard.

Such comprehensive data encompassing a wide range of issues has not previously been available to the partnership and as such we must capitalise on the opportunity that this presents us with. We plan to carry out the survey again in 3 years to allow us to measure the progress that has been achieved in terms of improved residents' satisfaction. We will also feed the results of this engagement back to our communities and set out how this has shaped and influenced the priorities in this plan. In doing this we hope to reinforce participation and encourage stakeholders to continue to be actively engaged in setting the improvement agenda for Inverclyde.

The diagram on the following page provides an overview of levels of satisfaction with the key areas covered in the survey. A score of 1 represents 'not at all satisfied' whilst a score of 7 represents 'completely satisfied'.

Inverclyde average scores



Whilst the Our Place Our Future Survey was the largest community engagement exercise carried out by the Alliance, it is just one strand of the engagement that has been carried out with our communities. Other forms of engagement include:

Inverclyde’s Citizens’ Panel

Inverclyde’s Citizens’ Panel consists of 1000 Inverclyde residents who are representative of the population. Members of the Citizens’ Panel are regularly asked for their views on a range of issues and we consulted with them regarding the outcomes they thought should be addressed in the new Outcome Improvement Plan 2017/22.

#Clyde Conversations

#Clyde Conversations is a partnership conference specifically aimed at harnessing the views and opinions of Inverclyde’s young people in relation to health and wellbeing. The conference was established to build on the wealth of information emanating from the Inverclyde Young People’s Health and Wellbeing Survey (2013), which had an unprecedented response rate of 83%. The conference takes place every eighteen months and is planned and delivered by Inverclyde’s young people. The conference itself provides a unique opportunity for secondary pupils across Inverclyde to meet, engage and jointly plan with policy makers and other community leaders on the issues that matter to them.

Town Centre Regeneration Forums

Town Centre Regeneration Forums have been established in Port Glasgow, Greenock and Gourock. These forums are designed to increase the involvement of local residents in the regeneration process, with residents helping to drive forward economic, physical and social change in their communities, working alongside and collaboratively with the public, private and third sectors. Each of the regeneration forums meet quarterly.

Future Engagement

Community engagement will be integral to the delivery of this Inverclyde Outcomes Improvement Plan and continue to shape it as it moves forward. Our Annual Reports will include details of how this has been carried out.

Our Priorities

The Alliance has considered the issues arising from the Strategic Needs Assessment, coupled with what our communities have told us is important to them. Three strategic priorities have been identified which will provide the framework for the development of action plans that reflect both the needs of our population and the aspirations of our communities, with the overall aim of reducing deprivation and inequalities.

The three strategic priorities are:

1. Population

Inverclyde's population will be stable and sustainable with an appropriate balance of socio - economic groups that is conducive to local economic prosperity and longer term population growth.

2. Inequalities

There will be low levels of poverty and deprivation and the gap in income and health between the richest and poorest members of our communities will be reduced.

3. Environment, Culture and Heritage

Inverclyde's environment, culture and heritage will be protected and enhanced to create a better place for all Inverclyde residents and an attractive place in which to live, work and visit.



Strengths and Opportunities

Whilst Inverclyde as an area faces a number of challenges, it also has many strengths as a place to live and we will seek to capitalise on these in order to achieve better outcomes for people living in Inverclyde.

Location

Inverclyde has a rich diversity of landscapes with unrivalled scenery and spectacular views across the river Clyde to the Argyll Hills and the Highlands. Inverclyde's natural environment is one of the area's biggest assets and is often cited in numerous public consultations as being what people like most about living in Inverclyde.

The area has fantastic transport links to Glasgow, Glasgow Airport, Edinburgh and Greenock Ocean Terminal. Greenock has been voted by HBOS as Glasgow's most affordable commuter town. Inverclyde is also the gateway to the wonderful natural beauty of Argyll and The Trossachs.



Grand Prix of the Sea, Inverclyde 2016

Nurturing Inverclyde

Inverclyde won its first ever Gold COSLA Excellence Award in 2013 for its 'Nurturing Inverclyde' initiative. 'Nurturing Inverclyde' is an innovative approach that was developed to help plan and deliver all services across the Community Planning Partnership. It has created a shared understanding and drive amongst the Partnership to do our best for every child, citizen and community and has helped us to achieve excellence through a strategic vision that is driven forward through a shared vision and values.

Excellent Partnership Working

Inverclyde is a relatively small geographic area in comparison to other local authorities and one of the benefits of this is the ability to establish strong partnership working. There is a great commitment amongst all members of the Community Planning Partnership to improve outcomes for Inverclyde residents and achieve our vision of 'Getting It Right For Every Child, Citizen and Community'.

Partners are continuing to deliver significant investment in the area for example, Inverclyde Council's Roads Asset Management Plan is a £29 million capital investment programme in improving carriageways, footpaths and street lighting infrastructure; SPT investment has delivered major improvements to Greenock and Port Glasgow bus stations and the provision of Park and Ride facilities; West College Scotland has identified its Greenock Campus as high priority in terms of investment in order to be able to provide facilities that will support 21st century learning and teaching and Port Glasgow is set to benefit from a £2.4 million overhaul to its town centre, partly funded by the Scottish Government.

To ensure that the Partnership continually strives to improve its ways of working, the Alliance Board participates in an ongoing programme of self-evaluation and has developed an improvement plan which underpins the strategic direction of the Partnership.

City Deal

The City Deal Agreement will deliver a major investment programme to stimulate economic growth in Inverclyde and will help to boost both infrastructure and the attractiveness of the area as a place to live and work. The area will benefit from £86 million investment and the City Deal projects closely align with the priorities set out this Plan and as such, will deliver benefits for the residents of Inverclyde and the area as a whole.

The provision of 600 new, high quality residential units and 6000sqm of commercial space as part of the Inverkip project will encourage more people to move into or remain in the area, helping to stabilise or increase the population. Investment of more than £14million will be spent at Ocean Terminal to provide a new dedicated berth for cruise liners. This will significantly increase capacity and cruise liner activity, potentially providing Inverclyde with a major tourist boost and an opportunity to promote and market the area positively on a national and international scale. Increased tourism will also provide a direct boost to the local economy. Finally, a £9.4 million Renewables Hub is planned for the Inchgreen Dry Dock. This will involve the redevelopment of a brownfield site and underutilised quay assets, to support off shore renewables, potentially creating new employment opportunities within the area.

Regeneration

Inverclyde Council and its partners vision to secure the long term economic growth of Inverclyde has resulted in a transformation of the area. Along the waterfront, old industrial sites are being cleared, new residential developments are being built, new leisure facilities have been created and new housing is being constructed within existing communities. Some examples of the multi-million pound developments that have helped to transform the area include:

- The completion of the £5.8 million redevelopment of Gourock town centre to enhance the experience of Gourock town centre for businesses, residents, pedestrians, shoppers and visitors.
- The £4.1million restoration, refurbishment and upgrading of Greenock's iconic Grade A listed Custom House has brought 9,796 sq ft of prestigious office accommodation to the centre of Greenock.
- Kelburn Business Park in Port Glasgow , which is adjacent to A8 and only 15 minutes from Glasgow Airport, provides 41,983sq ft of new build industrial and business accommodation within separate terraces,

Our Schools

£270 million has been invested in Inverclyde's school estate over the last 10 years which has ensured that Inverclyde has one of the best school estates in Scotland and every pupil is taught in modern, fit for purpose educational facilities fit for the demands of the 21st century. The schools investment has been underpinned by rigorous appraisal which identified best value projects that would make the most effective contribution towards raising educational standards, support inclusion and provide a better working environment for pupils and staff.

Health Services

Inverclyde provides a range of excellent health services. For example the area has its own hospital that services the population of Inverclyde. Many local residents have told us that having a local hospital is one of the things they like most about living in Inverclyde. In addition, Inverclyde has a rich landscape of local statutory, independent, voluntary and third sector organisations, all of whom make a significant contribution to making Inverclyde a safe, secure and healthy place to live.

Leisure Facilities

There has been significant investment in Inverclyde's leisure facilities which has resulted in these being amongst the best in Scotland. Facilities such as the Gourock outdoor heated pool, which is a salt water pool, set on the banks of the Clyde, provides a popular and unique visitor attraction to the area. Expansion of leisure facilities in recent years resulted in 100,000 more visitors in 2016.

Tourism

Greenock Ocean Terminal is the main cruise destination port in the West of Scotland. In 2013 Greenock Ocean Terminal was awarded “Best Cruise Port Reception in the World”. In 2017, 58 cruise ships and 103,789 passengers visited Greenock Ocean Terminal. This provides a tremendous boost to the Inverclyde economy.



Governance

The governance structure for the delivery of this OIP is set out in the diagram below:



Role of Inverclyde Alliance Board in relation to the Outcomes Improvement Plan

The role of Inverclyde Alliance Board in relation to the OIP is to lead the development and delivery of the strategic outcomes highlighted in the Outcomes Improvement Plan and to embed these into partners planning and business processes. The Alliance Board has a scrutiny role in the performance management of the OIP, with quarterly reports submitted to Board meetings.

OIP Programme Board

The main function of the Programme Board is to oversee the delivery of the outcomes and ensure effective co-ordination of programmes/projects and key information, as well as looking at the cross cutting issues arising across the Partnership Action Groups.

In addition to the Lead Officers (see below) of the Partnership Action Groups, the Programme Board also has representation from other organisations not represented by the lead officers – representation can be co-opted from organisations as the need arises.

The Programme Board where possible refer issues on to existing mechanisms for delivery e.g. Community Safety Partnership, Alcohol and Drug Partnership, or to set up short life 'task and finish' working groups on particular issues. They are also able to draw in other organisations/ partnerships or initiatives as the need arises e.g. in regard to tourism, culture etc.

Partnership Action Group Lead Officers

The Lead Officers facilitate and co-ordinate the development of Partnership Action Plans, with actions identified which each partner can take away and embed within their business plans as well as pieces of joint work.

Each lead officer is also responsible for liaising with their organisation to inform and assist in the delivery of the OIP. Given the cross cutting nature of the outcomes this will promote joint working across the outcomes, particularly where there are impacts across more than one outcome from one action.

Partnership Action Groups

The Partnership Action Groups (PAGs) have representation from across the various organisations involved in Community Planning in Inverclyde. People can be co-opted onto groups for particular issues, keeping membership tight and relevant to those involved. The whole process needs to be as dynamic as possible, focussing on actions and delivery and allows for changes and amendments to membership.

Partnership Action Groups, in the first instance are tasked with:

- ensuring that partners review the actions set out in their business plans and identify which contribute to each of the local outcomes/priorities
- developing partnership action plans setting out actions which will be delivered on a partnership basis to fill any gaps in service delivery, or which will better co-ordinate existing work taking place in regard to their local outcome/priority, reviewed on an annual basis
- identifying opportunities for projects which could take place across more than one priority area
- managing and co-ordinating delivery
- monitoring and reporting on performance to Programme Board and Scottish Government via Annual Performance Report.

Each Partnership Action Group has a Terms of Reference which sets out the purpose, structure, responsibilities and shared aim of the group.

Community Engagement informs the whole process and feedback from representatives of the communities of Inverclyde, and voluntary organisations delivering services in the area, is fed into the Programme Board and partnership action groups to be taken account of in the development and delivery of plans. The Community Engagement Network co-ordinates community engagement across Inverclyde and feeds this into the Alliance and Programme Boards.

The Alliance Board has ultimate responsibility for driving forward the renewal of Inverclyde through this OIP. Partners will be encouraged to reflect the area's strategic outcomes and priorities in their respective business/service planning processes. This will enable partners either working together or alone to structure their services and change programmes around a limited number of strategic outcomes.

Resources

All partners of Inverclyde Alliance will contribute resources to the delivery of the Outcomes Improvement Plan. This will include human resources, knowledge and expertise, time and any other assets as appropriate.

The Inverclyde Outcomes Improvement Plan is a high level strategic document and that makes it difficult to specify the financial resources that will be required to deliver the plan. This level of detail will be contained within Locality Plans that will set out the targeted action that will be delivered in the localities of Port Glasgow, Greenock East and Central and Greenock South and South West.

Inverclyde Alliance has an Improvement Plan that sets out a number of improvement actions that have been identified through ongoing, robust self-evaluation. Joint resourcing and planning is an area that has been identified in the Improvement Plan and the Alliance are working on developing a process to identify how partners are shifting planning and resources to early intervention and measuring success on reducing demand, costs and released savings. Resources will be linked to the delivery plans that will sit underneath the Outcome Improvement Plan and the three locality plans and this will provide evidence of how joint resourcing and planning is delivering outcomes.

Linkages between Local Priorities and National Outcomes

Our strategic priorities are based on a clear understanding of local needs as well as the strategic objectives that form the Scottish Government's National Performance Framework. The Alliance has sought to ensure that there is a clear alignment between its three strategic priorities and the overarching Scottish Government's national outcomes to ensure that we are delivering better outcomes not just locally but also nationally.

OIP Priority		National Outcome	
1	<p>POPULATION</p> <p>Inverclyde's population will be stable and sustainable with an appropriate balance of socio-economic groups that is conducive to local economic prosperity and longer term population growth.</p>	<p>1</p> <p>We live in a Scotland that is the most attractive place for doing business in Europe.</p> <p>2</p> <p>We realise our full economic potential with more and better employment opportunities for our local people.</p> <p>7</p> <p>We have tackled the significant inequalities in Scottish society.</p> <p>10</p> <p>We live in well-designed, sustainable places where we are able to access the amenities and services we need.</p> <p>11</p> <p>We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.</p>	
2	<p>INEQUALITIES</p> <p>There will be low levels of poverty and deprivation and the gap between the richest and poorest members of our communities will be reduced.</p>	<p>1</p> <p>We live in a Scotland that is the most attractive place for doing business in Europe.</p> <p>2</p> <p>We realise our full economic potential with more and better employment opportunities for our local people.</p> <p>3</p> <p>We are better educated, more skilled and more successful, renowned for our research and innovation.</p> <p>4</p> <p>Our young people are successful learners, confident individuals, effective contributors and responsible citizens.</p> <p>5</p> <p>Our children have the best start in life and are ready to succeed.</p> <p>6</p> <p>We live longer healthier lives.</p> <p>7</p> <p>We have tackled the significant inequalities in Scottish society.</p> <p>8</p> <p>We have improved the life chances for children, young people and families at risk.</p> <p>15</p> <p>Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it.</p>	
3	<p>ENVIRONMENT, CULTURE AND HERITAGE</p>	<p>1</p> <p>We live in a Scotland that is the most attractive place for doing business in Europe.</p>	

OIP Priority		National Outcome	
	Inverclyde’s environment, culture and heritage will be protected and enhanced to create a better place for all Inverclyde residents and an attractive place in which to live, work and visit.	6	We live longer healthier lives.
		9	We live our lives safe from crime, disorder and danger.
		10	We live in well-designed, sustainable places where we are able to access the amenities and services we need.
		12	We value and enjoy our built and natural environment and protect and enhance it for future generations.
		13	We take pride in a strong, fair and inclusive national identity
		14	We reduce the local and global environmental impact of our consumption and production.

The work of the Inverclyde Alliance as a partnership will contribute to the delivery of National Outcome 16: Our public services are high quality, continually improving and are responsive to local people’s needs

Our Priorities

Priority Action 1: Population

Inverclyde's population will be stable and sustainable with an appropriate balance of socio - economic groups that is conducive to local economic prosperity and longer term population growth.

Why is this a priority in our OIP?

Inverclyde has suffered one of the steepest rates of population decline across the UK.

Inverclyde's population grew quickly through the late 19th century and the first part of the 20th century – peaking at 137,000 in 1951. This population growth was driven by industrialisation. The strength of the shipbuilding industry and port functions in Greenock and Port Glasgow – and the jobs they sustained – attracted people from across Scotland and beyond to live in Inverclyde.

Since this post war peak, however, population decline has been steady and dramatic. Inverclyde's population had fallen to 90,103 by the time of the 1991 Census, a decrease of 35% from the peak in 1951. Our population is continuing to fall; at the time of the 2011 Census the population of Inverclyde was 81,500, down from 84,200 at the 2001 Census, representing a further decline of 3%.

Inverclyde's rate of depopulation has been more severe than other parts of the UK and is amongst the highest in Scotland. Over the period 2001- 2011 Inverclyde had the second highest drop in population of all Scottish Councils.

Tackling depopulation was a priority in our Single Outcome Agreement and we are pleased that we have made progress in addressing this issue. Recent statistics show that the rate of depopulation has slowed down. Inverclyde's population decreased by just -0.43% between mid-2015 and mid-2016. The reasons for this are twofold:

- *Natural change*: there were 698 births compared to 985 deaths (-3.7%).
- *Net civilian migration and other changes*: 1530 people moved into Inverclyde whilst 1586 people moved out of the area, giving a net migration of -56 (-0.05%).

Over the period 2015 – 2016, Inverclyde had the lowest proportion of in-migrants as a percentage of the overall population in Scotland, but also had the lowest proportion of out-migrants, indicating that migration is now fairly well balanced compared to previous years where out-migration far outstripped in-migration.

Inverclyde is one of 11 Council areas where the population is projected to decrease as a result of both out-migration and negative natural change. The latest projections suggest a 12% decrease in Inverclyde's population by 2039. Population decline is not uniform across all age groups however with a 16% decrease projected in the number of children aged 0-15 years and a 21% decrease in the working age population. Conversely, the percentage of the population that is of pensionable age and over is projected to increase by 17%. Within this specific demographic group, there is projected to be a significant increase in the proportion of residents aged 75 and over, with an estimated 68% increase in numbers by 2039. This will have a significant impact on the public sector services most frequently used by this section of the population.

A declining number of children and young people means that it is even more important to encourage our young people to continue to live and work in Inverclyde as adults. In our Young People's Health and Wellbeing Survey, which had an 83% response rate, 45% of secondary school pupils stated that they did not want to live in Inverclyde as an adult. Only 20% of pupils said that they did and 35% of pupils were

undecided.

It is important that we continue to build on the progress that we have made in tackling population decline given the serious implications it has for future service provision and the wider economy.

- Depopulation has the potential to undermine the ability of Inverclyde to attract and retain investment to create competitive retail, leisure and nightlife activities.
- The decline in the area's working age population undermines the ability of existing firms to source labour locally and has the potential to undermine the area's attractiveness to potential inward investors.
- There will be less demand for services associated with young people such as schools and nurseries, but disinvestment from these might make in-migration less attractive for families.
- A growing elderly population will impact on the provision of particular public sector services, particularly health and social care as the elderly/frailer population will require more intensive support, and there will be fewer familial carers to support statutory service delivery.
- The provision of transport networks and the local hospital could become unsustainable without the people to use them.
- Concentration of multiple deprivation will occur, as the communities who are worst off are the ones who will not be able to leave the area or improve their circumstances without significant investment.

We will capitalise on the opportunities that projects such as the City Deal Agreement will provide to help us make particular areas of Inverclyde more attractive places to live. Our efforts to increase population growth will therefore be focused on Greenock, Port Glasgow and Gourock.

What have communities told us?

A number of suggestions were made by respondents regarding how to promote **identity of place** in Inverclyde. A number of respondents felt that a campaign to improve 'Pride in Inverclyde' would help, while other respondents commented on a perceived poor image of Inverclyde and suggested that more is done to promote the area and what it has to offer.

The **young people** that participated in the consultation provided specific feedback relating to the lack of job opportunities for young people and also their views in relation to identity and belonging. 44% of young people expressed their dissatisfaction with a feeling of identity and belonging. Also, our Young People's Health and Wellbeing survey (2013) revealed that 45% of our secondary schools pupils said that they did not want to live in Inverclyde when they are an adult, with a further 35% stating that they did not know if they wanted to live here as an adult. Over a quarter (26%) of respondents cited the reason for this being a general negative view of the area.

Dissatisfaction with the **local economy** and the opportunity to access good quality work was another issue to emerge from the consultation. Respondents expressed their dissatisfaction with the lack of good quality, well paid job opportunities, the lack of provision for training for specific groups such as people with disabilities and people in their 40's and 50's who wish to get back into work. Lack of childcare was also highlighted as a barrier to attending training.

Respondents were asked whether available **housing** supports the differing needs of the community and contributes to a positive environment. The issues highlighted included the need for more affordable housing, more one bedroom properties for young people and elderly people, more housing to suit the needs of disabled people and more sheltered housing to meet the needs of the growing elderly population.

Members of the Citizens' Panel told us that there is a need for more apprenticeships (alongside college and university places) and jobs for school leavers, with the aim of encouraging young people to remain in Inverclyde. Panel members also said that there should be more employment opportunities for older people.

What are the key issues we need to tackle?

There are a wide range of issues that we need to tackle in order to attract new people and businesses into the area and retain the existing population.

Employment – Increasing the number of well paid jobs that are available and ensuring that people can access appropriate training to help them take up these opportunities is vital in order to tackle the high levels of unemployment and worklessness in Inverclyde.

Grow the business base - Inverclyde has a small and relatively narrow business base, with a reliance on a small number of larger employers, a lack of medium sized firms, and an over reliance on the public sector to provide jobs. There is a need to attract private sector businesses and investment, as well as stimulating an entrepreneurial culture and supporting indigenous businesses to grow and to develop more small and medium-sized businesses.

Regeneration – We need to continue the progress that has been made in recent years in regenerating Inverclyde by improving the commercial and industrial portfolio, developing key strategic sites and creating vibrant town centres.

Housing – We want Inverclyde to offer varied, high quality housing for rent and sale that meets the needs of both the existing population and new residents.

Infrastructure – We need to have excellent infrastructure and transport links if we are to be successful in attracting new businesses into the area and encouraging people to come and live in Inverclyde and commute in order to access employment.

Image – We want to promote a positive image of the area to mitigate against the negative messages around deprivation, crime and ill health that are portrayed.

What early intervention and preventative spend approaches are we deploying?

- We are currently promoting Inverclyde as a place to live by showcasing what the area has to offer and in doing so raising the profile of Inverclyde.
- We are developing a new brand which builds on the promotion of Inverclyde as a place to live, work and invest and the promotion of community pride.
- A range of housing related measures are being introduced to help attract new people and business into the area. For example, assistance with initial housing costs and access to housing, assisting the development of self-build housing schemes, assisting householders take advantage of renewable energy systems and the introduction of a service aimed at helping people move into the area.
- A range of initiatives aimed at increasing employment opportunities and support provided to businesses will help us to retain existing population.

What will be different for communities in 10 years?

Although this Plan covers the period 2017/22, the Partnership appreciates that due to the complexity of tackling these issues, improvements in outcomes for residents will not be fully evident until the longer term. The outcomes that we expect to have achieved in 10 years include:

- Inverclyde will be a more attractive place to live and work with excellent education provision, leisure facilities, transport links, good quality housing and employment opportunities.
- A greater variety of opportunities that meet the needs and aspirations of our young people will be

available so that they are encouraged to stay in the area after leaving school.

- Inverclyde’s local economy will have grown and be characterised by a diverse business base as a result of an increase in the number of local entrepreneurs and inward investment.
- Communities in Inverclyde will have an enhanced sense of pride, identity and influence, resulting in improved quality of life and satisfaction with living in the area.
- Inverclyde will have a stable population with a good balance of socio-economic groups.

What local outcomes will this local priority help to achieve?

Safe: fear of crime will reduce as a result of getting clear messages out to citizens about the reduction in reported crime locally.

Achieving: employment – work will be undertaken to increase the number of well paid jobs that are available locally and ensure that people can access appropriate training.

Respected: feedback from local people indicated that they would welcome a campaign to help promote Inverclyde and encourage citizens to have a sense of pride in the Inverclyde area.

Included: Inverclyde’s current population will be satisfied with the area as a place to live and that they will choose to continue living here.

What national outcomes will this local priority help to achieve?

Government purpose target:

Population Growth -

To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period

National Outcomes

1. We live in a Scotland that is the most attractive place for doing business in Europe.
2. We realise our full economic potential with more and better employment opportunities for our people.
7. We have tackled the significant inequalities in Scottish society.
10. We live in well-designed, sustainable places where we are able to access the amenities and services we need.
11. We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.

What plans, strategies and initiatives support this priority?

- Inverclyde Single Operating Plan [Inverclyde Single Operating Plan](#)
- Inverclyde Local Housing Strategy 2011/16 [Local Housing Strategy 2011/16](#)
- Inverclyde Local Development Plan: Main Issues Report (2017) - Inverclyde Council [Inverclyde Local Development Plan](#)
- Inverclyde Council Strategic Housing Investment Plan 2017/22 [Inverclyde Strategic Housing Investment Plan 2017/22](#)
- The Housing Contribution Statement 2016-19: The Housing Contribution to Inverclyde Health and

- Social Care Partnership
- Inverclyde Community Safety Partnership [↗](#) [↗](#) [Community Safety Partnership](#)
- Inverclyde Council Green Charter [↗](#) [Green Charter](#)
- Local Transport Strategy
- Local Biodiversity Action Plan [↗](#) [Biodiversity](#)
- Inverclyde Alliance Partners' Communications Strategies
- Glasgow and the Clyde Valley Strategic Development Plan (Clydeplan July 2017): Glasgow and the Clyde Valley Strategic Development Planning Authority, Glasgow
- Inverclyde Local Development Plan 2014
- River Clyde Homes Business Plan 2014/19 [↗](#) [River Clyde Homes Business Plan 2014/19](#)
- Transportation and Roads - Staff Travel Plan
- Visit Scotland contract [↗](#) [Visit Scotland](#)
- Discover Inverclyde [↗](#) [Discover Inverclyde](#)
- Regional Transport Strategy 2014/17 [↗](#) [Strathclyde Partnership for Transport - Regional Transport Strategy Delivery Plan 2014/17](#)
- Youth Employment Activity Plan
- Inverclyde Alliance Repopulation Outcome Delivery Plan
- Community Learning and Development 3 Year Plan

- **National Strategies**
- Scotland's Economic Strategy
- All Our Futures: Planning for a Scotland with an ageing population
- Housing (Scotland) Act 2014
- Tourism Scotland 2020

Priority 1 Repopulation: How Will We Measure Our Success?

Issue	Indicator / Source	2014/15	2015/16	2016/17	Short Term Target (1 yr)	Medium Term target (3yr)
Population Growth	Total Population of Inverclyde Annual/Mid-year population estimates https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates	79,890	79,500	79,160		
	Satisfaction with Inverclyde as a place to live. Biennial/Questionnaire/Citizens' Panel	72% (2011)	72% (2014)	75% (2016)		
	Satisfaction with neighbourhoods as a place to live (links to national indicator 28) Biennial/Questionnaire/Citizens' Panel	84% (2011)	85% (2014)	81% (2016)		
	Civilian in-migration Annual/ Components of migration by administrative area: https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2016/list-of-tables	1,376	1,456	1,530		
	Civilian out-migration Annual/ Components of migration by administrative area: https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2016/list-of-tables	1,646	1,592	1,586		
	% of population that are working age (age 16-64) Annual/Mid-year population estimates	62%	62%	62%		

Priority 1 Population: How Will We Measure Our Success?						
Issue	Indicator / Source	2014/15	2015/16	2016/17	Short Term Target (1 yr)	Medium Term target (3yr)
Economic Growth	Improve average gross weekly wages (employees living in Inverclyde) to match or exceed Scottish average Annual/excel spreadsheet/ http://www.nomisweb.co.uk/reports/ Source: ONS annual survey of hours and earnings – resident analysis Inverclyde Scotland	2014 £506.80 £518.60	2015 £519.20 £527.00	2016 £535.00 £536.00		
	Improve the overall employment rate in Inverclyde Annual/ Economically active people in employment figure, expressed as a percentage of the working age population Source: NOMIS Labour Market Profile, Inverclyde https://www.nomisweb.co.uk/reports/lmp/la/1946157422/report.aspx#tabeinact	69.4%	68.2%	71.5%		
	Reduce the percentage of young people 16 to 24 who are unemployed ONS Claimant Count by age. % is number of claimants as a proportion of resident population of the same age (figures shown are from April of the named year) https://www.nomisweb.co.uk/reports/lmp/la/1946157422/report.aspx#tabeinact	2015 3.2%	2016 3.1%	2017 4.3%		
	Reduce the percentage of people in receipt of main out of work DWP benefits. Department for Work and Pensions benefit claimants – working age Percentage = proportion of resident population of area aged 16 – 64 https://www.nomisweb.co.uk/reports/lmp/la/1946157422/report.aspx#tabeinact	2014 16.3%	2015 15.6%	2016 14.7%		
	Reduce the percentage of working age people with no qualifications Source: ONS Annual Population Survey % are for those aged 16-64 https://www.nomisweb.co.uk/reports/lmp/la/2038432138/report.aspx	2014 12.7%	2015 13.5%	2016 14.2%		
	Increase the number of business gateway start-ups per 10,000 population	2013/14	2014/15	2015/16		

Priority 1 Population: How Will We Measure Our Success?						
Issue	Indicator / Source	2014/15	2015/16	2016/17	Short Term Target (1 yr)	Medium Term target (3yr)
	(LGBF)					
	Inverclyde Scotland	20.8 19.0	18.9 18.9	19.2 16.9		
	Increase the % survival rate of newly born enterprises after 1 year	2012 92.1%	2013 93.3%	2014 93%		
Tourism	Increase the number of cruise ships and passengers visting Greenock Ocean Terminal. Source: Peel Ports Clydeport	2015 Ships: 56 Passengers: 108,866	2016 Ships: 59 Passengers: 101,550	2017 Ships: 58 Passengers: 103,789		
Our Place Our Future Survey	Increase the average score of residents who feel satisfied with housing and the community in Inverclyde	-	-	2017 4.3		
	Increase the average score of residents who feel satisfied with social interaction in Inverclyde	-	-	2017 4.5		
	Increase the average score of residents who feel satisfied that they have a positive identity and belong in Inverclyde	-	-	2017 4.6		

Priority 2: Inequalities

There will be low levels of poverty and deprivation and the gap between the richest and poorest members of our communities will be reduced.

Why is this a priority in our OIP?

Inequality is a consequence of a number of complex factors and as such, no single organisation can address these on its own. Over the course of 2015/16 NHS Health Scotland worked with the Inverclyde Alliance to develop the partnership's understanding of the fundamental causes of health inequality in order for the partnership to develop more effective approaches to tackling inequality. Health inequalities are not inevitable, but are a consequence of social inequality such as poverty, which requires joined up action at a strategic and local level.

Particular issues that are driving inequalities locally include:

Employability

Inverclyde faces significant challenges in terms of tackling the levels of unemployment and inactivity within the area. Unemployment rates and working age key benefit claimant figures both sit above the Scottish average. As at March 2017, 71.5% of Inverclyde's economically active population were in employment compared to 73.4% in Scotland. The number of working age benefit claimants is 5% above the Scottish average. A contributory factor to the area's unemployment and inactivity statistics is the significant proportion of its population living in areas designated as deprived. To help residents move into employment we must improve the skills and confidence of a large proportion of our population. Low paid, short-term, cyclical work features heavily within Inverclyde's labour market which results in short periods of employment, in work poverty and spells on benefits.

Income and Debt Management

The demographics of the Inverclyde population experiencing problems with debt has changed markedly and significantly. Since the UK went into recession and faced the international banking crisis, the profile of those facing serious debt problems has changed. Although the country is now in recovery, there still exists issues with low pay, zero hours contracts, redundancies and the availability of credit and households in Inverclyde are particularly vulnerable with a lower gross annual income than is the Scottish average; £24,543 in Inverclyde compared to £27,260 in Scotland in 2016.

We know that those in low income households have seen their earning grow at a lower rate than the cost of living since the recession and that these households also spend a higher proportion of their income on housing, food, telephone and internet services as well as a premium in the energy market because they are more likely to use pre-payment meters for energy consumption.

The number of sub-prime lenders operating in Inverclyde has continued to rise. This coupled with the increase in availability of sub-prime lenders online has seen an increase in the use of high cost, short term credit.

Fuel Poverty

Fuel poverty is a major issue for thousands of Inverclyde families who are struggling to pay their fuel bills and keep their house warm. 41% of Inverclyde residents are living in fuel poverty (Scottish House Condition Survey 2013-15). A household is described as living in fuel poverty if they are required to spend more than 10% of the household income on fuel, more than 20% equates to extreme fuel poverty. In the face of continuing high fuel prices, increasing numbers of households are falling into fuel poverty. Living in fuel poverty can have a profound effect on a person's quality of life. Illnesses such as influenza, heart disease and strokes are all exacerbated by cold. Cold homes can also promote the growth of health damaging fungi and mould. Less directly, households that have to spend a high proportion of their income on fuel have to compensate in other parts of their household budget. This can lead to poor diet or reduced participation in social, leisure and community activities, which can also impact on health and quality of life.

Child Poverty

Child poverty is a growing issue in Inverclyde. For many children growing up in poverty can mean a childhood of insecurity, underachievement at school, poor health and isolation from their peers. Children who grow up in poverty all too often become the parents of the next generation of children living in poverty. Figures published by the End Child Poverty Campaign in 2016 show that after housing costs more than 1 in 4 children (27.9%) in Inverclyde are living in poverty, an increase of 3.9% on 2012 figures. Research has shown that childhood experiences have a strong bearing on a child's prospects in adulthood. Children that have grown up in poverty have a much higher likelihood of having poorer experiences than those who have grown up in better off households.

Deprivation

The Scottish Index of Multiple Deprivation 2016 shows that 36% of Inverclyde 114 datazones are in the most deprived datazones in Scotland. Levels of deprivation however vary significantly across Inverclyde. The highest levels of deprivation are mainly concentrated in Greenock East and Central, Greenock South West and Port Glasgow. The areas with least deprivation are mostly situated in Wemyss Bay, Inverkip, Gourrock and Kilmacolm.

The effects of inequality are far reaching and outcomes tend to worsen as deprivation levels increase. Some examples of how this has manifested itself in Inverclyde are provided below:

- Average life expectancy is lower than the Scottish average. The life expectancy for males is 75.4 years, 1.7 years lower than the Scottish average. Female life expectancy is 80.4 years, 0.7 years lower than the Scottish average.
- There are stark variations in life expectancy depending on where you live in Inverclyde. A male living in Kilmacolm has a life expectancy of 84.2 years, compared to 70.2 years for a male living in Greenock Town Centre. The life expectancy of a female living in Kilmacolm is 92 years compared to 76.8 years for a female living in Greenock Town Centre.
- In 2014/15, the rate for alcohol related hospital stays was 1073/100,000, which was 60% higher than the Scottish level which was 672/100,000.
- Attainment of our pupils living in the 20% most deprived areas in Inverclyde is lower than the 20% least deprived.
- The rate of emergency hospital admissions in Inverclyde has been higher than the Scotland rate for the last ten years.
- The percentage of the population prescribed drugs for mental health related conditions is higher than the national average.

Mental Health

There is evidence that poor mental health is both a cause and a consequence of social, economic and environmental inequalities. Mental health problems are more common in areas of deprivation and poor mental health is consistently associated with unemployment, less education and low income or material standard of living, in addition to poor physical health.

There is a slightly higher percentage of people in Inverclyde with a mental health condition in comparison with the Scottish average. In Inverclyde 6.4% of the total population had a mental health condition recorded in the 2011 census, the Scottish figure was 4.4%.

Healthy Lifestyles

A person's lifestyle is believed to have a significant effect on their health. Lifestyle factors include diet, obesity and smoking, drinking and drugs, environment, unemployment and exercise. People living in deprived areas are more likely to not have a healthy lifestyle and this contributes to the healthy inequality experienced by these groups. In addition, higher levels of deprivation are associated with increased likelihood of obesity in both adults and children.

Obesity is an issue in Inverclyde. In 2015/16 the percentage of children in primary 1 in Inverclyde at risk of being overweight was slightly higher than the Scottish average. In addition, the prevalence of maternal obesity in Inverclyde is higher than the average across NHS Greater Glasgow and Clyde. In Inverclyde HSCP in year 2013/2014, twenty-six point five percent (26.5%) of pregnant females were obese and in NHS Greater Glasgow and Clyde, only twenty-two point two percent (22.2%) of pregnant females were obese.

Older People

People aged 60 and over make up 26.8% of Inverclyde's population. This is proportionately larger than the Scottish average, where 24.4% were estimated to be aged 60 and over. The most significant population increase in Inverclyde is projected for the age group 75 and over with an estimated increase of 67.7% by 2039. This will have a major impact on the public sector services most frequently used by this section of the population such as Health and Social Care. The rate of homecare per 1,000 population is already higher in Inverclyde than the Scottish rate. For example, in 2016 the rate of homecare per 1,000 population in Inverclyde was 15.94, higher than the Scottish rate of 11.13.

Older people living in Inverclyde are particularly affected by fuel poverty. Across Scotland the household type affected most by fuel poverty is older households (49%). This is reflected in Inverclyde but with a greater proportion (60%) of older households in fuel poverty.

The prevalence rates for older people with dementia aged 65+ is approximately 10% of the older population and an anticipated 30% for people aged over 80. In Inverclyde it is anticipated that there will be an increase of 10% of those aged 85-89 years with dementia and a 26% increase in those aged 90 or above as the demographic picture changes. (Source: Inverclyde Dementia Strategy November 2013)

There has been a steady increase year on year in the number of emergency hospital admissions per 100,000 population (65+). There were 25,064 admissions in 2004/05 and this has steadily risen each year to 29,907 in 2014/15. The rate of emergency admissions for those aged 65 and older per 100,000 is higher in Inverclyde than the Scottish average.

Older adults are at increased risk of being socially isolated or lonely. By the time people reach their 80s, the majority live on their own, mostly because of widowhood. This is particularly the case for older women who are more likely to be widowed than older men. Older people's social networks often get smaller for other reasons as well – children may have moved away, along with grandchildren, and aging siblings and friends may have died. Loneliness is also prevalent among older adults.

Studies show that acute loneliness and social isolation can impact gravely on wellbeing and quality of life, with demonstrable negative health effects. Being lonely has a significant and lasting negative effect on blood pressure. It is also associated with depression (either as a cause or as a consequence) and higher rates of mortality. Efforts to reduce social isolation are likely to have positive outcomes for wellbeing and mortality rates.

Older people are also at greater risk of death or injury caused by fire in the home and it is predicted that deaths and injuries from fire will rise in proportion to the increases in the numbers of older people.

Members of Inverclyde's Citizen's Panel (82%) believe that supporting older people should be included in the Inverclyde Outcomes Improvement Plan. They told us that we should focus our attention on addressing issues such as social isolation, transport and parking, personal safety and healthcare provision.

What have communities told us?

Feedback from Inverclyde's Citizens' Panel:

- Finance and lack of resources were examples given by the Citizens' Panel as the main challenges

and barriers to achieving positive outcomes in Inverclyde; increases in Council Tax and reductions in public funding, together with the downturn in the UK economy, were all mentioned by respondents.

- Members of the Citizens' Panel told us that supporting older people in Inverclyde is a key topic; when asked what the main issues were for older people in the local area, the main themes which emerged were social isolation; transport and parking; personal safety; and healthcare provision.
- In terms of social isolation, Panel members said they valued having places to go and meet others, with the aim of keeping their minds active; for example, clubs which provide social, mental and physical activities. However, respondents also said that older people often feel overlooked, adding that their opinions should count and be valued.

Feedback from the Our Future Our place Survey:

- Many families are unable to take part in play and recreational activities as the activities on offer are too expensive. In particular, respondents highlighted that they find the cost of gym and leisure facilities too expensive.
- A large number of respondents commented in there not being enough good quality, well paid job opportunities available locally. Zero hour contracts were mentioned by a significant number of people as being particularly negative.
- The young people that attended the #Clyde Conversations 1 conference told us that they would like more work to be done on the cost of the school day for families on low incomes.

What are the key issues we need to tackle?

Employment – is central to reducing the inequalities experienced by the poorest members of our communities. Addressing unemployment rates, equipping people with the skills and confidence they need to participate in the labour market and creating better paid, long term jobs will all help to tackle this issue.

Meeting the needs of older people - There are a range of issues we need to address in order to meet the needs of a growing elderly population. This includes interventions and activities aimed at reducing social isolation and loneliness; supporting older people to be as independent as possible; ensuring that they are safe in their homes; enabling older people to contribute to their communities and public life; and creating a 'Dementia Friendly Inverclyde' with everyone from public sector organisations, to the local communities and amenities, sharing part of the responsibility for ensuring that people with dementia feel understood, valued and able to contribute to their community.

Children and families – In order to create a better life for children and their families we need to intervene early and break inter-generational cycles of deprivation and disadvantage. From ante-natal support and breastfeeding advice to parenting programmes and early year's education, it is important that we get involved from the first years of a child's life. This will help us to catch problems early, stop them from getting worse, or prevent them from happening. The use of a whole family approach, with the child's needs at the centre will help us to identify what support families need.

Reducing child poverty – in order to reduce the number of children that are growing up in poverty we need to tackle the root causes which are unemployment, low earnings and educational failure. This means increasing employment opportunities and household income, providing parenting support programmes and high quality early years, primary, secondary and post 16 learning to reduce the attainment gap.

Health Inequalities - There is a growing understanding of the role that 'place' plays in influencing individuals' and families' levels of exposure to health risks, as well as their chances and opportunities for being healthy. Area based approaches to community regeneration such as 'Getting it Right for Broomhill' are deemed to be more effective strategies for tackling health inequalities. Locality planning will enable us

to implement more place based approaches and focus on communities that require targeted action.

Fuel Poverty – We need to target vulnerable households to help them to reduce their fuel costs and make their homes more energy efficient. Tackling fuel poverty is vital in order to help families maximise their incomes.

What early intervention and preventative spend approaches are we deploying?

- Inverclyde was named as one of the original seven local authorities to receive money for the Attainment Challenge. The rationale behind the choice of authorities was the highest proportion of pupils in SIMD 1 and 2 in primary schools. The aim of the Attainment Challenge is to close the attainment gap linked to deprivation. Inverclyde's vision for the Attainment Challenge is to develop practice which is both effective and sustainable through upskilling our permanent workforce as a result of training, coaching and modelling. Evaluations are very positive and early results show significant progress.
- Inverclyde has received almost £2.5 million of extra funding from the Pupil Equity Funding Scheme. For each child in a publicly funded primary or secondary school who is eligible and registered for free school meals, the school will receive £1,200. Examples of the additional provision that schools are putting in place to reduce the poverty related attainment gap include; additional teaching support, counselling services; extra ICT; support for pupils to attend extra-curricular activities.
- The Healthier Wealthier Children project aims to maximise the income of pregnant women and families with children under the age of five.
- A family support programme has been developed in Broomhill to enable agencies to identify a better way of providing support to those who most need it to enable them to experience better outcomes, and to engage with their communities and services.
- We have established lunch clubs which offer family learning and free meals over the school Easter and summer holidays. Families have access to school family support workers, arts, crafts, Bookbug sessions and family cooking. Children are also encouraged to take part in the Inverclyde Libraries Summer Reading Challenge. The lunch clubs have proved to be hugely successful.
- Inverclyde Home Energy Advice team was established to provide face-to-face energy advice to all Inverclyde residents.

What will be different for communities in 10 years?

Although this Plan covers the period 2017/22, the Partnership appreciates that due to the complexity of tackling these issues, improvements in outcomes for residents will not be fully evident until the longer term. The outcomes that we expect to have achieved in 10 years include:

- There will be an increase in employment rates with more well-paid, permanent jobs available.
- There will be a reduction in the number of Inverclyde residents experiencing problems with debt.
- The number of Inverclyde residents living in fuel poverty will be reduced.
- There will be a reduction in the number of children living in poverty.
- There will be a reduction in the attainment gap with an increase in the attainment of pupils living in the 20% most deprived areas in Inverclyde.

- The life expectancy of males and females living in the 20% most deprived areas in Inverclyde will increase.
- A reduction in social isolation and loneliness amongst older people will result in improved physical and mental health.

What local outcomes will this local priority help to achieve?

Healthy: Encouraging physical activity amongst children will help to reduce childhood obesity, while sustaining and developing local health improvement programmes will improve healthy life expectancy.

Achieving: supported by Attainment Challenge funding, we will aim to close the attainment gap that is linked to deprivation.

Nurtured: delivery of services for older people and the continuation of ‘Dementia Friendly Inverclyde’ will ensure they are supported and nurtured within their own communities.

Included: we will further develop our response to feedback from the community which told us that they were concerned about social isolation experienced by older people in Inverclyde.

What national outcomes will this local priority help to achieve?

2. We realise our full economic potential with more and better employment opportunities for our people.
3. We are better educated, more skilled and more successful, renowned for our research and innovation.
4. Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
5. Our children have the best start in life and are ready to succeed
6. We live longer healthier lives
7. We have tackled the significant inequalities in Scottish society
8. We have improved the life chances for children, young people and families at risk.
15. Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it.

What plans, strategies and initiatives support this priority?

- Port Glasgow Locality Plan
- Greenock East and Central Locality Plan
- Greenock South and South West Locality Plan
- Inverclyde Single Operating Plan [Inverclyde Single Operating Plan](#)
- Inverclyde Health and Social Care Partnership Strategic Plan [Inverclyde HSCP Strategic Plan](#)
- Inverclyde Community Justice Outcomes Improvement Plan [Inverclyde Community Justice Outcomes Improvement Plan](#)
- Inverclyde Health and Social Care Partnership Development Plan
- Inverclyde Arts Strategy: A Vision for a Creative Inverclyde
- Choose Life Strategy
- Inverclyde HSCP Tobacco Action Strategy 2016 [Tobacco Strategy 2016](#)

- Inverclyde Alcohol and Drug Partnership Strategic Commissioning Intentions 2015/18
- River Clyde Homes Business Plan 2014/19 [River Clyde Homes Business Plan 2014/19](#)
- All Registered Social Landlords' Business Plans
- Inverclyde Leisure Business Plan/Strategy [Inverclyde Leisure](#)
- Inverclyde Financial Inclusion Strategy
- A Framework for Sport in Inverclyde [A Framework for Sport](#) (agenda item 6)
- Inverclyde Integrated Children's Services Plan
- Inverclyde Local Housing Strategy
- Inverclyde Council Equality Outcomes Improvement Plan 2017/21 [Inverclyde Council Equality Outcomes Improvement Plan 2017/21](#) (agenda item 13)
- Inverclyde Dementia Strategy and Dementia Friendly Inverclyde [Dementia Friendly Inverclyde](#)
- Community Learning and Development 3 Year Plan
- Inverclyde Local Development Plan 2014

National Strategies

- Community Empowerment (Scotland) Act 2015
- Achieving a Sustainable Future: Regeneration Strategy, 2011
- The Child Poverty Strategy for Scotland: Our approach 2014-2017
- Child Poverty (Scotland) Bill
- Children and Young People (Scotland) Act 2014
- Getting it right for every child
- Education (Scotland) Act 2016
- Mental Health Strategy for Scotland
- Opportunities for All: Supporting all young people to participate in post 16 learning, training or work
- Developing the Young Workforce – Scotland's Youth Employment Strategy
- Reshaping care for Older People: A Programme for Change 2011-2021
- All Our Futures: Planning for a Scotland with an ageing population
- Scotland's National Dementia Strategy
- Refreshed Adult Literacy and Numeracy Strategy to 2020
- Changing Scotland's relationship with alcohol: A framework for Action 2009
- The Road to Recovery: A new approach to tackling Scotland's drug problem 2008


Priority 2 Inequalities: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term target (3 year)
Children and Young People	Reduce the percentage of children that are living in poverty http://www.endchildpoverty.org.uk/	2011 24%	2013 25.6%	2015 27.9%		
	Close the educational attainment gap: Average total tariff scores for pupils from SIMD areas compared to the overall average total tariff scores <ul style="list-style-type: none"> • SIMD Quintile 1 • SIMD Quintile 2 • SIMD Quintile 3 • SIMD Quintile 4 • SIMD Quintile 5 • Overall average total tariff Local Government Benchmarking Framework	2013/14 559 675 903 1,105 1,211 770.8	2014/15 623 820 920 1,080 1,232 836.76	2015/16 681 843 923 1,140 1,346 888.55		
	Reduce the attainment gap between the highest and lowest achieving 20% as measured by tariff scores <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">Lowest 20%</div> <div style="width: 45%;">Highest 20%</div> </div>	2014 216 1,679	2015 219 1,787	2016 223 1,798		
	Increase the percentage of our Looked After Children who achieved SVQ level 3 or better in English and Maths by the end of S4	76.9%	79.1%			
	Increase the percentage of Looked After Children who achieved at least one qualification at SVQ level 3 or better in current diet for examinations	91%	93%			
	Reduce exclusion rates per 1,000 school pupils for: I. All Children	Primary 2.4	Primary 1.3			

Priority 2 Inequalities: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term target (3 year)
	II. Children who are Looked After and Accommodated Source: Education Services	Secondary 39.1 Primary 60.6 Secondary 232.3	Secondary 19.1 Primary 34.9 Secondary 247.2			
	Destinations for young people: Annual Participation Measure for 16-19 year olds Inverclyde Council/Skills Development Scotland	available from 2016	2016 91.2%	2017 91.9%		
	Increase the % participation rate of young people from SIMD 1 and 2					
	Increase provision of meals provided during school holidays to children who are entitled to free school meals (<i>information requested</i>)					
	Reduce the percentage of young people 16 to 24 who are unemployed ONS Claimant Count by age. % is number of claimants as a proportion of resident population of the same age (figures shown are from April of the named year) https://www.nomisweb.co.uk/reports/lmp/la/1946157422/report.aspx#tabeinact	2015 3.2%	2016 3.1%	2017 4.3%		
	Young People with more than one referral to the Early and Effective Intervention co-ordinator	42	57	10		
Economy	Reduce the percentage of the population with no qualifications NOMIS https://www.nomisweb.co.uk/reports/lmp/la/1946157422/report.aspx#tabquals	2014	2015	2016		

Priority 2 Inequalities: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term target (3 year)
Economy	Inverclyde Scotland	12.7% 9.4%	13.5% 9%	14.2% 9.9%		
	Reduce the percentage of Inverclyde's datazones that fall into the 15% most deprived in Scotland (national share) <i>Scottish Government</i> http://www.gov.scot/Topics/Statistics/SIMD/analysis/councils	2009 4.3%	2012 4.5%	2016* 4%		
	Percentage the percentage of Inverclyde datazones that are in the 15% most income deprived in Scotland (national share) <i>Scottish Government</i> http://www.gov.scot/Topics/Statistics/SIMD/analysis/councils	2009 4.1%	2012 4%	2016* 3.7%		
	Reduce the percentage of Inverclyde datazones that are in the 15% most employment deprived in Scotland (national share) <i>Scottish Government</i> http://www.gov.scot/Topics/Statistics/SIMD/analysis/councils	2009 4.3%	2012 4.3%	2016* 3.7%		
	Reduce the percentage of people in receipt of main out of work DWP benefits. Department for Work and Pensions benefit claimants – working age Percentage = proportion of resident population of area aged 16 – 64 https://www.nomisweb.co.uk/reports/lmp/la/1946157422/report.aspx#tabeinact	2014 16.3%	2015 15.6%	2016 14.7%		
	Living Wage: increase the number of employers paying the Living Wage  Scottish Living Wage Accreditation	-	-	2017 13 (September 2017)		
	Increase the gross weekly pay for full time employees living in the area Inverclyde Scotland	2014 £506.80 £519.60	2015 £519.20 £527.00	2016 £535.00 £536.00		

Priority 2 Inequalities: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term target (3 year)
	Reduce the percentage of workless households in Inverclyde NOMIS https://www.nomisweb.co.uk/reports/lmp/la/1946157422/report.aspx	2014 22.1%	2015 26.6%	2016 25.1%		
	Increase the percentage of residents with internet access at home					
Health	Life expectancy at birth (males and females) in most deprived (MD) and least deprived (LD) areas National Records of Scotland, Life Expectancy in Scottish Council areas split by deprivation (2011/15) https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/life-expectancy/life-expectancy-in-scottish-areas/life-expectancy-in-scottish-council-areas-split-by-deprivation/2011-15	2008/12 Male LD 74.7 years Male MD 68.6 years Female LD 80.2 years Female MD 76 years	2009/13 Male LD 75 years Male MD 68 years Female LD 80.8 years Female MD 76.6 years	2011/15 Male LD 76.3 years Male MD 68.5 years Female LD 80.9 years Female MD 77 years		
	Reduce the rate of emergency admissions to hospital (per 100,000 people) <div style="text-align: right;">Inverclyde Scotland</div>	2011/12 12,460 10,090	2012/13 11,847 10,130	2013/14 12,727 10,215		
	Reduce the estimated prevalence of drug misuse ISD <div style="text-align: right;">Inverclyde Scotland</div> http://www.isdscotland.org/Health-Topics/Drugs-and-Alcohol-Misuse/Drugs-Misuse/Prevalence-of-Problem-Drug-Use/	2009/10 2.61% 1.71%	2012/13 3.2% 1.68%	2015/16 figs currently being produced		
	Reduce the alcohol mortality rate in Inverclyde (per 100,000 people) <div style="text-align: right;">Inverclyde Scotland</div>	2012 27.9 21.2	2013 22.5 21.4	2014 38.9 22.2		

Priority 2 Inequalities: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term target (3 year)
Housing	Reduce the percentage of all dwellings in Inverclyde that fail to meet the Scottish Housing Quality Standard http://www.gov.scot/Topics/Statistics/SHCS/keyanalyses/LAtables2015	-	2012/14 54%	2013/2015 56%		
	% of dwellings in Inverclyde with an energy efficiency rating of F or G http://www.gov.scot/Topics/Statistics/SHCS/keyanalyses/LAtables2015 Inverclyde Scotland	2011/13	2012/14 2% 4%	2013/15 2% 3%		
	Reduce the percentage of households estimated to be in fuel poverty in Inverclyde http://www.gov.scot/Topics/Statistics/SHCS/keyanalyses/LAtables2015 Inverclyde Scotland	2011/13 38% 36%	2012/14 43% 35%	2013/15 41% 34%		
Our Place Our Future Survey	Increase the average score of residents who feel satisfied that they have a sense of influence and control in Inverclyde	-	-	2017 4.1	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied with work and the local economy in Inverclyde	-	-	2017 4.0	Survey will take place again in 2020	

Priority 3: Environment, Culture and Heritage

Inverclyde's environment, culture and heritage will be protected and enhanced to create a better place for all Inverclyde residents and an attractive place in which to live, work and visit.

Why is this a priority in our OIP?

Inverclyde's natural environment is undoubtedly one of the area's biggest assets with spectacular surrounding countryside and views across the Firth of Clyde. The environment is important to local residents and it is often cited in public consultations as being what people like most about living in Inverclyde. We need to utilise our greatest asset to create a place that enables our communities to live safe, healthy and sustainable lifestyles, whilst at the same time protecting and enhancing the environment for future generations. In order to achieve this there are a number of issues that the Community Planning Partnership needs to focus on.

There is evidence that local residents find it difficult to get around Inverclyde and to access public transport. For example, 26% of respondents to the Our Place Our Future survey told us that public transport was not meeting their needs. Residents are unable to access certain parts of Inverclyde because there is no public transport provision available. It is vital that Inverclyde has accessible and affordable public transport to enable residents to access employment, health services, visit friends and enjoy an active social life. It is also important for the local economy and means fewer car journeys thus reducing carbon emissions.

Improving the built environment for our communities will create a place where everyone can enjoy both a quality local environment and a healthy and active lifestyle. To enhance the built environment we need to address the issue of derelict land. The percentage of derelict land has increased from 17% to 51% in 2016. 80% of the increase in derelict land relates to two large sites, the Former Inverkip Power Station site and Valley Park, Spango Valley, being identified as derelict.

The environment has a vital role to play in enabling local communities to lead healthy and active lifestyles. We want to encourage more individuals and families across Inverclyde to increase their physical activity through sustained positive changes to both their lifestyle and natural environment. The majority of individuals living and working within Inverclyde are not physically active enough to benefit their health. This reduction in activity levels has taken place over a number of years and can be attributed to various factors ranging from increased car use to the very design of our local communities. Only four in ten (39%) adults met the current physical activity recommendations and just over a third (35%) of secondary school pupils meet the target of taking 60 minutes or more of physical activity on five or more days per week. (Inverclyde Child and Youth Health and Wellbeing Survey 2013).

There is evidence that contact with the natural environment can benefit children a great deal. For example, children living in close proximity to natural environments are more likely to be lighter in weight and be more physically active. Children who live close to green spaces have higher levels of physical activity. (UCL Institute of Health Equity)

The natural environment has also been known to provide a number of mental health benefits, such as reduced stress and anxiety, improvements in mood and concentration, as well as relaxation and escape. (UCL Institute of Health Equity)

We want Inverclyde to have a positive identity and for all residents to feel that they belong to the area and have a sense of pride in it. While local communities have told us that they feel proud to be from Inverclyde, they have also told us that there is more that we could do in order to help people to engage in their local community and address the negative image that a lot of people from out-with Inverclyde have of the area. Young people in particular don't feel that they have a strong sense of identity and belonging and this is an area that we need to tackle to stop them from leaving the area.

Ensuring that all residents feel safe in their local environment is vital in creating a place where people want to live.

Poorer people are more likely to live in more deprived neighbourhoods and there is evidence that the more deprived the neighbourhood, the more likely it is that environmental characteristics will present risks to health, for example, poor housing, higher rates of crime, poorer air quality, a lack of natural space and places for children to play and more risks to safety from traffic. Evidence also suggests that environmental factors contribute to premature death and have been linked to heart disease, cancer and strokes. (UCL Institute of Health Equity)

There is also evidence that income-related inequality in health is affected by exposure to green space. Those living in the most deprived areas are 10 times less likely to live in the greenest areas. People who live closer to green spaces tend to live longer than those with no green space. Given that 41 (36%) of Inverclyde's 114 datazones are in the 15% most deprived datazones in Scotland, improving access to green space would improve the health and well-being of the population of Inverclyde.

Green space is associated with:

- A decrease in health complaints, eg blood pressure and cholesterol,
- Improved mental health and reduced stress levels,
- Perceived better general health, and
- The ability to face problems.

Inverclyde has a rich cultural, industrial and natural heritage with the history of the area steeped in centuries of maritime and industrial endeavour. In addition, we have excellent arts and cultural facilities such as Newark Castle, the Beacon Theatre and the McLean Museum and Art Gallery. The historic McLean Museum and Art Gallery are widely considered to be one of the best municipal museums in Scotland for the outstanding collections of art, local heritage, technology and culture.

There is an opportunity to capitalise on our strong cultural heritage to help build diverse communities and improve the quality of life of Inverclyde residents. Not only that, but art and culture can also be used to inspire our education system, boost our economy and make the area more attractive as a place to live, work and visit.

There is evidence that cultural engagement by adults in Inverclyde is slightly lower than the Scotland wide figure. For example, in 2015, 90% of adults in Inverclyde engaged in culture, compared to 92% across Scotland. (Scottish Household Survey 2015). This indicates that there is potential to improve the wellbeing of the population of Inverclyde by increasing participation in culture.

The Scottish Household Survey found that the most popular form of cultural participation is reading for pleasure. In Inverclyde, the libraries branch network includes 6 public libraries, one in each town or village in the area and a local history and heritage library.

The strong arts and culture scene that exists in Inverclyde can also be used to address environmental issues and create an attractive place that people want to live in. For example, engaging artists and communities in work around physical infrastructure, restoration and remediation of sites would help in our efforts to enhance the built environment. The creative portrayal of Inverclyde's natural surroundings could be used not only to promote green tourism and infrastructure but also renewable energy schemes and residential opportunities that draw people to move into an area.

What have communities told us?

When we asked members of the Citizen's Panel what they liked most about living in Inverclyde, the top three responses were: environment – countryside and coast (64%); location (54%); and good transport linkages (38%).

The environment emerged as an area that many local people are concerned about. Significant investment is required to make the built environment more attractive, particularly derelict buildings and open spaces that are being used for fly tipping. A large number of respondents expressed their concern regarding the upkeep of derelict buildings and the number of run down factories and buildings in some local areas.

Public transport and getting around Inverclyde was highlighted as a particular issue for many Inverclyde residents. 26% of respondents to the Our Place Our future survey said public transport was not meeting their needs. This is due to bus services being too expensive and there being poor provision in the evenings and at weekends in certain areas. Many residents are dissatisfied that access to certain areas in Inverclyde is not possible by public transport.

In addition, members of the Citizen's Panel told us that transport and getting out and about can be an issue, particularly for older people and those living in the West End of Greenock and in more rural parts of Inverclyde.

In March 2016, the Scottish Government in partnership with Riverside Inverclyde and Inverclyde Council commissioned a Greenock town centre Charrette. This process, brought the role of Arts and Creativity into the foreground of several discussions, particularly around the use of space, vibrancy and feel of the town centre. It was clearly recognised as a key factor in the regeneration of Greenock's town centre.

When we asked members of the Citizens' Panel what they thought were the main challenges and barriers for achieving positive outcomes in Inverclyde, a recurring theme was 'community spirit and attitude'. Respondents felt that local people had a lack of belief in the area and that they should be given a reason or hope to live here. The Panel felt steps should be taken to engage people who are disillusioned and make them proud to live in Inverclyde; encouragingly, respondents felt this was achievable.

What early intervention and preventative spend approaches are we deploying?

We have an Active Living Strategy which aims to encourage more individuals and families across Inverclyde to increase their physical activity through sustained positive changes to both their lifestyle and natural environment.

We have established an Environmental Network for local environmental community groups to come together, to support and develop community projects and to respond to the development of locality planning within the Community Planning Partnership.

Inverclyde Place Partnership was established in 2014 as a partnership between Creative Scotland and Inverclyde Council. Its aim is to develop the arts to make Inverclyde a more attractive place for visitors, a more inspiring place to live and a more enriching place to work and do business. Inverclyde Place Partnership primarily seeks to support grass-roots, professional arts activity, building capacity in artists and art organisations, developing and supporting partnerships with Community Planning partners and producing a range of inspiring arts events that nurture a positive identity for Inverclyde. The Place Partnership has also led on the development of an arts and creativity strategy for Inverclyde. This is in the final draft stage.

We established Inverclyde's Heritage Hub as a centre for local archives, local history, genealogical research, old photographs and newspapers. In addition the Heritage Hub has displays of objects connected with local history.

Belville Community Garden is a community growing project that uses a piece of land that the community fought to protect. The purpose of the project is to reconnect people with their environment through horticultural, woodland and creative initiatives.

Getting it Right for Broomhill uses a 'Total Place' approach to regeneration and community development in Broomhill. It uses an asset based approach around a locality, using co-production as a way of engaging with communities to effectively co-produce an agreed set of outcomes and activities.

What are the key issues we need to tackle?

Providing accessible and affordable public **transport** that meets the needs of Inverclyde residents is vital if we are to create a well-connected environment where local people find it easy to access employment and health and leisure services.

We need to reduce the amount of **derelict land** in Inverclyde in order to improve the built environment for our communities. This will also contribute to the regeneration of neighbourhoods, create employment opportunities and improve the image of the area.

Healthy active lifestyles – we want to encourage more individuals and families across Inverclyde to increase their physical activity.

Increase access to **green space**, especially amongst children and those living in our poorest communities.

Biodiversity - Through development pressure, agricultural activities and land management practices, there is a risk that habitats and species can become isolated, disconnected and subsequently reduced in value. By careful management, monitoring and the adoption of good practice, this trend can be reversed both in rural areas and the built up area.

Identity and belonging – running a campaign to increase pride in Inverclyde will help to promote a sense of identity and belonging amongst Inverclyde residents and particularly young people. This also has the potential to reduce the number of young people leaving the area.

Promoting and enhancing our **culture and heritage** will help to improve the wellbeing of Inverclyde residents and create an attractive environment for people who live, work and visit Inverclyde. Arts and cultural activity is used to engage with children and citizens from across Inverclyde, and can drive regeneration, communicate an innovative and unique identity for Inverclyde and promote wellbeing by being accessible for all.

There is growing concern amongst the public about large gatherings of young people, even where no anti-social behaviour is taking place. We have however identified a particular issue of **deliberate fire raising** amongst young people. Effective engagement with young people is required to ensure that they are kept safe and that residents also feel safe in their local community.

What will be different for communities in 10 years?

Although this Plan covers the period 2017/22, the Partnership appreciates that due to the complexity of tackling these issues, improvements in outcomes for residents will not be fully evident until the longer term. The outcomes that we expect to have achieved in 10 years include:

- Public transport will be more accessible and it will be easier to get around Inverclyde.
- The amount of derelict land will be reduced and the land used for alternative uses that will benefit local communities.
- Adults and children living in Inverclyde will be more physically active.
- All Inverclyde residents will have pride in Inverclyde and a sense of identity and belonging to the area.
- There will be increased attendance at cultural events and places of culture.
- Those living in our most deprived communities will enjoy greater access to green space.

- The local Green Network will be improved, offering better opportunities for communities and creating enhanced habitat connections.

What local outcomes will this local priority help to achieve?

Safe: we will aim to reduce the number of deliberate fire raising incidents among young people. Not only will this help to make people feel safe in their local neighbourhood, it will also reduce the resultant environmental damage from smoke and fire gases.

Healthy: improving access to greenspace and encouraging our citizens to become more active will have positive physical and mental health benefits.

Active: we will encourage more people to increase their levels of physical activity via sustained positive changes to both their lifestyle and natural environment, for example, by utilising the green space in their local neighbourhood.

Responsible: we will take steps to reduce the amount of derelict land with the aim of improving the quality of the built environment for local citizens. This action will also contribute to the regeneration of Inverclyde, as well as helping to support the creation of employment opportunities and helping to improve the image of the local area.


Included: Arts and cultural activity is accessible to all and will be used to engage communities in regeneration (as has been carried out in Broomhill in the Art Flat), opening up opportunities to a wider range of people.

What national outcomes will this local priority help to achieve?

1. We live in a Scotland that is the most attractive place for doing business in Europe.
6. We live longer, healthier lives.
9. We live our lives safe from crime, disorder and danger.
10. We live in well-designed, sustainable places where we are able to access the amenities and services we need.
11. We value and enjoy our built and natural environment and protect and enhance it for future generations.
14. We reduce the local and global environmental impact of our consumption and production.

What plans, strategies and initiatives support this priority?

Plans, strategies and initiatives which support this outcome

- HECA
- River Clyde Homes Business Plan  [River Clyde Homes](#)
- Inverclyde Carbon Management Plan 2012/17
- Community Safety Strategy
- Waste Strategy
- Inverclyde Core Paths Plan 2009
- Glasgow and Clyde Valley Green Network

- Inverclyde Council Green Charter [Green Charter](#)
- Greenspace Strategies
- Local Transport Strategy
- Local Biodiversity Action Plan [Biodiversity](#)
- River Basin Management Plan
- Transportation and Roads – Inverclyde Council: Staff Travel Plan (to be rolled out to partners)
- Regional Transport Strategy 2014/17 [Strathclyde Partnership for Transport - Regional Transport Strategy Delivery Plan 2014/17](#)
- Inverclyde Council Corporate Asset Management Strategy 2016/18 [Corporate Asset Management Strategy 2016/18](#) (agenda item 20)
- Schools Estate Management [School Estate Management](#)
- Strategic Environmental Assessments
- Local Air Quality Management – Review and Assessment Process
- Greenspace [Greenspace](#)
- Scotland's Climate Change Declaration [Scotland's Climate Change Declaration](#)
- Community Safety Partnership [Community Safety Partnership](#)
- Inverclyde Local Access Forum
- Youth behaviour intervention and education programme - 'New Horizons'
- Third Sector Delivery/Community Activity
- Active Living Strategy
- Inverclyde Open Space Audit 2015
- Community Learning and Development 3 Year Plan

- ***National Strategies***

- Community Empowerment (Scotland) Act 2015
- Physical Activity Implementation Plan: A more active Scotland 2014
- Scottish Planning Policy
- Creating Places: A policy statement on architecture and place for Scotland 2013
- Play Strategy for Scotland: Our Action Plan

Priority 3 Environment, Culture and Heritage: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term Target (3 year)
Neighbourhood Perception	Community safety and neighbourhood perception: % of respondents either satisfied or very satisfied with their neighbourhood as a place to live Inverclyde Council's Citizens' Panel	2014 85%	2015 measured every 2 years	2016 81%	2018 85%	
	Increase in the % of people who feel safe: % of people who noticed a reduction in anti-social behaviour in the past 12 months Inverclyde Council's Citizens' Panel	2011 10%	2014 13%	2016 33%		
	Customer feedback and influence: % residents satisfied that they can influence decisions affecting the local area Inverclyde Council's Citizens' Panel	2012 38%	2014 47%	2016 37%		
Physical Activity	Increase in the % of people cycling: % of Inverclyde households with access to one or more bikes for private use Annual Cycling Monitoring Reports	March 2015 28.3%	February 2016 28.9%	February 2017 25.9% (bottom 5 in Scotland)		
	Reduce the number of inactive people in Inverclyde: % of Inverclyde residents participating in sport/similar activity at least every two weeks Inverclyde Council's Citizens' Panel	2012 57%	2014 51%	2016 60%	2018 63%	
Built Environment	Reduce the amount of local vacant and derelict land and buildings: <ul style="list-style-type: none"> • Vacant land • Vacant land and buildings 	92.57 ha 43.11 ha 27.87 ha	76.81 ha 1.58 ha 81.77 ha	74.73 ha 0.45 ha 80.78 ha		

Priority 3 Environment, Culture and Heritage: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term Target (3 year)
	<ul style="list-style-type: none"> Derelict land Total Inverclyde Council	163.55 ha	160.16 ha	155.96 ha		
	CO₂ emissions within the scope of influence of the local authority, per capita www.gov.uk	2013 5.4 CO ₂ tonnes	2014 4.7 CO ₂ tonnes	2015 4.5 CO ₂ tonnes		
	Reduce instances of deliberate fires and the resultant environmental damage from smoke and fire gases: <ul style="list-style-type: none"> Number of deliberate primary fires Number of deliberate secondary fires 	2015 17 168	2016 15 352	2017 12 284		
	% of household waste composted and recycled Inverclyde Council	56%	54.4%	53.3%	2017/18 55.3%	
	Cleanliness score: street cleanliness - the cleanliness index achieved following inspection of a sample of streets and other relevant land Inverclyde Performs	93.7%	94.4%	94.3%		
Outdoor space	Green space – walking distance to the nearest green space by 20% most deprived SIMD area: <ul style="list-style-type: none"> In 5 minutes 6-10 minutes 11 minute walk or more Don't know Annual Scottish Household Survey http://www.gov.scot/Topics/Statistics/16002/LAtables2015/Inverclyde	2014 49% 23% 26% 2%	2015 60% 26% 11% 3%			

Priority 3 Environment, Culture and Heritage: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term Target (3 year)
	<p>Outdoor visits - frequency of visits made to the outdoors by residents from 20% most deprived SIMD areas:</p> <ul style="list-style-type: none"> Once or more times a week At least once a month At least once a year Not at all <p>Annual Scottish Household Survey 2015 http://www.gov.scot/Topics/Statistics/16002/LAtables2015/Inverclyde</p>	<p>2014</p> <p>47%</p> <p>13%</p> <p>15%</p> <p>25%</p>	<p>2015</p> <p>56%</p> <p>13%</p> <p>14%</p> <p>16%</p>			
	<p>Satisfaction levels with nearest green space in Inverclyde: % residents that are satisfied / very satisfied</p> <p>http://www.gov.scot/Topics/Statistics/16002/LAtables2015/Inverclyde</p>	<p>2014</p> <p>65%</p>	<p>2015</p> <p>70%</p>	Not available		
	<p>Satisfaction levels with nearest greenspace in Inverclyde: % of residents in most deprived 20% that are satisfied / very satisfied</p> <p>http://www.gov.scot/Topics/Statistics/16002/LAtables2015/Inverclyde</p>	<p>2014</p> <p>58%</p>	<p>2015</p> <p>64%</p>	Not available		
	<p>Green Network indicator</p> <ul style="list-style-type: none"> Number of households living within 400m actual walking distance of a useable greenspace. The degree to which greenspaces are connected to each other as well as greenspaces. 	TBC	TBC	TBC	TBC	TBC
Biodiversity	<p>The number of planning applications that sought consultations for biodiversity issues.</p>	Awaiting Data	Awaiting Data	Awaiting Data		
Culture	<p>Cultural engagement by adults in the last 12 months</p> <p>Annual Scottish Household Survey http://www.gov.scot/Topics/Statistics/16002/LAtables2015/Inverclyde</p>	<p>2014</p> <p>90%</p>	<p>2015</p> <p>90%</p>	Not available		

Priority 3 Environment, Culture and Heritage: How Will We Measure Our Success?

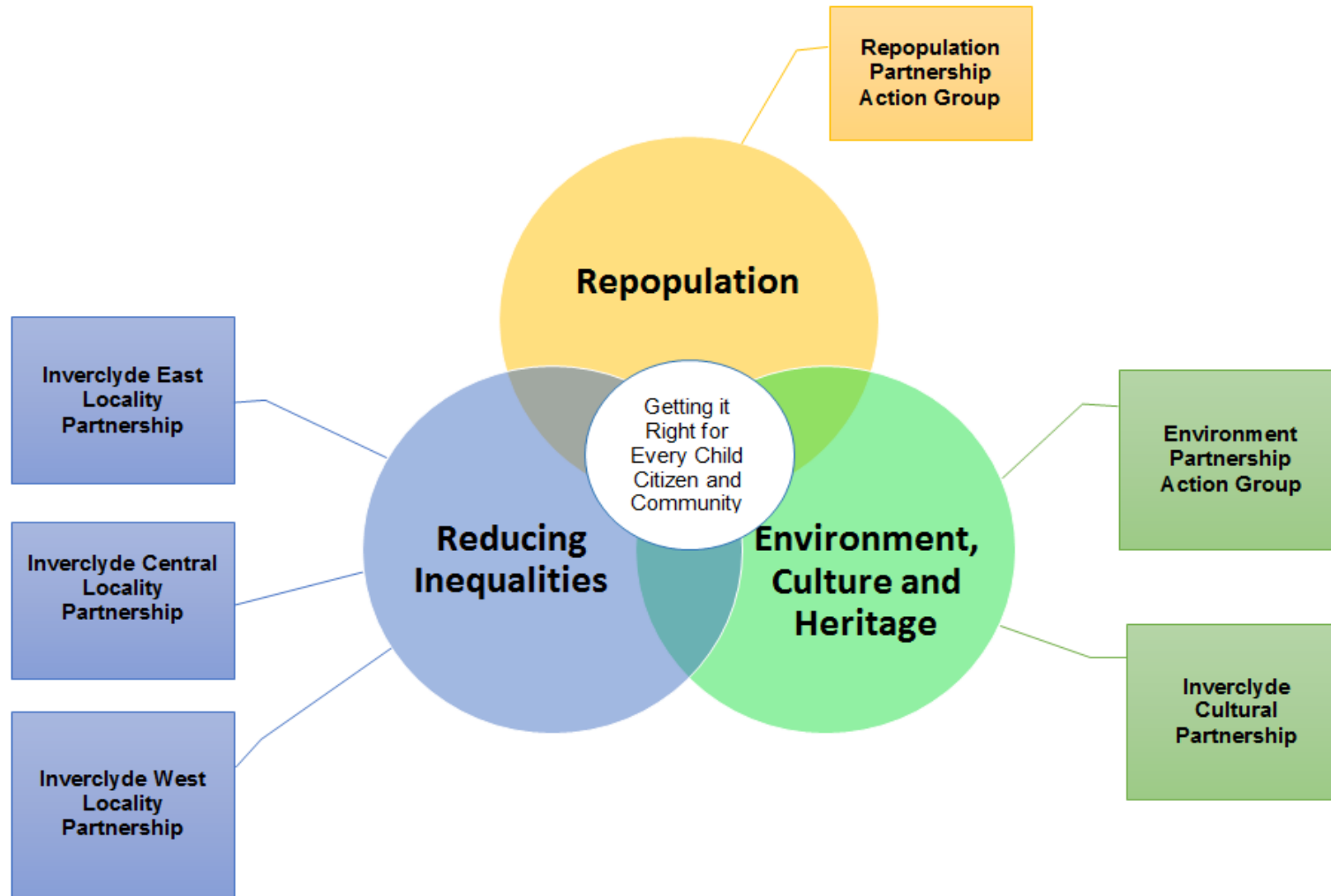
Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term Target (3 year)
Community Safety	Reported crimes in Inverclyde	2014/15 8,065	2015/16 7,269	2016/17 6,827		
	Number of deliberate secondary fires (single derelict buildings, grassland, intentional straw or stubble burning, outdoor structures, refuse and refuse containers and derelict vehicles) Scottish Fire and Rescue	375	391	546		
	Increase the provision of allotments and community food growing spaces in the local area	Awaiting data	Awaiting data	Awaiting data		
Our Place Our Future Survey	Increase the average score of residents who feel satisfied with moving around Inverclyde			2017 4.3	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied with public transport in Inverclyde			2017 4.4	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied traffic and parking in Inverclyde			2017 3.8	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied with natural space in Inverclyde			2017 4.8	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied with streets and spaces in Inverclyde			2017 4.5	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied with play and recreational opportunities in Inverclyde			2017 4.2	Survey will take place again in 2020	

Priority 3 Environment, Culture and Heritage: How Will We Measure Our Success?

Issue	Indicator/Source	2014/15	2015/16	2016/17	Short Term Target (1 year)	Medium Term Target (3 year)
	Increase the average score of residents who feel satisfied with facilities and amenities in Inverclyde			2017 4.5	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied with feeling safe in Inverclyde			2017 4.6	Survey will take place again in 2020	
	Increase the average score of residents who feel satisfied with care and maintenance of buildings and spaces in Inverclyde			2017 4.0	Survey will take place again in 2020	

Delivering our priorities

The diagram below sets out the delivery framework for our three strategic priorities.



Ongoing Development

The Inverclyde Alliance will produce and publish an Annual Report that will provide details of the progress that has been made in delivering this Inverclyde Outcomes Improvement Plan. This report will be published for the public to allow them to assess how well we are performing.

The Annual Report will also identify any new national pieces of legislation or developments that will impact on the delivery of our strategic priorities. A number of new pieces of legislation are on the horizon that will shape this Plan going forward, including the Child Poverty Bill which will set targets relating to the eradication of child poverty; The Climate Change Bill, which will amend those parts of the 2009 Act that relate to emission reduction targets; the Warm Homes Bill which aims to tackle fuel poverty and improve energy efficiency; 'A Culture Strategy for Scotland' which aims to support the long term development of culture in Scotland as well as the new Socio-Economic duty which ask public authorities to do more to tackle the inequalities of outcome caused by socio-economic disadvantage.

In addition, the uncertainties associated with Brexit, which is likely to have an effect on monetary, fiscal, trade, industry, immigration and labour markets means that it is essential that partners continue to review the potential implications of this and impact that this is likely to have on our communities.

Risk Management

Potential risks that could impact on the delivery of this Outcomes Improvement Plan have been identified and are described below. Whilst the Alliance Board has the responsibility for the overall governance of the Plan, the Partnership Action Groups also have a responsibility to ensure that the risks are controlled in the development of their action plans.

Date: 1 November 2017

Risk dashboard

LOIP Local Outcome	Risk No	Description of RISK Concern	Residual Risk Score
All	1	There is a risk that further planned reductions in partner budgets will impact on the financial ability of partners to deliver the strategic priorities in the LOIP.	9
All	2	As staffing levels within organisations reduce, this may impact on the ability of partners to lead on the delivery of the strategic priorities.	9
All	3	There is a risk that competing organisational priorities may reduce partners buy-in to the delivery of the LOIP.	6
All	4	There is a risk that the effectiveness of projects aimed at improving outcomes for the residents of Inverclyde is undermined by external factors outwith the control of the partnership, such as Welfare Reform.	9

Appendix 1: Inverclyde Strategic Needs Analysis

You can view the Inverclyde Strategic Needs Analysis here:

<https://www.inverclyde.gov.uk/council-and-government/community-planning-partnership/inverclyde-outcome-improvement-plan>

or alternatively, telephone (01475) 712042 to obtain a copy.

Appendix 2: Our Place Our Future Summary Information

You can view the summary information from the Inverclyde Our Place Our Future Survey here:

<https://www.inverclyde.gov.uk/council-and-government/community-planning-partnership/inverclyde-outcome-improvement-plan>

or alternatively, telephone (01475) 712042 to obtain a copy.

Contact Us:

If you would like further information on any aspect of the Inverclyde Alliance Outcomes Improvement Plan, please e-mail: corporate.policy@inverclyde.gov.uk or telephone (01475) 712042.

Report To: POLICY & RESOURCES COMMITTEE **Date:** 7 AUGUST 2018

Report By: CORPORATE DIRECTOR,
ENVIRONMENT, REGENERATION &
RESOURCES **Report No:** ERC/ENV/WR/17.336

Contact Officer: MARTIN MCNAB **Contact No:** 01475 717171

Subject: PROPOSED TRAFFIC REGULATION ORDER –
THE INVERCLYDE COUNCIL (VARIOUS ROADS) (GOUROCK,
INVERKIP & WEMYSS BAY) (WAITING RESTRICTIONS)
(VARIATION NO. 4) ORDER 2018

1.0 PURPOSE

- 1.1 Local Authorities are empowered to make Orders under the Road Traffic Regulation Act 1984 as amended and, under the Council's Scheme of Administration, the Head of Environmental and Public Protection is responsible for the making, implementation and review of Traffic Management Orders and Traffic Regulation Orders.
- 1.2 The purpose of this report is to inform the Committee of the outcome of the consultation procedure undertaken for the Traffic Regulation Order (TRO) associated with various requests for waiting and loading restrictions in Gourock entitled The Inverclyde Council (Various Roads) (Gourock, Inverkip & Wemyss Bay) (Waiting Restrictions) (Variation No. 4) Order 2018. The report also seeks a decision on whether the Committee will hear the objection relating to the TRO themselves or appoint an independent Reporter. Appendix 1
- 1.3 The purpose of bringing the report to the Policy and Resources Committee rather than the Environment and Regeneration Committee is to seek an early decision on how the objections will be heard, either by the Environment and Regeneration Committee or an independent Reporter. The timescales associated with hearing these objections are set out in legislation and in order for the TRO to be heard by the Inverclyde Council on 27 September 2018 and minimise delay to the introduction of the TRO, the Council has to commence this process at the earliest opportunity.

2.0 SUMMARY

- 2.1 Since the implementation of The Inverclyde Council (Various Roads) (Gourock, Inverkip & Wemyss Bay) (Waiting Restrictions) (Variation No. 3) Order 2016, a number of requests for waiting and loading have been received and collated to ensure that any subsequent variation TRO included as many requests as possible.
- 2.2 The TRO was advertised for public consultation on 2 May 2018 with a closing date for objection of 23 May 2018. During this time 2 maintained objections were received.
- 2.3 As the objections were maintained after Officers corresponded with the objectors, these must now be heard. The objections can be heard at a public hearing considered either before a special meeting of the Environment and Regeneration Committee or by an independent Reporter.

3.0 RECOMMENDATION

3.1 It is recommended that the Committee:

- a. notes the requirement to hold a public hearing to consider the maintained objections, and decides either to hear these before a special meeting of the Environment and Regeneration Committee or by an independent Reporter, remitting it to the Head of Environmental and Public Protection and the Head of Legal and Property Services to make the necessary arrangements for the public hearing.
- b. Notes that, if the Committee decides to appoint an independent Reporter, the cost associated with this is approximately £10,000 which would come from the Decriminalised Parking Enforcement Revenue Budget.

Martin McNab
Head of Environmental & Public Protection

4.0 BACKGROUND

- 4.1 Since the promotion of The Inverclyde Council (Various Roads) (Gourock, Inverkip & Wemyss Bay) (Waiting Restrictions) (Variation No. 3) Order 2016 a number of requests for waiting and loading have been received and collated to ensure that any subsequent variation TRO included as many requests as possible.
- 4.2 The TRO was promoted and was issued for public consultation on 2 May 2018 with responses invited by 23 May 2018.
- 4.3 During the public consultation, 2 objections were received. Officers wrote to the 2 objectors and both objectors maintained their objections.

5.0 IMPLICATIONS

Finance

5.1 One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Decriminalised parking	Traffic signs	18/19	£7,000	N/A	Contained within overall Decriminalised Parking budget
Decriminalised parking	Other admin costs	18/19	£10,000	N/A	If Committee approve appointment of independent reporter, costs will be contained within overall DPE budget

Legal

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

Human Resources

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

Equalities

- 5.4 There are no equality issues arising from this report.

Repopulation

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

6.0 CONSULTATIONS

- 6.1 The Head of Legal and Property Services and the Chief Financial Officer have been consulted on this report.

7.0 LIST OF BACKGROUND PAPERS

7.1 None

THE INVERCLYDE COUNCIL
(VARIOUS ROADS) (GOUROCK, INVERKIP &
WEMYSS BAY) (WAITING RESTRICTIONS)
(VARIATION NO. 4) ORDER 2018

TRAFFIC REGULATION ORDER

**THE INVERCLYDE COUNCIL
(VARIOUS ROADS) (GOUROCK, INVERKIP & WEMYSS BAY)
(WAITING RESTRICTIONS) (VARIATION NO. 4) ORDER 2018**

We, The Inverclyde Council in exercise of the powers conferred on us by Sections 1(1), 2(1) to (3), 4(2), 32(1), 35(1), 45, 46, 49, 53, 101 and 102 of the Road Traffic Regulation Act 1984 (as amended) (“the Act”) and of Part IV of Schedule 9 to the Act and of all other enabling powers and after consulting the Chief Constable of the Police Service of Scotland (Seirbheis Phoilis na h-Alba) in accordance with Part III of Schedule 9 to the Act hereby make the following Order:

1.0 Commencement and citation

1.1 This Order shall come into operation on the ** day of **, Two Thousand and ** and may be cited as “The Inverclyde Council (Various Roads) (Gourock, Inverkip & Wemyss Bay) (Waiting Restrictions) (Variation No. 4) Order 2018”.

2.0 Interpretation

2.1 In this Order, except where the context otherwise requires, the following expression has the meaning hereby respectively assigned to it:

“No Return” in relation to a Limited Waiting Parking Place, where waiting is limited by time and day of the week, means no return within the stated time and day of the week to a Limited Waiting Parking Place in the same road as the Limited Waiting Parking Place vacated.

2.2 Except where otherwise stated, any reference in this Order to a numbered Article or Schedule is a reference to the Article or Schedule bearing that number in this Order.

2.3 Any reference in this Order to any enactment shall be construed as a reference to that enactment as amended, modified, re-enacted, replaced or supplemented by any subsequent enactment.

2.4 The prohibitions and restrictions imposed by this Order shall be in addition to and not in derogation from any restriction or requirement imposed by any regulation made or having effect as if made under the Act or by or under any other enactment provided that where a prohibition or restriction which is imposed, varied or revoked by this Order is in conflict with a prohibition or restriction imposed by a previous Order, then the provision of this Order shall prevail.

2.5 The On-Street Plans forming Schedule 1 to this Order and titled “The Inverclyde Council (Various Roads) (Gourock, Inverkip & Wemyss Bay) (Waiting Restrictions) (Variation No. 4) Order 2018 On-Street Plans” are hereby incorporated into “The Inverclyde Council (Various Roads) (Gourock, Inverkip & Wemyss Bay) (Waiting Restrictions) Order 2013” (“the Principal Order”) and recorded in “Plan Index” to the Principal Order”.

- 2.6 The Plan Index forms Schedule 2.
- 2.7 The Interpretation Act 1978 (as amended) shall apply for the interpretation of this Order as it applies for the interpretation of an Act of Parliament.
- 3.0 **Revocation and substitution of Article contained within existing Traffic Regulation Order**

Article 5.1 of the Principal Order is hereby revoked and the following Article (which is incorporated into the Principal Order) substituted therefor:-

5.1 Where, in relation to any part of a Road shown on the On-Street Plans, a period of 'limited waiting' is indicated then, subject to the provisions of Article 5.2, no person shall, except upon the direction of a police constable in uniform, a Parking Attendant or an Authorised Person, cause or permit any Motor Vehicle to wait during that period in that part of the Road:

- (a) for longer than the maximum period of waiting specified for that part of the Road; or
- (b) if a period of less than the No Return interval specified for that part of the Road has elapsed since the termination of the last period of waiting of the Motor Vehicle in that part of the Road.

This Order and the two Schedules annexed hereto are sealed with the Common Seal of The Inverclyde Council and subscribed for them and on their behalf by ##.

SCHEDULE 1

**The Inverclyde Council (Various Roads) (Gourock, Inverkip & Wemyss Bay) (Waiting Restrictions)
(Variation No. 4) Order 2018 On-Street Plans**

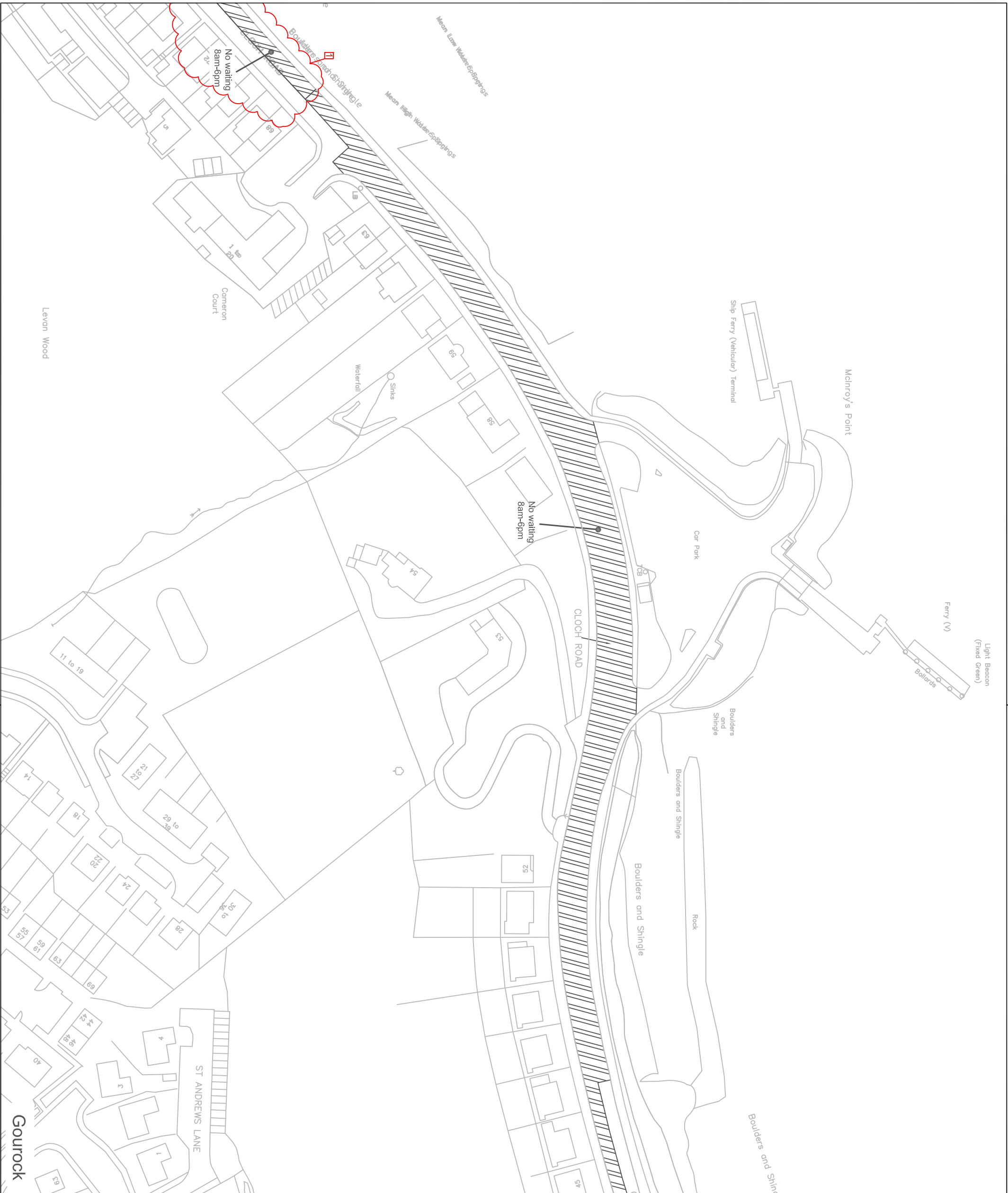
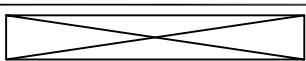
SCHEDULE 2

SCHEDULE 3

THE INVERCLYDE COUNCIL (VARIOUS ROADS) (GOUROCK, INVERKIP & WEMYSS BAY) (WAITING RESTRICTIONS) ORDER 2013
PLAN INDEX

Plan Reference	Effective date of original plan	Effective date of Plan Revision										
		1	2	3	4	5	6	7	8	9	10	11
TR/TRO/C133-001	06/10/2014	#####										
TR/TRO/C133-002	06/10/2014											
TR/TRO/C133-003	06/10/2014	#####										
TR/TRO/C133-004	06/10/2014											
TR/TRO/C133-005	06/10/2014	04/04/2016	#####									
TR/TRO/C133-006	06/10/2014	04/04/2016	14/11/2016	#####								
TR/TRO/C133-007	06/10/2014	04/04/2016										
TR/TRO/C133-008	06/10/2014	04/04/2016	#####									
TR/TRO/C133-009	06/10/2014	04/04/2016	#####									
TR/TRO/C133-010	06/10/2014	#####										
TR/TRO/C133-011	06/10/2014											
TR/TRO/C133-012	04/04/2016											
TR/TRO/C133-013	04/04/2016	14/11/2016	#####									
TR/TRO/C133-014	04/04/2016	#####										
TR/TRO/C133-015	04/04/2016											
TR/TRO/C133-016	04/04/2016	#####										
TR/TRO/C133-017	#####											
TR/TRO/C133-018	#####											

DO NOT SCALE



Key

	No waiting at any time
	No loading at any time
	No waiting at times shown
	No loading at times shown
	No waiting except taxis
	Limited walking (see below for types of limited walking referred to Disabled person's parking place (subject to restrictions shown))
	Loading bay
	Limited walking (see below for types of limited walking referred to on these drawings)

Limited Waiting
 Type A: Mon-Fri 8am-6pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-6pm, Saturday 8am-1pm, 30mins.
 Type C: No return within 1 hour
 Type D: Mon-Sat 8am-6pm, 2 hours. No return within 1 hour
 Type E: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins
 Type G: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type H: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type J: Mon-Sat 8am to 6pm, 1 hour. No return within 1 hour
 Type K: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins except Permit holders
 Type L: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
 Type M: Mon-Sat 8am to 6pm, 3 hours. No return within 1 hour
 Type N: Mon-Sun 8am to 6pm, 30 mins. No return within 30 mins except Permit holders
 Type P: Mon-Sun 8am to 10pm, 30 mins. No return within 30 mins except Permit holders
 Type Q: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Start	Purpose of Issue	Date	Auth
1	EXTEND NW 8AM-6PM ON CLOOCH RD	EP JUN '18	EP GL

Rev	Description	By	Date	Chk'd	Auth
1	EXTEND NW 8AM-6PM ON CLOOCH RD	EP	JUN '18	EP	GL

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Tel: 01475 717171
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk



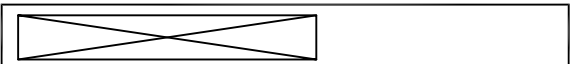
THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOUROCK, INVERKIP & WENYSS BAY)
 (WAITING RESTRICTIONS) (VARIATION 4)
 ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Autocreated
A3	1:1250	MJH	MJH	MR
Status	Drawing Number	Date	Date	Date
P	TR/TRO/C133-001	FEB 13	FEB 13	FEB 13
Rev				
				1

DO NOT SCALE

A3 0 10 50



Key

	No waiting at any time
	No parking at any time
	No waiting at times shown
	No parking at times shown
	No waiting at any time No loading at times shown
	No waiting except taxis
	Limited waiting (see below for types of limited waiting referred to)
	Disabled person's parking place (subject to restrictions shown)
	Loading bay
	Limited waiting at times shown and limited parking (see below for types of limited waiting referred to)

Unlimited Waiting
 Type A: Mon-Fri 8am-6pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-6pm, Saturday 8am-1pm, 30mins.
 No return within 1 hour
 Type C: Mon-Sat 8am-6pm, 30mins. No return within 1 hour
 Type D: Mon-Sat 8am-6pm, 30mins. No return within 1 hour
 Type E: Mon-Sat 8am to 6pm, 1 hour. No return within 30 mins
 Type F: Mon-Sat 8am to 6pm, 1 hour. No return within 30 mins
 Type G: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type H: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type I: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins except Permit Holders
 Type J: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
 Type K: Mon-Sat 11am to 6pm, 3 hours. No return within 1 hour
 Type L: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins except Permit Holders
 Type M: Mon-Sat 8am to 10pm, 30 mins. No return within 30 mins except Permit Holders
 Type N: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins
 Type O: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Rev	Description	By	Date	Chk'd	Auth
1	PART REVOCATION YELLOW LINE VICTORIA RD	EP	JUN '18	EP	GL

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 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH

Tel: 01475 717171
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk

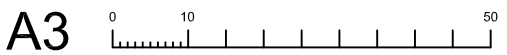


THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOURCOK, INVERKIP & WENYSS BAY)
 (WAITING RESTRICTIONS) (VARIATION 4)
 ORDER 2018

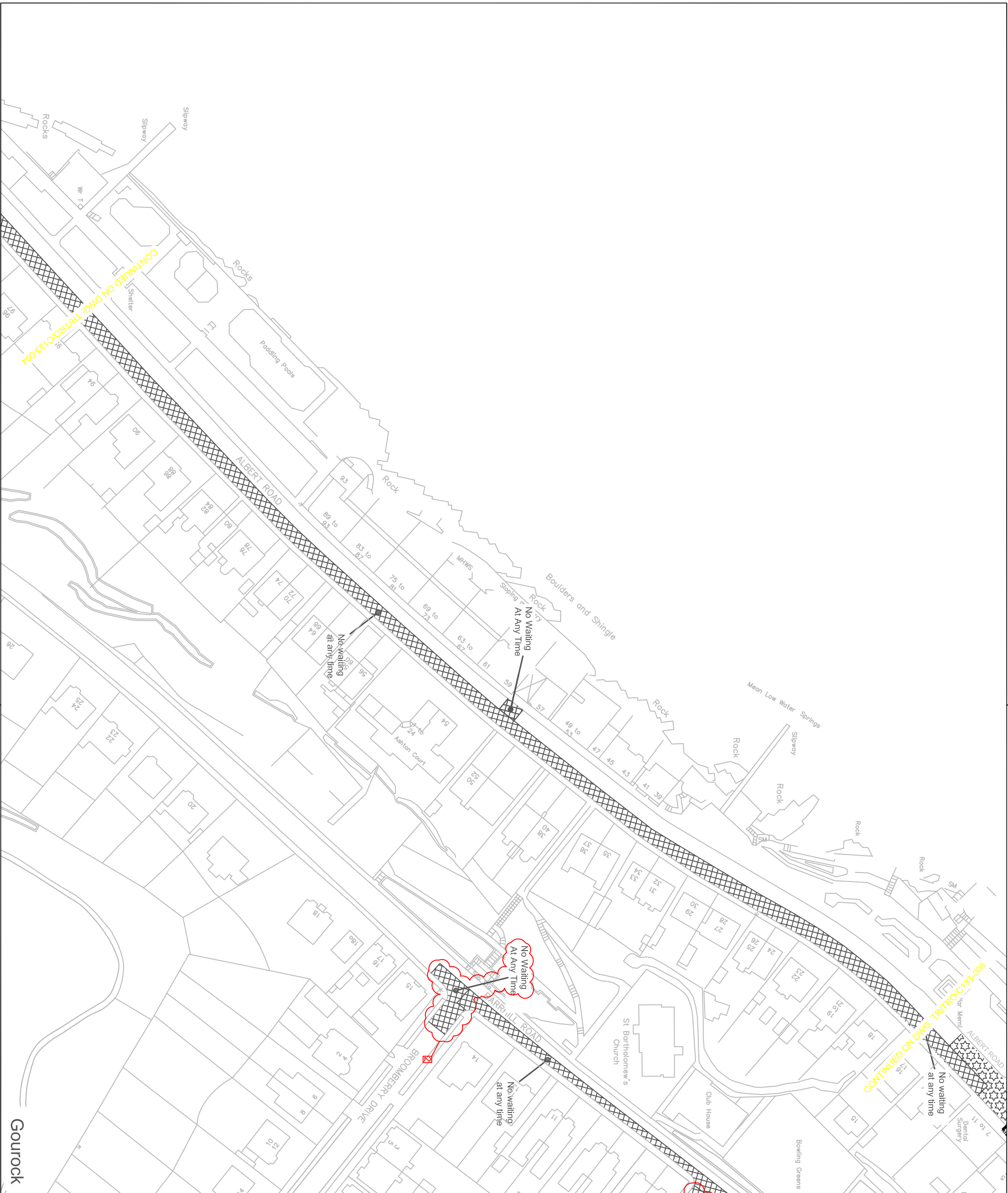
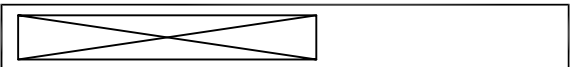
EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Authorised
A3	1:1250	MJH	MJH	MR
Status	Drawing Number	Date	Date	Date
P	TR/TRO/C133-003	FEB 13	FEB 13	FEB 13
Rev				
				1

DO NOT SCALE



A3



Key

	No waiting at any time
	No waiting at any time
	No waiting at any time
	No waiting at times shown
	No waiting at times shown
	No waiting at times shown
	No waiting at times shown
	No waiting at times shown
	No waiting except taxis
	Limited waiting (see below for types of limited waiting referred to)
	Permitted parking (see below for types of permitted parking place (subject to restrictions shown))
	Loading bay
	Loading bay at times shown and limited waiting (see below for types of limited waiting referred to on these drawings)

Limited Waiting
 Type A: Mon-Fri 8am-9pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-9pm, Saturday 8am-1pm, 30mins.
 Type C: Mon-Sat 8am-9pm, 30mins. No return within 1 hour
 Type D: Mon-Sat 8am-9pm, 1 hour. No return within 1 hour
 Type E: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins
 Type F: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins
 Type G: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins
 Type H: Mon-Fri 8am to 9pm, 2 hours. No return within 30 mins
 Type I: Mon-Sat 8am to 9pm, 2 hours. No return within 1 hour
 Type J: Mon-Sat 8am to 9pm, 2 hours. No return within 30 mins except Permit Holders
 Type K: Mon-Sat 11am to 9pm, 1 hour. No return within 1 hour
 Type L: Mon-Sat 8am to 9pm, 3 hours. No return within 1 hour
 Type M: Mon-Fri 8am to 9pm, 30 mins. No return within 30 mins except Permit Holders
 Type N: Mon-Sun 8am to 10pm, 30 mins. No return within 30 mins except Permit Holders
 Type O: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Stat	Purpose of Issue	Date	Auth
2	NMATT ADDED BROOMBERRY DR/BARRHILL RD	JUN '18	EP GL
1	NMATT ADDED OUTSIDE 57-59 ALBERT RD	JUN '15	EP MH

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Tel: 01475 717171
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk

Inverclyde council

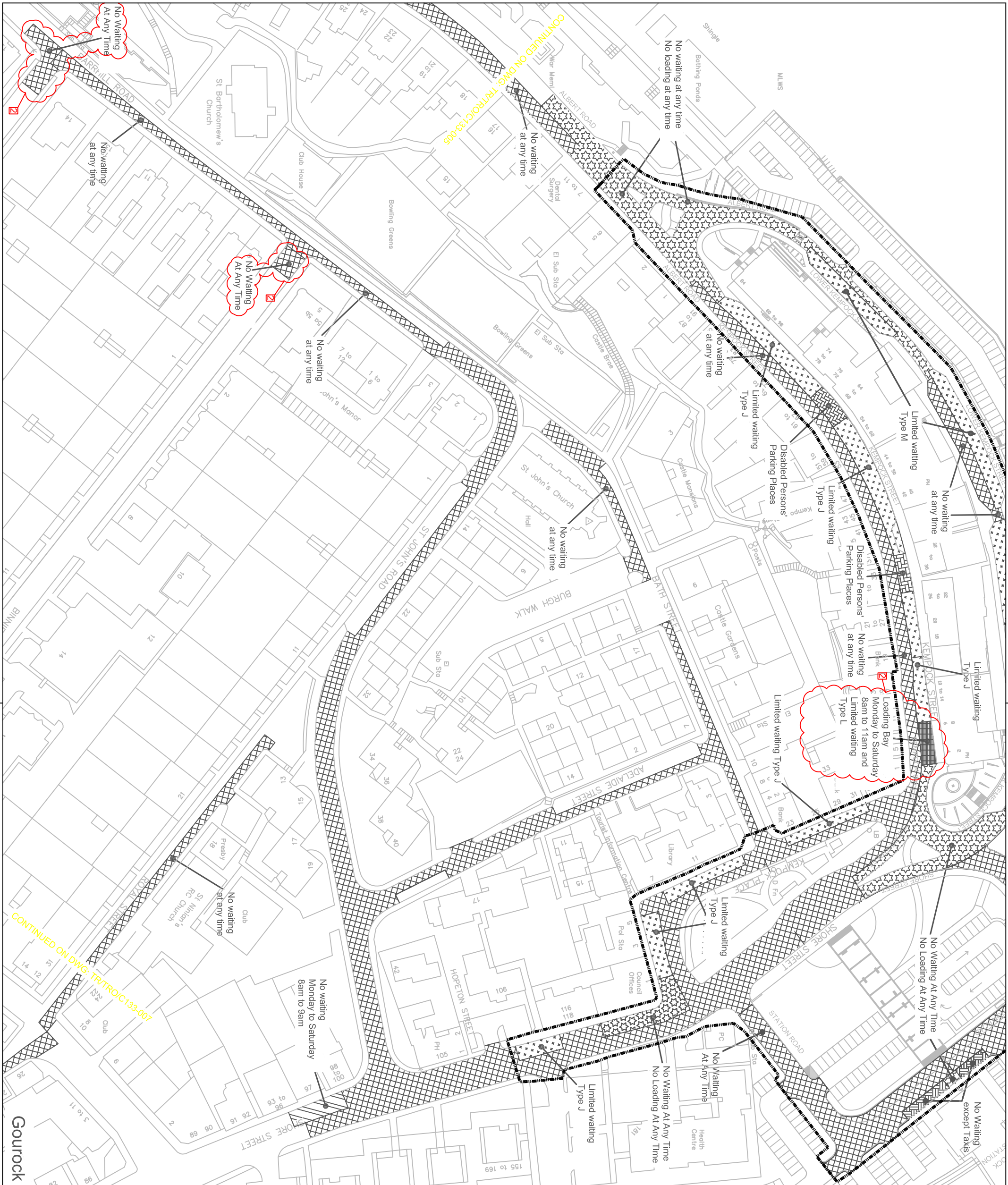
THE INVERCLYDE COUNCIL (VARIOUS ROADS) (GOUROCK, INVERKIP & WENYSS BAY) (WAITING RESTRICTIONS) (VARIATION No. 4) ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Autocreated	
A3	1:1250	MJP	MJH	MR	
Date	FEB '13	Date	FEB '13	Date	FEB '13

Status: P Drawing Number: TR/TRO/C133-005 Rev: 2

DO NOT SCALE



Key

	No waiting at any time
	No waiting at any time except taxis
	No waiting at times shown
	No waiting at times shown except taxis
	No waiting at times shown
	No waiting except taxis
	Limited waiting (see below for types of limited waiting referred to)
	Disabled persons' parking place (subject to restrictions shown)
	Loading bay at times shown and limited waiting (see below for types of limited waiting referred to on these drawings)
	Parking Disc Area

Limited Waiting

Type A: Mon-Fri 8am-9pm, 30mins. No return within 30mins

Type B: Mon-Fri 8am-9pm, Saturday 8am-1pm, 30mins.

Type C: No return within 1 hour

Type D: Mon-Sat 8am-9pm, 2 hours. No return within 1 hour

Type E: Mon-Sat 8am to 9pm, 30 mins. No return within 30 mins

Type F: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins

Type G: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins

Type H: Mon-Fri 8am to 9pm, 2 hours. No return within 30 mins

Type I: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins except Permit holders

Type L: Mon-Sat 11am to 9pm, 1 hour. No return within 1 hour

Type M: Mon-Sat 8am to 9pm, 30 mins. No return within 30 mins except Permit holders

Type N: Mon-Sat 8am to 10pm, 30 mins. No return within 30 mins except Permit holders

Type O: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

Rev

Rev	Description	By	Date	Chk'd	Auth
3	NWAT BANNIE /BORCOMBERT /BERRILL	EP	JUN '18	EP	GL
3	KEAPROCK ST LOADING BAY & 1 HR PARKING	EP	JUN '18	EP	GL
2	LOWER KEAPROCK ST INCREASE TO 3 HOURS	EP	JUN '16	EP	GB
1	VARIOUS CHANGES	EP	JUN '15	EP	MH

INVERCLYDE COUNCIL

Vehicle Maintenance Facility
8 Pottery Street
Gourock
PA15 2UH

Tel: 01475 717171
Email: roads@inverclyde.gov.uk
www.inverclyde.gov.uk

THE INVERCLYDE COUNCIL (VARIOUS ROADS) (GOUROCK, INVERKIP & WENYSS BAY) (WAITING RESTRICTIONS) (VARIATION NO. 4) ORDER 2018

EFFECTIVE DATE:

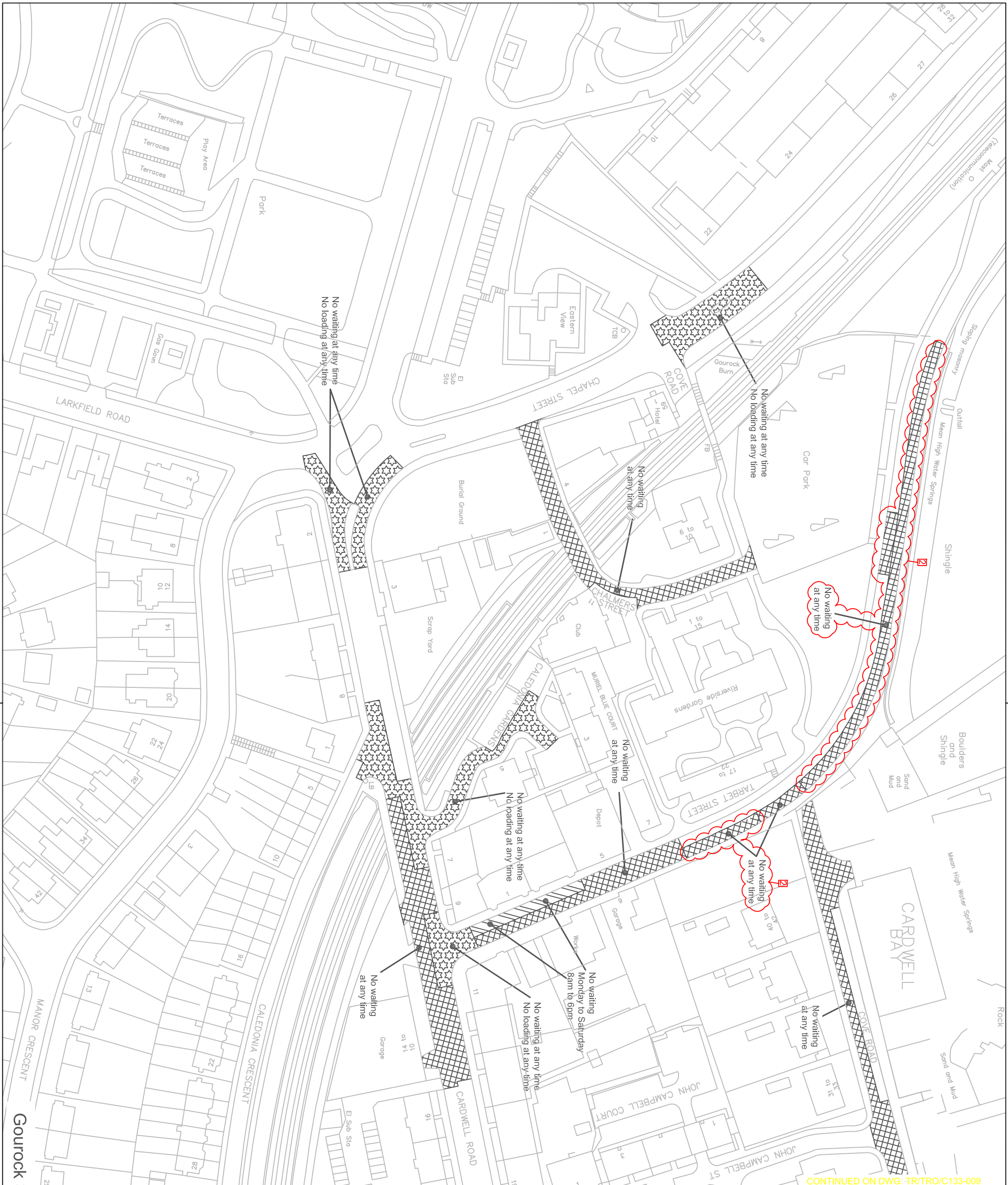
INVERCLYDE council

Sheet Size	Original Scale	Designed/Drawn	Checked	Authorised
A3	1:1250	MJH	MJH	MR
Date	DATE	DATE	DATE	DATE
FEB '13	FEB '13	FEB '13	FEB '13	FEB '13

Station P **Drawing Number** TR/TRO/C133-006 **Rev** 3

DO NOT SCALE

A3 0 10 50



CONTINUED ON DWG: TR/TRO/C133-009

Key

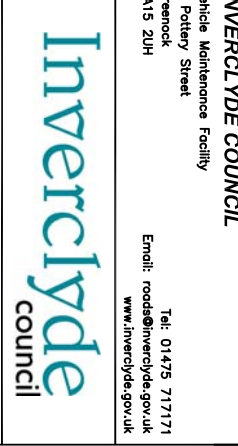
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	No loading at any time
	No waiting at times shown
	No loading at times shown
	No waiting at times shown
	No loading at times shown
	No waiting except tasks
	No loading except tasks
	Unlimited waiting (see below for types of limited waiting referred to Disabled person's parking place (subject to restrictions shown))
	Unlimited loading
	Loading bay at times shown and Unlimited waiting (see below for types of limited waiting referred to on these drawings)

Unlimited Waiting
 Type A: Mon-Fri 8am-5pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-5pm, Saturday 8am-1pm, 30mins. No return within 1 hour
 Type C: Mon-Sat 8am-5pm, 2 hours. No return within 1 hour
 Type D: Mon-Sat 8am-5pm, 2 hours. No return within 1 hour
 Type E: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins
 Type F: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type G: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type H: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type I: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type J: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type K: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type L: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
 Type M: Mon-Sat 8am to 6pm, 3 hours. No return within 1 hour
 Type N: Mon-Sat 8am to 6pm, 3 hours. No return within 30 mins except Permit holders
 Type O: Mon-Sat 8am to 10pm, 30 mins. No return within 30 mins except Permit holders
 Type Q: Mon-Sat 8am to 10pm, 2 hours. No return within 30 mins

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Stat	Purpose of issue	Date	Auth
2	INMATE ADDED TARGET ST	EP JUN '18	EP GL
1	CHANGE INMATE TO NW SPECIFIED TIMES	EP JUL '15	EP MH

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk
 Tel: 01475 717171

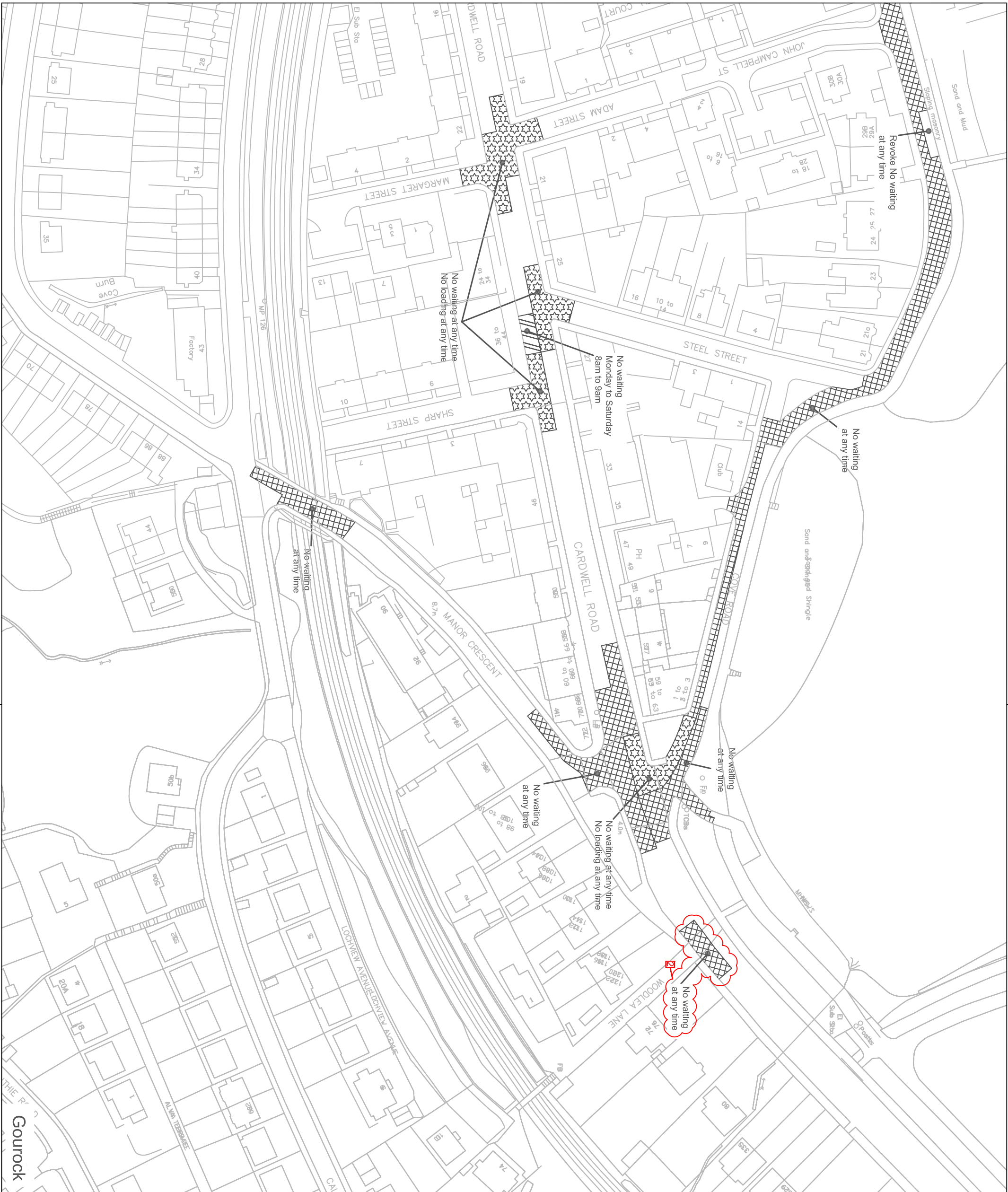
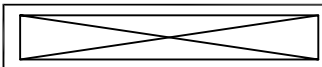


THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOURK, INVERKIP & WENYSS BAY)
 (WAITING RESTRICTIONS) (VARIATION No. 4)
 ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Authorised
A3	1:1250	MJH	MJH	MR
Drawn	Date	Date	Date	Rev
P	FEB '13	FEB '13	FEB '13	2
Drawing Number	TR/TRO/C133-008			

DO NOT SCALE



Key

	No waiting at any time
	No loading at any time
	No waiting at times shown
	No loading at times shown
	No waiting except taxis
	Limited waiting (see below for types of limited waiting referred to Disabled person's parking place (subject to restrictions shown))
	Loading bay
	Limited waiting (see below for types of limited waiting referred to on these drawings)

Limited Waiting
 Type A: Mon-Fri 8am-9pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-9pm, Saturday 8am-10pm, 30mins.
 Type C: No return within 1 hour
 Type D: Mon-Sat 8am-9pm, 2 hours. No return within 1 hour
 Type E: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins
 Type F: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type G: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type H: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type I: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins except Permit holders
 Type J: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
 Type K: Mon-Sat 8am to 6pm, 3 hours. No return within 1 hour
 Type L: Permit holders 8pm-30 mins. No return within 30 mins except Permit holders
 Type M: Mon-Sun 8am to 10pm, 30 mins. No return within 30 mins except Permit holders
 Type N: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Stat	Purpose of issue	Date	Auth
2	INMANT ADDED CARDWELL RD AT WOODLEA LN	JUN '18	EP GL
1	CHANGES CARDWELL RD & COVE RD	JUN '15	EP MH

Rev	Description	By	Date	Chk'd	Auth
1					

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Tel: 01475 717171
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk



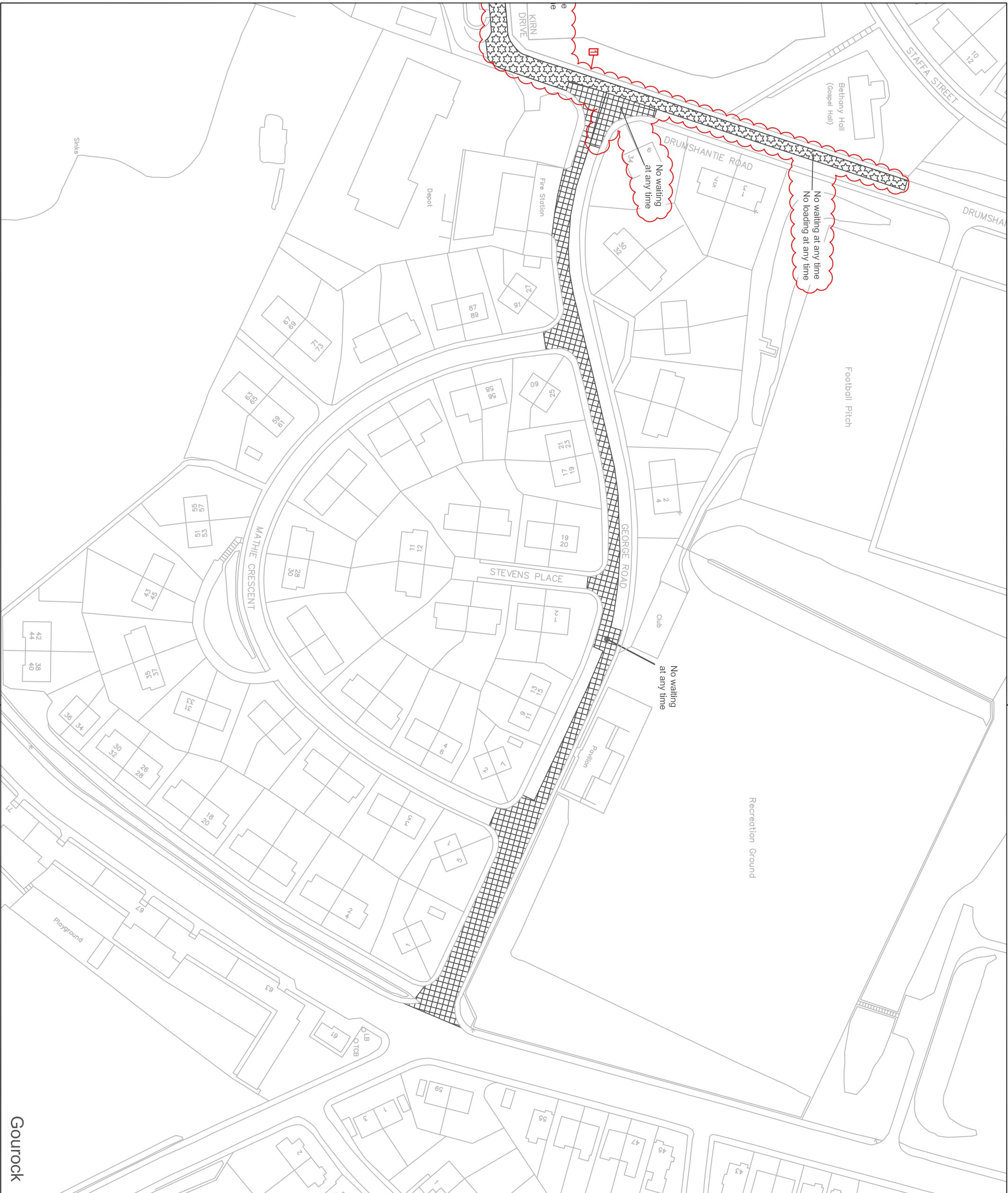
THE INVERCLYDE COUNCIL (VARIOUS ROADS) (GOUROCK, INVERKIP & WEMVASS BAY) (WAITING RESTRICTIONS) (VARIATION No. 4) ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Authorised
A3	1:1250	MJH	MJH	MR
Drawn	Date	Date	Date	Rev
P	FEB 13	FEB 13	FEB 13	2
Drawing Number	TR/TRO/C133-009			

DO NOT SCALE

A3 0 10 50



Key

	No waiting at any time
	No loading at any time
	No waiting at times shown
	No loading at times shown
	No waiting except taxis
	Limited waiting (see below for types of limited waiting referred to Disabled person's parking place (subject to restrictions shown))
	Loading bay
	Limited waiting (see below for types of limited waiting referred to on these drawings)

Limited Waiting
 Type A: Mon-Fri 8am-5pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-5pm, Saturday 8am-1pm, 30mins. No return within 1 hour
 Type C: Mon-Fri 8am-5pm, 2 hours. No return within 1 hour
 Type D: Mon-Sat 8am-5pm, 2 hours. No return within 1 hour
 Type E: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins
 Type F: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type G: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type H: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type I: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type J: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins except Permit Holders
 Type K: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
 Type L: Mon-Sat 8am to 6pm, 3 hours. No return within 1 hour
 Type M: Mon-Sat 8am to 6pm, 3 hours. No return within 30 mins except Permit Holders
 Type N: Mon-Sun 8am to 10pm, 30 mins. No return within 30 mins except Permit Holders
 Type O: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Rev	Description	By	Date	Chk'd	Auth
1	INMAY/ALAI DRUMSHANTIE RD/ KIRN DR	EP	JUN '18	EP	GL
1	INMAY DRUMSHANTIE RD/ GEORGE RD	EP	JUN '18	EP	GL

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 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk
 Tel: 01475 717171



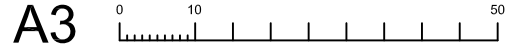
THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOUROCK, INVERKIP & WEMYSS BAY)
 (WAITING RESTRICTIONS) (VARIATION 4)
 ORDER 2018

EFFECTIVE DATE:

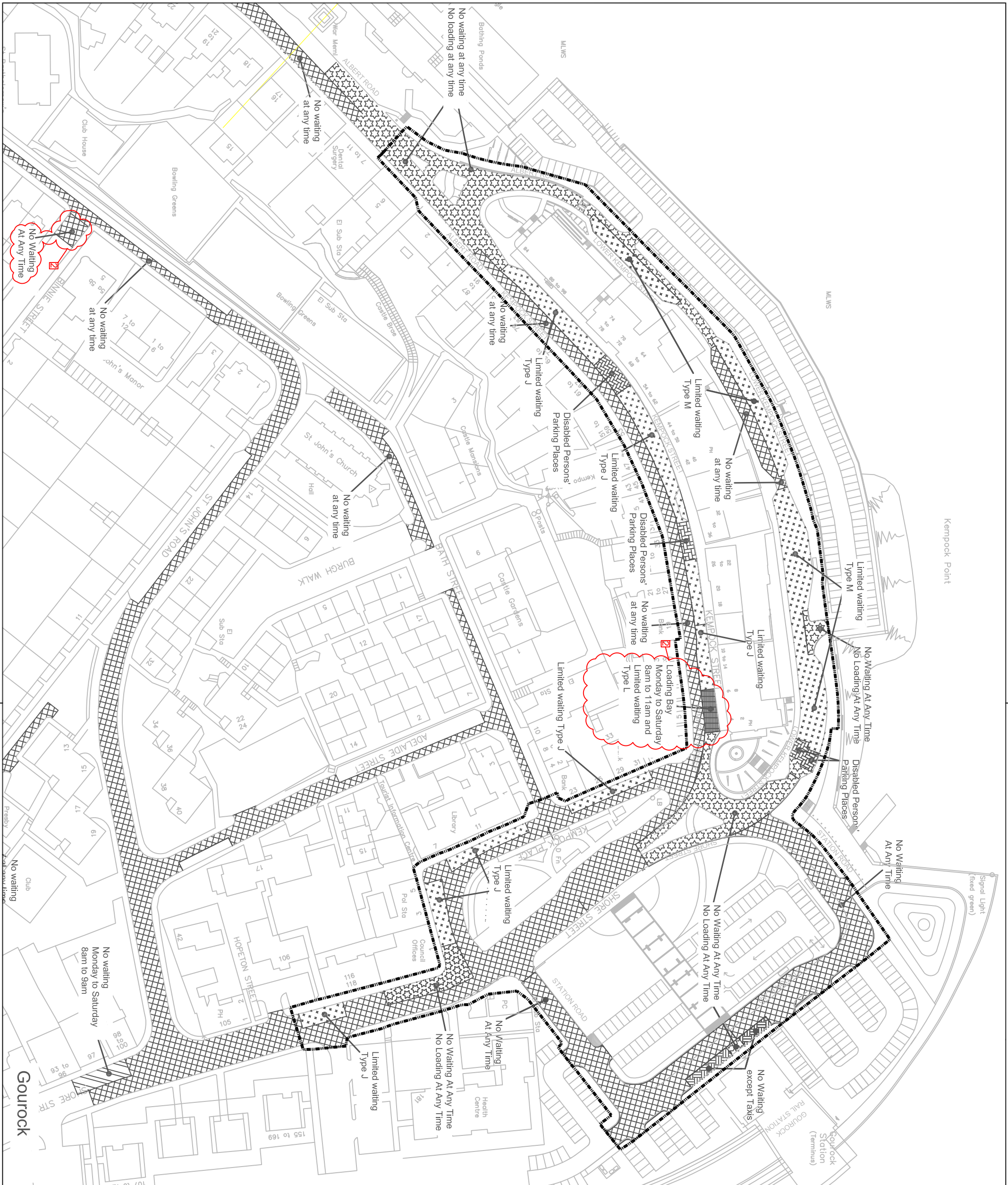
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Scale	Drawing Number	Date	Date	Date
P	TR/TRO/C133-010	FEB '13	FEB '13	FEB '13
Rev				
1				

Gourock

DO NOT SCALE



A3



Key

- No waiting at any time
- No loading at any time
- No waiting at times shown
- No loading at times shown
- No waiting except taxis
- Limited waiting (see below for types of limited waiting referred to in the drawings)
- Loading bay (see below for types of loading bays referred to in the drawings)
- Limited waiting (see below for types of limited waiting referred to in the drawings)
- Parking Disc Area

- Unlimited Waiting
- Type A: Mon-Fri 8am-6pm, 30mins. No return within 30mins
- Type B: Mon-Fri 8am-6pm, Saturday 8am-1pm, 30mins.
- Type C: Mon-Sat 8am-6pm, 30mins. No return within 1 hour
- Type D: Mon-Sat 8am-6pm, 30mins. No return within 1 hour
- Type E: Mon-Sat 8am to 6pm, 1 hour. No return within 30 mins
- Type F: Mon-Sat 8am to 6pm, 1 hour. No return within 30 mins
- Type G: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
- Type H: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
- Type I: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins except taxis
- Type L: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
- Type M: Mon-Sat 8am to 6pm, 3 hours. No return within 1 hour
- Type N: Mon-Sat 8am to 6pm, 3 hours. No return within 30 mins except taxis
- Type P: Mon-Sat 10pm to 10pm, 30 mins. No return within 30 mins except Permit Holders
- Type Q: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Rev	Description	By	Date	Chk'd	Auth
1	INCLUDE LOWER KEMPOCK ST & STATION RD	EP	JUN '15	EP	MH
2	KEMPOCK ST LOADING BAY & 1 HR PARKING	EP	JUN '18	EP	GL
2	NWMAI BINNE ST	EP	JUN '18	EP	GL

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk
 Tel: 01475 717171

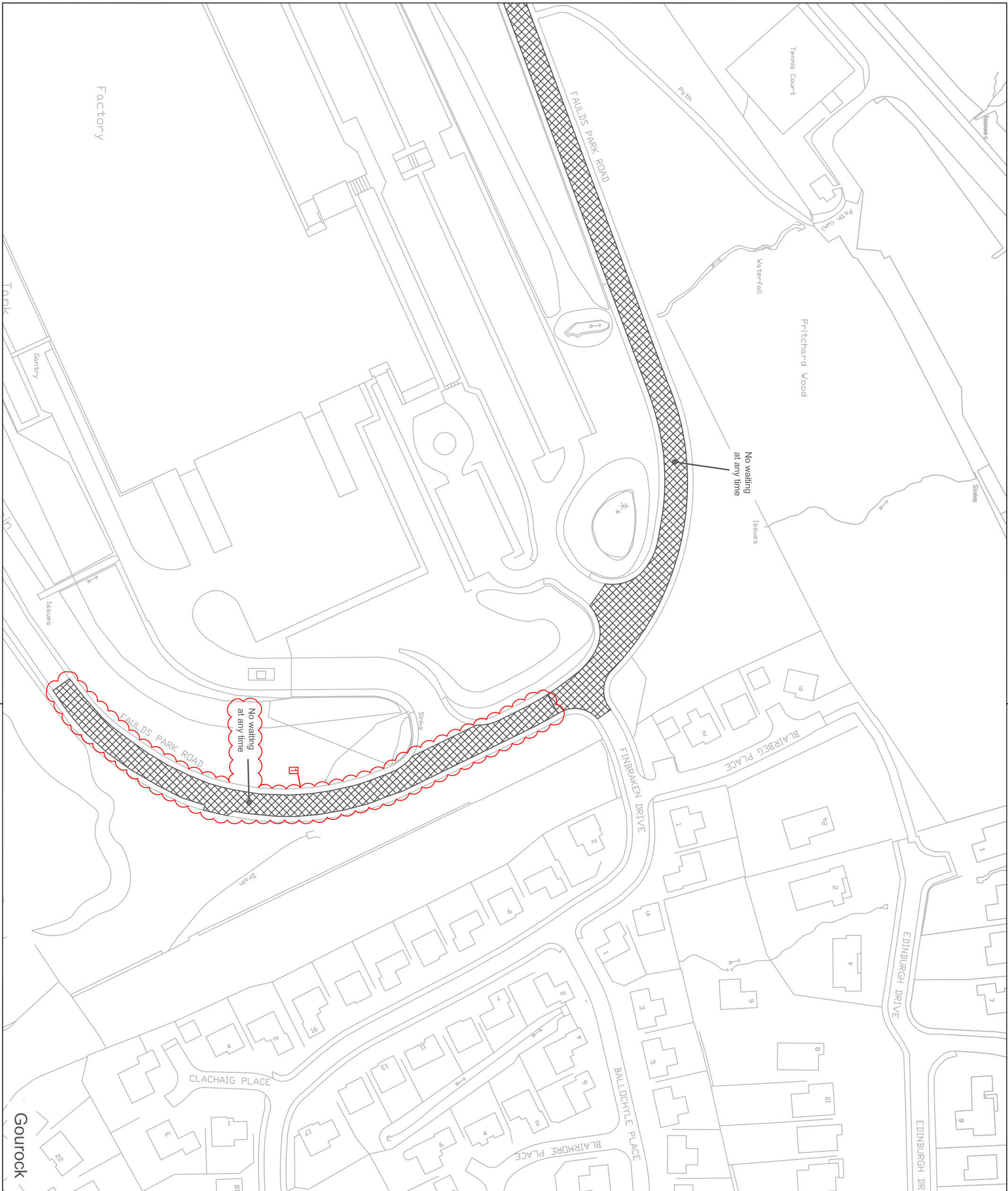


THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOUROCK, INVERKIP & WENYSS BAY)
 (WAITING RESTRICTIONS) (VARIATION NO. 4)
 ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Authorised
A3	1:1250	EP	EP	MH
Status	Drawing Number	Date JUN '15	Date JUN '15	Date JUN '15
P	TR/TRO/C133-013			Rev 2

DO NOT SCALE



Key

	No waiting at any time
	No waiting at any time No loading at any time
	No waiting at times shown
	No waiting at times shown No loading at times shown
	No waiting except taxis
	Limited waiting (see below for types of limited waiting referred to Disabled person's parking place (subject to restrictions shown))
	Loading bay
	Loading bay at times shown and Limited waiting (see below for types of limited waiting referred to on these drawings)

Limited Waiting
 Type A: Mon-Fri 8am-9pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-9pm, Saturday 8am-9pm, 30mins.
 Type C: No return within 1 hour
 Type D: Mon-Sat 8am-9pm, 2 hours. No return within 1 hour
 Type E: Mon-Sat 8am to 9pm, 30 mins. No return within 30 mins
 Type G: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins
 Type H: Mon-Fri 8am to 9pm, 2 hours. No return within 30 mins
 Type J: Mon-Sat 8am to 9pm, 1 hour. No return within 1 hour
 Type K: Mon-Sat 8am to 9pm, 2 hours. No return within 30 mins except Permit holders
 Type L: Mon-Sat 11am to 9pm, 1 hour. No return within 1 hour
 Type M: Mon-Sat 8am to 9pm, 3 hours. No return within 30 mins except Permit holders
 Type N: Mon-Sat 8am to 9pm, 30 mins. No return within 30 mins except Permit holders
 Type P: Mon-Sun 8am to 10pm, 30 mins. No return within 30 mins
 Type Q: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins
 Permit holders

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Stat	Purpose of Issue	Date	Auth
1	INMATE EXTENDED FAULDS PARK ROAD	EP JUN '18	EP GL
-	INMATE ADDED FAULDS PARK ROAD	EP JUN '15	EP MH

Rev Description By Date Chk'd Auth

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Tel: 01475 717171
 Email: roads@inverclyde.gov.uk
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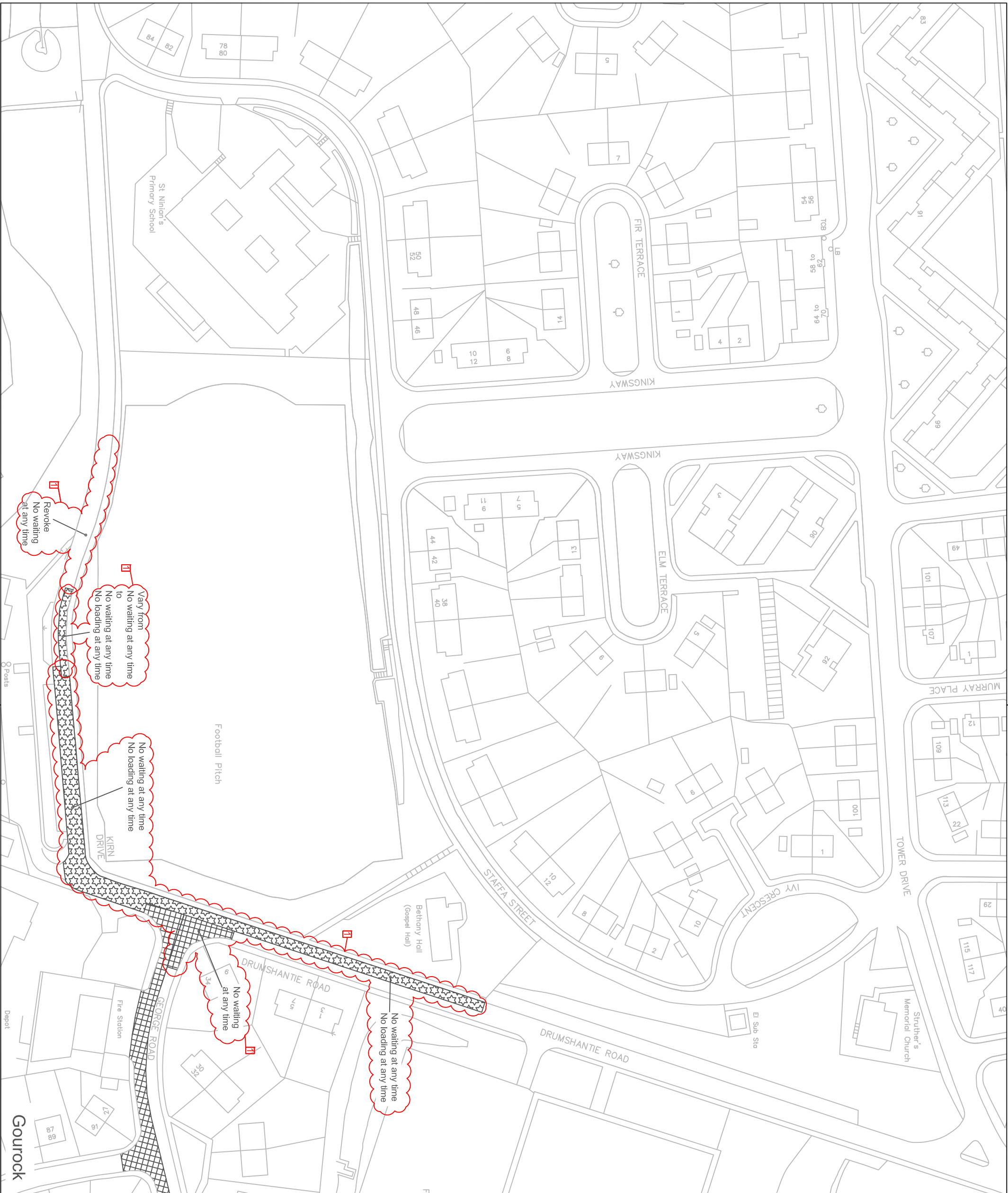
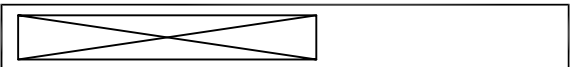
THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOUROCK, INVERKIP & WEMYSS BAY)
 (WAITING RESTRICTIONS) (VARIATION No. 4)
 ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Autocreated
A3	1:1250	EP JUN '15	EP JUN '15	MH JUN '15
Status	Drawing Number	Rev		
P	TR/TRO/C133-014	1		

DO NOT SCALE

A3 0 10 50



Key

	No waiting at any time
	No loading at any time
	No waiting at times shown
	No loading at times shown
	No waiting except taxis
	Limited waiting (see below for types of limited waiting referred to on these drawings)
	Loading bay at times shown and limited waiting (see below for types of limited waiting referred to on these drawings)

Limited Waiting
 Type A: Mon-Fri 8am-9pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-9pm, Saturday 8am-1pm, 30mins.
 No return within 1 hour
 Type C: Mon-Sat 8am-9pm, 30mins. No return within 1 hour
 Type D: Mon-Sat 8am to 9pm, 30 mins. No return within 30 mins
 Type E: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins
 Type F: Mon-Sat 8am to 9pm, 1 hour. No return within 30 mins
 Type G: Mon-Fri 8am to 9pm, 2 hours. No return within 30 mins
 Type H: Mon-Fri 8am to 9pm, 1 hour. No return within 30 mins
 Type I: Mon-Fri 8am to 9pm, 2 hours. No return within 30 mins
 Type J: Mon-Fri 8am to 9pm, 1 hour. No return within 30 mins
 Type K: Mon-Sat 11am to 9pm, 1 hour. No return within 1 hour
 Type L: Mon-Sat 8am to 9pm, 3 hours. No return within 1 hour
 Type M: Mon-Fri 8am to 9pm, 30 mins. No return within 30 mins except Permit Holders
 Type N: Mon-Fri 8am to 9pm, 30 mins. No return within 30 mins except Permit Holders
 Type O: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Start	Purpose of Issue	Date	Auth
1	NM/AT DRUMSHANTIE RD / GEORGE RD	EP JUN '18	EP GL
1	NM/AT DRUMSHANTIE RD / KIRN DR	EP JUN '18	EP GL
1	VARY PART NM/AT TO NM/AT KIRN DR	EP JUN '18	EP GL
1	REMOVE NM/AT FROM PART OF KIRN DR	EP JUN '18	EP GL

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk
 Tel: 01475 717171

Inverclyde council

THE INVERCLYDE COUNCIL (VARIOUS ROADS) (GOORUCK, INVERKIP & WEMYSS BAY) (WAITING RESTRICTIONS) (VARIATION No. 4) ORDER 2018

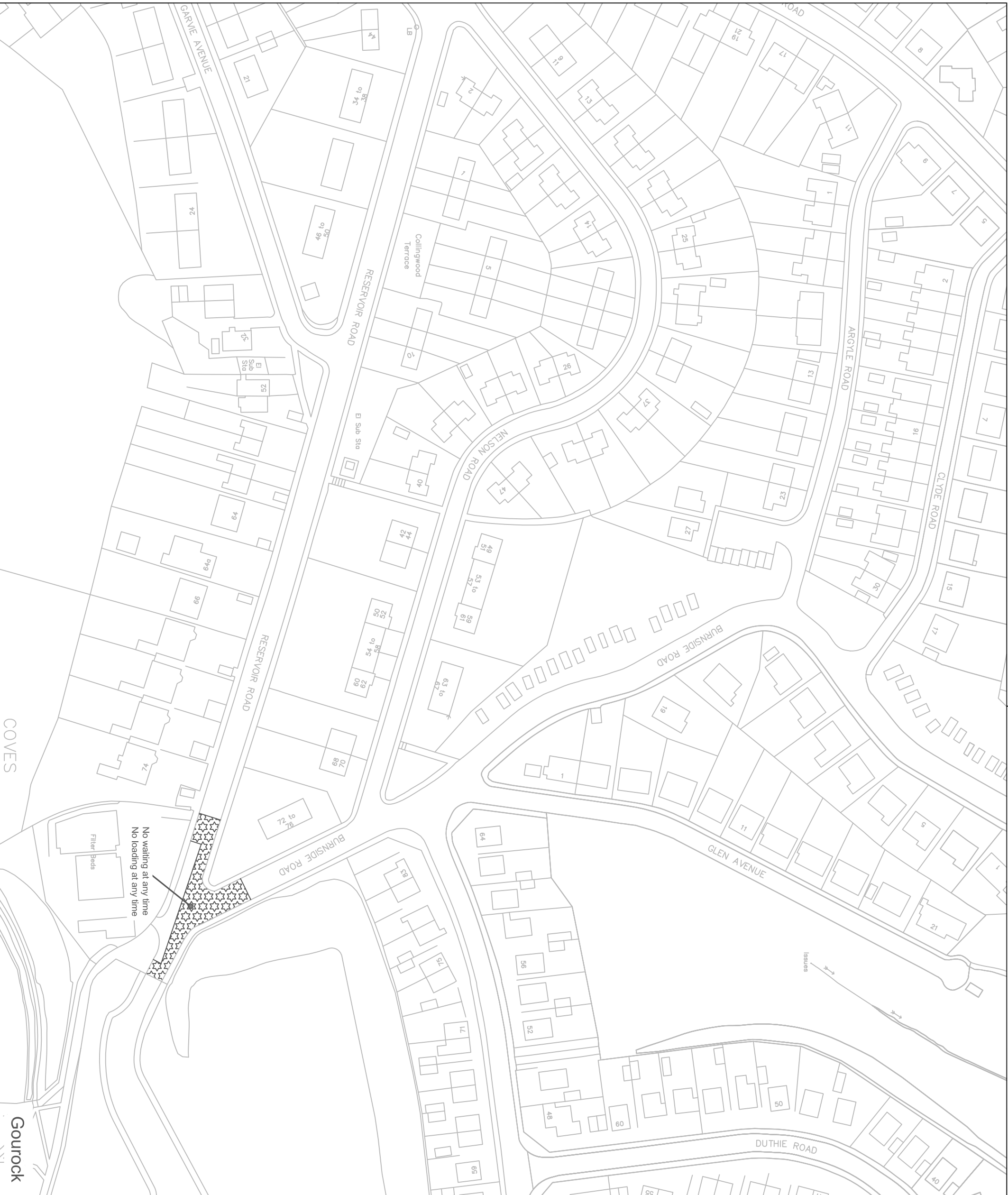
EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Authorised
A3	1:1250	EP	EP	MH
Date	Date	Date	Date	Date
JUN '15	JUN '15	JUN '15	JUN '15	JUN '15

Revision:

Rev	1
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DO NOT SCALE



Key

	No waiting at any time
	No loading at any time
	No waiting at times shown
	No loading at times shown
	No waiting at any time
	No loading at times shown
	No waiting except taxis
	Unlimited waiting (see below for types of limited waiting referred to)
	Use below for types of limited waiting referred to
	Disabled person's parking place (subject to restrictions shown)
	Loading bay
	Loading bay at times shown and
	Unlimited waiting (see below for types of limited waiting referred to on these drawings)

Unlimited Waiting
 Type A: Mon-Fri 8am-6pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-6pm, Saturday 8am-1pm, 30mins.
 Type C: No return within 1 hour
 Type D: Mon-Sat 8am-6pm, 2 hours. No return within 1 hour
 Type E: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins
 Type F: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type G: Mon-Sat 8am to 6pm, 2 hours. No return within 30 mins
 Type H: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type I: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type J: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins except
 Permit Holders
 Type K: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
 Type L: Mon-Sat 8am to 6pm, 3 hours. No return within 1 hour
 Type M: Mon-Sat 8am to 6pm, 3 hours. No return within 30 mins except
 Permit Holders
 Type N: Mon-Sun 8am to 10pm, 30 mins. No return within 30 mins except
 Permit Holders
 Type O: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Start	Purpose of Issue	Date	Auth
-	NW/LAT RESERVOIR RD / BURNSIDE RD	EP JAN '18	EP GL

Rev	Description	By	Date	Chk'd	Auth
-					

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 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Tel: 01475 717171
 Email: roads@inverclyde.gov.uk
 www.inverclyde.gov.uk

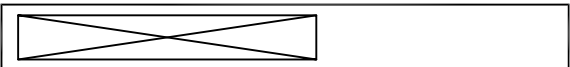


THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOUROCK, INVERKIP & WENYSS BAY)
 (WAITING RESTRICTIONS) (VARIATION No. 4)
 ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Autocreated
A3	1:1250	EP	EP	GL
Status	Drawing Number	Date	Date	Date
P	TR/TRO/C133-017	JAN 18	JAN 18	JAN 18
Rev				

DO NOT SCALE



Key

	No waiting at any time
	No loading at any time
	No waiting at times shown
	No loading at times shown
	No waiting except taxis
	Permitted parking (see below for types of limited waiting referred to Disabled person's parking place (subject to restrictions shown))
	Loading bay
	Loading bay at times shown and limited waiting (see below for types of limited waiting referred to on these drawings)

Limited Waiting
 Type A: Mon-Fri 8am-6pm, 30mins. No return within 30mins
 Type B: Mon-Fri 8am-6pm, Saturday 8am-1pm, 30mins.
 Type C: No return within 1 hour
 Type D: Mon-Sat 8am-6pm, 2 hours. No return within 1 hour
 Type E: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins
 Type G: Mon-Sat 8am to 6pm, 1 hour. No return within 30 mins
 Type H: Mon-Fri 8am to 6pm, 2 hours. No return within 30 mins
 Type J: Mon-Sat 8am to 6pm, 1 hour. No return within 1 hour
 Type K: Mon-Sat 11am to 6pm, 2 hours. No return within 30 mins except Permit holders
 Type L: Mon-Sat 11am to 6pm, 1 hour. No return within 1 hour
 Type M: Mon-Sat 8am to 6pm, 3 hours. No return within 30 mins except Permit holders
 Type N: Mon-Sat 8am to 6pm, 30 mins. No return within 30 mins except Permit holders
 Type P: Mon-Sun 8am to 10pm, 30 mins. No return within 30 mins except Permit holders
 Type Q: Mon-Sun 8am to 10pm, 2 hours. No return within 30 mins

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Start	Purpose of issue	Date	Auth
-	NO WAITING 8AM-6PM CLOCH RD	EP JAN '18	EP GL
-	NWMT CLOCH RD / FARM RD	EP JAN '18	EP GL

INVERCLYDE COUNCIL
 Vehicle Maintenance Facility
 8 Pottery Street
 Greenock
 PA15 2UH
 Tel: 01475 717171
 Email: roads@inverclyde.gov.uk
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THE INVERCLYDE COUNCIL (VARIOUS ROADS)
 (GOUROCK, INVERKIP & WEMWISS BAY)
 (WAITING RESTRICTIONS) (VARIATION No. 4)
 ORDER 2018

EFFECTIVE DATE:

Sheet Size	Original Scale	Designed/Drawn	Checked	Autocreated
A3	1:1250	EP	EP	GL
Status	Drawing Number	Date	Date	Date
P	TR/TRO/C133-018	JAN '18	JAN '18	JAN '18

Report To:	Policy and Resources Committee	Date: 7 August 2018
Report By:	Grant McGovern Head of Inclusive Education, Culture and Communities	Report No: PR21/18/GM/HS
Contact Officer:	Hugh Scott Service Manager – Community Learning and Development, Community Safety & Resilience and Sport.	Contact No: 01475 5459
Subject:	Amendment to Communities Facilities Service Review: Exceptional School Lets to Non-Uniformed and Commercial Organisation not entitled to waivers.	

1.0 PURPOSE

1.1 The purpose of this report is to request that the Policy and Resources Committee agrees to an amendment to the proposals for the restriction of some primary school lets to uniformed organisation as detailed in the Communities Facilities Service Review presented to the Education and Communities Committee 23 January 2018.

1.2 This report also outlines details of a proposal for the implementation of procedures for exceptional lets to non-uniformed groups and commercial organisations as a potential source of income for Inverclyde Council.

2.0 SUMMARY

2.1 As part of the preparation for Inverclyde Council's 2018/19 Budget, a range of saving proposals was submitted for consideration by all Council services with the proposals subsequently considered by a cross-party Members' Budget Working Group prior to their presentation to the relevant Committee for debate.

2.2 The proposals presented to the MBWG included that community use would cease in some primary schools other than for uniformed organisations already having access to the school. The MBWG subsequently recommended that the proposal should be included in the public consultation process and also agreed that an update report should go to the Education & Communities Committee to provide greater detail on the proposals. That report was submitted to the Committee on 23 January 2018 - see report number EDUCOM13/18MM for full details of the above.

2.3 Subsequent representation by Phoenix Road Safety Group to Education Services, Communities and also Inverclyde Leisure, who manage the school lets process on behalf of Inverclyde Council, to access to St Patrick's Primary School to hold their annual Cycle Safety competition resulted in the granting of the let as an exceptional circumstance.

2.4 It is now proposed to amend the agreed policy to include the provision of exceptional lets in the relevant schools to non-community groups as a potential source of income to the Council. The full costs of such lets would be met by the applicant and include cleaning, management and letting officer costs plus VAT where appropriate – see paragraph 4.6 below.

3.0	RECOMMENDATIONS	
3.1	It is recommended that the Committee agrees to the proposed amendment to Inverclyde's current policy on lets to community facilities to now include one-off or non-regular lets requested by non-uniform or commercial organisations.	
3.2	It is recommended that the Committee delegates authority to the Head of Inclusive Education, Culture and Communities in consultation with the Head of Legal and Property Services and the Chief Financial Officer to establish an appropriate schedule of payments for one-off or non-regular access community facility lets requested by non-uniformed or commercial organisations with no net financial cost to the Council.	
	Grant McGovern	
	Head of Inclusive Education, Culture and Communities	

4.0	BACKGROUND	
4.1	<p>Community facilities in Inverclyde fall into four main categories:</p> <ul style="list-style-type: none"> I. Town Halls managed by Inverclyde Leisure II. Community Centres managed by Inverclyde Leisure III. Tenant and Resident Halls supervised by Inverclyde Leisure IV. Self-managed community centres and tenants' and residents' halls. <p>In addition to the above, extensive use is made by the community of the school estate, particularly by sports organisations. A wide range of HSCP and Council Services is also provided through these facilities. In all cases lets are demand led, mostly by 'custom and practice'. Customers' wishes are accommodated to the point of specifically opening certain facilities, particularly primary schools and some community centres, for a single short let when alternative available capacity could be offered nearby. Access to all facilities, including the school estate but excluding self-managed halls, is via Inverclyde Leisure's booking office.</p>	
4.2	<p>Funding models for community facilities in Inverclyde fall into three main categories</p> <ul style="list-style-type: none"> I. IL managed (let income plus council management fee). II. Self-managed tenants'/ residents' halls (let income plus council subsidy/grant). III. Self-managed (let income plus council funding dependent on SLA). <p>Four centres (Auchmountain Resource Centre, Clune Park Resource Centre, Paton Street Community Centre and Boglestone Community Centre - part of the centre is operated by Boglestone Community Association) operate slightly outside these categories in that running and staffing costs are met by the Council and IL respectively, however a local management committee retains income and does not contribute directly to the core operating costs of the centre but funds some of the activities provided there.</p> <p>The Council has no sight of the income raised in these instances.</p>	
4.3	<p>The community services review recommended that community use would cease in most (13) primary schools, with the exception of PPP primary schools where there are front-loaded community access costs. The primary schools in Wemyss Bay, Inverkip and Kilmacolm - non-PPP schools - and Kings Oak primary would also be excluded due to the relative lack of alternative facilities in those areas.</p>	
4.4	<p>Paragraph 5.7 of the Communities Facilities Service Review proposed that due to their close community connections, uniformed organisation should continue to have access to their current local school which is often their geographic base. However, it is emphasised that the use of schools by uniformed organisations should not imply that the school would be available for all organisations requesting access as uniformed lets have the benefit of being regular and consistent.</p>	
4.5	<p>Phoenix Road Safety Group has been able to access St Patrick's Primary School for several years to hold its annual Cycle Safely competition. The changes agreed in the Community Facilities Service Review on the restriction of lets other than to uniformed organisations has proved a significant barrier to the group in their desire to continue the annual event in a location they feel is particularly suited to the format of the competition.</p> <p>Representation from the group has been made to Education Services, Communities and also Inverclyde Leisure, who manage the school lets process on behalf of Inverclyde Council, to request access to the school. While this has previously been granted as exceptional circumstances there is no agreed payment schedule in place to cover the entirety of costs incurred by the Council.</p>	
4.6	<p>The approach by the Phoenix Road Safety Team has presented the opportunity to consider the implementation of exceptional lets to non-uniformed and commercial</p>	

groups not entitled to waivers as a potential source of income to the Council.

The amendment to policy proposed in this report provides a framework to manage one-off or non-regular access to community or school facilities by non-uniformed or commercial organisations with no financial implications for the Council. These arrangements will continue to be managed by Inverclyde Leisure.

4.7 The table below details the propose payment schedule for commercial hire of Inverclyde community/ school facilities. The example given is based on a 4 or 5 hour hire.

Costs	Duration/Rate	Sub-total
Letting officer in attendance ¹	5 hours @ £8.75(+29% employer's costs) /hr	£56.44
Cleaning Assistant ²	3 hours @ £8.75(+29% employer's costs) /hr	£33.86
Management/Organisational costs	1 hour @ T/L K level @ £21.78 (+29% employer's costs) /hr	£28.10
Clerical Assistant	1 hour @ £8.75(+29% employer's costs) /hr	£11.29
Utility Costs ³	6 hours @ £.60p/hr	£3.60
General wear and tear repairs		£15.00
Total		£148.29 Rounded to £149
Unit Costs per 1 hour let		37.5 at 4hrs 29.80 at 5hrs

Footnotes:

- (1) Letting officer available throughout period of let plus advance opening/closing and for health and safety/security purposes.
- (2) It is assumed Cleaning Assistant will be key holder to lock up after work completed.
- (3) Utility costs for lighting and increased heating for period of let based upon 6 hours to allow for pre heat and period post usage for cleaning.
- (4) VAT is not applicable in this let but may be applicable for others.

5.0 IMPLICATIONS

5.1 Financial Implications - One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
N/A					

Financial Implications - Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if applicable)	Other Comments

	N/A						
5.2	Human Resources:						
	Letting officer required to facilitate let.						
5.3	Legal:						
	None						
5.4	Equalities:						
	None						
5.5	Repopulation:						
	None						