Municipal Buildings, Greenock PA15 1LY

Ref: RMcG/AI

Date: 23 January 2019

A meeting of the Policy & Resources Committee will be held on Tuesday 5 February 2019 at 3pm within the Municipal Buildings, Greenock.

GERARD MALONE
Head of Legal & Property Services

BUSINESS

****Copy to follow**

1.	**Apologies, Substitutions and Declarations of Interest**	**Page**
PERFORMANCE MANAGEMENT		
2.	**Policy & Resources Capital Programme 2018/2021 – Progress Report** Report by Chief Financial Officer and Corporate Director Environment, Regeneration & Resources	**p**
3.	**Capital Programme 2018/21** Report by Chief Financial Officer	**p**
4.	**Policy & Resources Committee Revenue Budget 2018/19 – Period 8 to 30 November 2018** Report by Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and Chief Financial Officer	**p**
5.	**General Fund Revenue Budget 2018/19 as at 30 November 2018** Report by Chief Financial Officer	**p**
6.	**Welfare Reform Update** Report by Chief Financial Officer	**p**
7.	**Inverclyde's Best Value Assurance Report Improvement Plan Progress Report** Report by Chief Executive	**p**
8.	**Corporate Services Progress Report 2018/19** Report by Head of Organisational Development, Policy & Communications	**p**
9.	**Audit Scotland Reports on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils** Report by Head of Organisational Development, Policy & Communications	**p**

NEW BUSINESS		
10.	**Accounts Commission Report - Local Government Financial Overview 2017/18** Report by Chief Financial Officer	**p**
11.	**2019/20 Budget Update** Report by Chief Financial Officer	**p**
12.	**Capital Strategy 2019/30** Report by Chief Financial Officer	**p**
13.	**Treasury Management Strategy Statement and Annual Investment Strategy 2019/20 – 2022/23** Report by Chief Financial Officer	**p**
14.	**Proposed Increase to the Long Term Empty Council Tax Levy** Report by Chief Financial Officer	**p**
15.	**Corporate Charging Policy** Report by Chief Financial Officer	**p**
16.	**Audit Scotland: Housing Benefit Performance** Report by Chief Financial Officer	**p**
17.	**Scottish Government Consultation: Prisoner Voting** Report by Head of Legal & Property Services	**p**
18.	**River Clyde Homes: Reduction in Board Membership** Report by Head of Legal & Property Services	**p**
19.	**Women's Forum** Report by Corporate Director Education, Communities & Organisational Development	**p**
20.	**Earmarked Reserves: Inverclyde Events** Report by Head of Organisational Development, Policy & Communications	**p**
21.	**People and Organisational Development Strategy 2017-2020 - Update** Report by Head of Organisational Development, Policy & Communications	**p**
22.	**Corporate Health & Safety Report** Report by Head of Organisational Development, Policy & Communications	**p**
23.	**Externally Commissioned Review of Advice Provision** Report by Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership	**p**
REMITS FROM COUNCIL AND COMMITTEES		
24. **	**Equal Pay** Report by Head of Legal & Property Services	

The documentation relative to the following items has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in the paragraphs of Part I of Schedule 7(A) of the Act as are set opposite the heading to each item.	
NEW BUSINESS 25. **Education & Community Services - Management Restructure** Report by Corporate Director Education, Communities & Organisational Development proposing changes to the Heads of Service remits within Education & Community Services — **Para 1**	**p**
26. **PPP Contract – Conclusion of Review** Report by Chief Financial Officer providing an update on the conclusion of the recent PPP Contract review — **Paras 6, 8 & 9**	**p**

Enquiries to – **Rona McGhee** – Tel 01475 712113

Inverclyde council

AGENDA ITEM NO: 2

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Financial Officer and Corporate Director Environment, Regeneration & Resources**	**Report No:**	**FIN/10/19/AP/MT**
Contact Officer:	**Matt Thomson**	**Contact No:**	**01475 712256**
Subject:	**Policy & Resources Capital Programme 2018/2021 - Progress Report**		

1.0 PURPOSE

1.1 The purpose of the report is to update the Committee in respect of the status of the projects within the Policy & Resources Capital Programme and to highlight the overall financial position.

2.0 SUMMARY

2.1 This report updates the Committee in respect of the progress and financial status of the projects within the Policy & Resources Capital Programme.

2.2 It can be seen from section 6 that the projected spend over the period to 2020/21 is £1.400m, which means that the total projected spend is on budget.

2.3 Expenditure at 30 November is 63.12% of 2018/19 projected spend. Net advancement of £0.045m (9.0%) is being reported at this time.

3.0 RECOMMENDATIONS

3.1 That the Committee notes current position of the 2018/21 Capital Programme, the reported net advancement and the progress on the specific projects detailed in the report and Appendix 1.

Alan Puckrin
Chief Financial Officer

Scott Allan
Corporate Director
Environment, Regeneration
& Resources

4.0 BACKGROUND

4.1 On March 15 2018 the Council approved the 2018/21 Capital Programme which continued the core annual ICT allocation of £0.363m.

5.0 PROGRESS

5.1 PC Refresh Programme – ICT implements a six year desktop and laptop refresh strategy. The 2018/19 refresh programme has targeted laptop devices within the school estate, replacing over 830 laptop devices across all areas of the Primary, Secondary and ASN sectors. Additional funds are being allocated to allow a small additional refresh of approximately 80-100 devices to be completed later in the financial year. To date - £0.207m has been spent through the Scottish Government National Framework for mobile devices. This represents the best overall value for the procurement of IT Equipment and guarantees supply and support of identified models for the period of the contract.

5.2 Server and Switch Replacement – A review of central file storage is ongoing and ICT are engaged with system providers, funding has been allocated to allow this to be completed in this financial year. To date - £0.060m has been allocated to replacing and upgrading server equipment for the upgrade of core systems including SWIFT and Council Tax Administration. Key network components have been replaced and upgraded and investment made to evaluate wireless capabilities within the corporate estate. Replacement or upgrade of the Council's central file storage services is currently still being evaluated.

5.3 Whiteboard Projector/Refresh – A number of Whiteboard Projectors within the school estate are coming to the end of their useful lifecycle or are no longer available for replacement in the event of equipment failure. Devices are replaced "as and when" they fail and are subject to budgetary availability. Migration away from traditional projector/screen configuration to all in one LED active panels where possible is being investigated.

5.4 Modernisation Fund – As previously reported two Business Cases for investment as part of the Council's Digital Strategy have been approved by the Digital Access Group. A Business Case for a significant investment in the Council's Customer Relationship Management System was agreed at this Committee in March 2018 and project implementation is progressing.

6.0 FINANCIAL IMPLICATIONS

Finance

6.1 The figures below detail the position at 30 November 2018. Expenditure to date is £0.344m (63.12% of the 2018/19 projected spend). Phasing and project spend has been reviewed.

6.2 The current budget for the period to 31 March 2021 is £1.400m. The current projection is £1.400m which means the total projected spend is on budget.

6.3 The approved budget for 2018/19 is £0.500m. The Committee is projecting to spend £0.545m with net advancement of £0.045m (9.00%) mainly due to slippage within the Modernisation Fund (£0.013m) offset by advancement within the Rolling Replacement of PC's (£0.030m) and Server & Switch Replacement Programme (£0.020m).

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					

7.0 CONSULTATION

7.1 Legal

There are no legal issues arising from the content of this report and as such the Head of Legal and Property Services has not been consulted.

7.2 Human Resources

There are no direct staffing implications in respect of the report and as such the Head of Organisational Development, Policy and Communications has not been consulted.

7.3 Equalities

There are no equalities implications in this report.

7.4 Repopulation

There are no repopulation implications in this report.

8.0 LIST OF BACKGROUND PAPERS

8.1 None

Appendix 1

COMMITTEE: POLICY & RESOURCES

Project Name	1 Est Total Cost £000	2 Actual to 31/3/18 £000	3 Approved Budget 2018/19 £000	4 Revised Est 2018/19 £000	5 Actual to 30/11/18 £000	6 Est 2019/20 £000	7 Est 2020/21 £000	8 Est 2021/22 £000
Environment, Regeneration & Resources								
ICT								
Storage/Backup Devices/Minor Works and Projects	65		65	65	10	0	0	
Rolling Replacement of PC's	235		205	235	207	0	0	
Whiteboard/Projector Refresh	48		48	48	36	0	0	
Server & Switch Replacement Programme	103		83	103	60	0	0	
Annual Allocation	826	0	0	0	0	463	363	
ICT Total	**1,277**	**0**	**401**	**451**	**313**	**463**	**363**	**0**
Finance								
Modernisation Fund	123	24	99	124	31	5	0	0
Finance Total	**123**	**24**	**99**	**94**	**31**	**5**	**0**	**0**
TOTAL	**1,400**	**24**	**500**	**545**	**344**	**468**	**363**	**0**

Inverclyde council

AGENDA ITEM NO: 3

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/09/19/AP/MT**
Contact Officer:	**Matt Thomson**	**Contact No:**	**01475 712256**
Subject:	**2018/21 Capital Programme**		

1.0 PURPOSE

1.1 The purpose of the report is to provide the Committee with the latest position of the 2018/21 Capital Programme.

2.0 SUMMARY

2.1 On March 15 2018 the Council approved the 2018/21 Capital Programme which built on the previously approved 2017/20 Capital Programme.

2.2 The Capital Programme reflects the confirmed 2018/19 and 2019/20 capital grant. The 2019/20 grant is £0.110m less than previously estimated and includes the return of £1.4m re-profiled by the Government in 2016/17 which is in addition to the core annual allocations. In addition the estimated 2020/21 grant has been reduced by £0.400m to £8.100m.

2.3 In order to fund increased investment in a number of areas it was agreed to overprovide by up to 5% against available (non SEMP) resources in recognition of potential increase in resources or cost reductions in the future. As a result the Capital Programme is reporting a deficit of £2.703m, an increase of £0.510m from previously reported as a result of the reduction in 2019/20 & 2020/21 grant which represents 5.47% of the 2018/21 resources. Action will be taken when preparing the 2019/23 Capital Programme as part of the budget setting process to address the shortfall and bring it back within the 5% overprovision.

2.4 It can be seen from Appendix 2 that as at 30 November 2018 expenditure in 2018/19 was 55.58% of projected spend. Phasing and project spend has been reviewed by the budget holders and the relevant Corporate Director.

2.5 The position in respect of each individual Committee is reported in Appendix 2 and Section 5 of the report. Overall Committees are projecting to outturn on budget. In the current year net slippage of 4.38% is currently being reported, an increase in slippage from the 4.15% net slippage previously reported. This is largely due to slippage in Health & Social Care (£0.520m), Environment and Regeneration (£0.262m) and School Estates (£0.816m) offset by advancement in Education and Lifelong Learning (Excluding School Estate) (£0.315m) and Policy & Resources (£0.045m).

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the current position of the 2018/21 Capital Programme and that officers continue to examine ways to minimise any further slippage.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 On March 15 2018 the Council approved the 2018/21 Capital Programme which built upon the previously approved 2017/20 Capital Programme to 2017/21.

4.2 The Capital Programme reflects the confirmed 2018/19 and 2019/20 capital grant. The 2019/20 grant is £0.110m less than previously estimated and includes the return of £1.4m re-profiled by the Government in 2016/17 which is in addition to the core annual allocations. In addition the estimated 2020/21 grant has been reduced by £0.400m to £8.100m.

4.3 Over provision of projects against estimated (non SEMP) resources of up to 5% has been made to allow for increased resources and/or cost reductions.

5.0 CURRENT POSITION

5.1 Appendix 1 shows that over the 2018/21 period the Capital Programme is reporting a £2.703m deficit. This is in excess of the acceptable level of up to 5% over provision and will be addressed when preparing the 2019/23 Capital Programme as part of the budget setting process.

5.2 The position in respect of individual Committees for 2018/19 is as follows:

Health & Social Care
Net slippage of £0.520m (38.12%) is being reported with spend of £0.844m for the year. Slippage is projected within Crosshill Children's Home Replacement partly arising from tender returns being below budget.

Environment & Regeneration
Net slippage of £0.262m (1.8%) is being reported with spend of £14.280m for the year.
Slippage is projected mainly within Pottery Street (£0.371m), SPT (£0.35m), Flooding (£0.30m), King George VI refurbishment (£0.247m) and other minor slippages on various budgets across the Property Services annual allocations offset by advancement within Clune Park (£0.320m) and Baker's Brae realignment (£0.204m) and the Enterprise Hub (£0.20m).

Education & Communities
Net slippage of £0.488m (4.21%) is being reported with spend of £11.101m for the year. The slippage is mainly due to the revised phasing of various projects within the School Estates Management Plan (£0.816m) and the Community facility at Broomhill (£0.106m) offset by advancement of the Inverclyde Leisure project at Lady Octavia Sports Centre (0.470m).

Policy & Resources
Net advancement of £0.045m (9.00%) is being reported with spend of £0.545m for the year. The advancement is within the PC Refresh and Server Replacement Programme (£0.050m) offset by slippage within the modernisation fund (£0.005m).

5.3 Overall in 2018/19 expenditure is 55.58% of projected spend for the year and that project slippage from the programme agreed in March 2018 is £1.225 million (4.38%). The Corporate Director, Environment, Regeneration and Resources will continue to work with the rest of the corporate Capital Programme officer group to identify ways which will reduce any further slippage and potentially advance projects.

6.0 CONSULTATION

6.1 This report reflects the detail reported to Service Committees.

7.0 IMPLICATIONS

Finance

7.1 Financial Implications

All financial implications are shown in detail within the report and in Appendices 1 & 2.

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

7.2 There are no legal implications.

Human Resources

7.3 There are no direct staffing implications in respect of this report and as such the Head of Organisational Development, Policy & Communications has not been consulted.

Equalities

7.4 The report has no impact on the Council's Equalities policy.

Repopulation

7.5 The Council's continuing significant capital investment levels will have a positive impact on regeneration, job creation and hence repopulation.

8.0 BACKGROUND PAPERS

8.1 None.

Appendix 1

Capital Programme - 2018/19 - 2020/21

Available Resources

	A	B	C	D	E
	2018/19	2019/20	2020/21	future	Total
	£000	£000	£000	£000	£000
Government Capital Support	8,282	9,390	8,100	-	25,772
Less: Allocation to School Estate	(4,300)	(4,300)	(3,000)	-	(11,600)
Capital Receipts (Note 1)	389	247	543	-	1,179
Capital Grants (Note 2)	1,601	610	-	-	2,211
Prudential Funded Projects (Note 3)	5,421	5,568	2,567	350	13,906
Balance B/F From 17/18 (Exc School Estate)	12,167	-	-	-	12,167
Capital Funded from Current Revenue	5,305	448	406	-	6,159
	28,865	11,963	8,616	350	49,794

Overall Position 2018/21

	£000
Available Resources (Appendix 1, Column E)	49,794
Projection (Appendix 2, Column B-E)	52,497
(Shortfall)/Under Utilisation of Resources	(2,703)

Notes to Appendix 1

All notes exclude School Estates

Note 1 (Capital Receipts)	2018/19	2019/20	2020/21	future	Total
	£000	£000	£000	£000	£000
Sales	389	247	543	-	1,179
Contributions/Recoveries	-	-	-	-	-
	389	247	543	-	1,179

Note 2 (Capital Grants)	2018/19	2019/20	2020/21	future	Total
	£000	£000	£000	£000	£000
Cycling, Walking & Safer Streets	108	-	-	-	108
SPT	1,250	350	-	-	1,600
Historic Scotland	65	260	-	-	325
Big Lottery Fund	88	-	-	-	88
	1,511	610	-	-	2,121

Note 3 (Prudentially Funded Projects)	2018/19	2019/20	2020/21	future	Total
	£000	£000	£000	£000	£000
Additional ICT - Education Whiteboard & PC Refresh	30				30
Vehicle Replacement Programme	989	1,288	1,633	-	3,910
Asset Management Plan - Offices	0	22	0	0	22
Asset Management Plan - Depots	1,073	1,134	590	-	2,797
Capital Works on Former Tied Houses	83	13	50	350	496
Waterfront Leisure Complex Combined Heat and Power Plant	4	-	-	-	4
CCTV	201	-	-	-	201
Clune Park Regeneration	320	680	-	-	1,000
Neil Street Childrens Home Replacement	49	-	-	-	49
Crosshill Childrens Home Replacement	291	943	294	-	1,528
Modernisation Fund	94	(45)	-	-	49
Watt Complex Refurbishment	903	329	-	-	1,232
Roads Asset Management Plan	1,384	1,204	-	-	2,588
	5,421	5,568	2,567	350	13,906

Appendix 2

Capital Programme - 2018/19 - 2020/21

Agreed Projects

	A	B	C	D	E	F	G	H	I
Committee	Prior Years	2018/19	2019/20	2020/21	Future	Total	Approved Budget	(Under)/ Over	2018/19 Spend To 30/11/2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Policy & Resources	24	545	468	363	-	1,400	1,400	-	374
Environment & Regeneration	45,988	14,280	18,336	11,613	350	90,567	90,567	-	6,391
Education & Communities (Exc School Estate)	2,432	2,005	2,011	420	-	6,868	6,868	-	1,198
HSCP	214	844	968	294	-	2,320	2,320	-	86
Sub -Total	48,658	17,674	21,783	12,690	350	101,155	101,155	-	8,049
School Estate (Note 1)	19,549	9,096	12,411	5,476	50	46,582	46,582	-	6,831
Total	68,207	26,770	34,194	18,166	400	147,737	147,737	-	14,880

Note 1

Summarised SEMP Capital Position - 2018/21	2018/19	2019/20	2020/21
Capital Allocation	4,300	4,300	3,000
Scottish Government School Grant (estimate)	1,900	2,200	1,500
Surplus b/fwd	9,197	6,268	390
Prudential Borrowing	-	-	-
Available Funding	15,397	12,768	4,890
Projects	9,129	12,378	5,476
Total	9,129	12,378	5,476
Surplus c/fwd	6,268	390	(586)

Inverclyde council

AGENDA ITEM NO: 4

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and Chief Financial Officer**	**Report No:**	**FIN/14/19/AP/AE**
Contact Officer:	**Angela Edmiston**	**Contact No:**	**01475 712143**
Subject:	**Policy & Resources Committee 2018/19 Revenue Budget – Period 8 to 30 November 2018**		

1.0 PURPOSE

1.1 The purpose of this report is to advise the Committee of the 2018/19 projected outturn for the Policy & Resources Committee as at period 8, 30 November 2018.

2.0 SUMMARY

2.1 The total revised Committee budget for 2018/19 is £18,929,000. This excludes Earmarked Reserves of £2,507,000.

2.2 The latest projection, excluding Earmarked Reserves, is an underspend of £705,000 (3.7%, a decrease of £122,000 since the last report).

2.3 The main reasons for this underspend are:
a) £650,000 projected underspend of non-pay inflation contingency.
b) £100,000 over-recovery of Internal Resource Interest.
c) £120,000 increased income within Finance Services.

The above is offset by a projected overspend of £264,000 on pay inflation based on the current pay offer.

2.4 The Earmarked Reserves for 2018/19 total £2,507,000 of which £577,000 is projected to be spent in the current financial year. To date, expenditure of £232,000 (40%) has been incurred which is £74,000 less than the phased budgeted spend to date. It is to be noted that Earmarked Reserves reported in appendix 4 exclude Earmarked Reserves for Asset Plans and Strategic Funds.

2.5 The Common Good Fund is projecting a surplus fund balance at 31 March 2019 of £26,640. Whilst this is below the recommended minimum level of reserves of £100,000, action was taken to increase the annual surplus and as a result the Fund Balance will increase over the coming years. In addition, the potential disposal of Common Good assets is under review and if approved would increase the Fund Balance accordingly.

3.0 RECOMMENDATIONS

3.1 That the Committee notes the 2018/19 projected underspend of £705,000 for the Policy and Resources Committee as at Period 8, 30 November 2018.

3.2 That the Committee approve the transfer of £50,000 from the projected Finance Services underspend to the Digital Strategy Earmarked Reserve to fund specific investments in Purchase to Pay and FMS to meet new legislative requirements and to improve services to customers.

3.2 That the Committee notes the projected 2018/19 surplus of £19,240 for the Common Good Fund.

Aubrey Fawcett Chief Executive	Alan Puckrin Chief Financial Officer
Ruth Binks Corporate Director Education, Communities & Organisational Development	Scott Allan Corporate Director Environment, Regeneration & Resources

4.0 BACKGROUND

4.1 The purpose of this report is to advise the Committee of the current position of the 2018/19 budget and to highlight the main issues contributing to the projected underspend of £705,000 (3.7%) in 2018/19.

5.0 2018/19 CURRENT POSITION

5.1 The current projection is an underspend of £705,000, a decrease in underspend of £122,000 since the previous report. The following are the material variances:

5.2 The following material variances relate to the Environment, Regeneration & Resources Directorate:

Finance - £205,000 underspend

Employee Costs: £33,000 projected underspend mainly due to additional turnover. This is a reduction in the underspend reported to the last Committee of £36,000.

Supplies & Services: £37,000 overspend mainly due to one-off purchase of EDRMS scanning software.

Admin Costs: £10,000 overspend mainly due to a £30,000 overspend within Legal Expenses Sheriff Officer, offset within income. In addition, £61,000 overspend for ICT Line Rental Recharges fully offset within income. Various underspends being projected, which include £27,000 for ICT corporate calls, £24,000 ICT non-rechargeable line rental and £22,000 postage costs within Revenues following a move to increased electronic communication. Overall reduction in overspend of £11,000 since last reported to the Committee.

Other Expenditure: An underspend of £98,000 projected to the Committee mainly due to £77,000 reduction in Bad Debt Provision due to the reduced amount of Housing Benefit debt now raised due to Universal Credit, offset by under-recovery in income. Also £27,000 underspend due to the Universal Support payment to River Clyde Homes being less than budget. Overall increase in spend of £6,000 since last reported to the Committee.

Income: An over-recovery of £120,000 is being projected. This is mainly due to a £30,000 over-recovery within Legal fee income which is fully off-set, £64,000 ICT income for Line Rental charges which is offset within Admin Costs and £85,000 reduction in Housing Benefit recoveries which is largely offset by a reduced Bad Debt Provision. In addition, one-off income of £41,000 received from Education from PEF funding for ICT service charges. Also £26,000 additional one-off income within ICT and £39,000 over Recovery within Revenues mainly due to additional one-off grant funding for VEP and New Burdens. Reduction in over-recovery of £34,000 since last reported to the Committee.

Legal & Property - £17,000 overspend

Income: An under-recovery of £45,000 for liquor licence fees offset by an over-recovery of betting licences. Increase in under-recovery of £20,000 since last reported to the Committee due to increase in fees received to date.

5.3 The following material variances relate to the Miscellaneous budget.

Miscellaneous – £705,000 underspend

Non-Pay Inflation Contingency: There is a projected underspend of £650,000 based on current estimated calls on inflation contingency. £150,000 further underspend projected since last reported to Committee.

Pay Inflation – Based on the recent pay offer of 3.5% it is estimated that there is a shortfall of £264,000 against the pay inflation allowance.

Internal Resource Interest: Projecting £100,000 over-recovery of income based on 2017/18 out-turn. Both these matters will be factored into the 2019/20 draft budget. No change since last reported.

6.0 VIREMENT

6.1 There are no virements to report in period 8.

7.0 EARMARKED RESERVES

7.1 Appendix 4 gives a detailed breakdown of the current earmarked reserves position. Total funding is £2,507,000 of which £577,000 is projected to be spent in 2018/19 and the remaining balance of £1,930,000 to be carried forward to 2019/20 and beyond. It can be seen that expenditure of £232,000 has been achieved which is £74,000 less than the phased budgeted spend to date and represents 40% of the annual projected spend.

7.2 The Council requires to invest in Purchase to Pay during 2019/20 to comply with new legislation. It is proposed to transfer £50,000 from the projected Finance underspend to the Digital Strategy EMR to fund this and other FMS developments. Committee approval for this is sought.

8.0 COMMON GOOD FUND

8.1 The Common Good Fund is projecting a surplus fund balance at 31 March 2018 of £26,640. Whilst this is below the recommended minimum level of reserves of £100,000 the action approved as part of the 2017/18 Budget is gradually increasing the balance.

8.2 The 2018/19 surplus is after the Fund incurred no expenditure for the Annual Fireworks display following the cancellation of the 2018 event due to inclement weather. All costs incurred are due to be recovered via an insurance claim.

9.0 IMPLICATIONS

9.1 **Finance**

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Digital Strategy	EMR	2018/19	50	Finance Services	

Annually Recurring Costs/ (Savings)

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

9.2 **Legal**

There are no specific legal implications arising from this report.

9.3 **Human Resources**

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

9.4 **Equalities**

Has an Equality Impact Assessment been carried out?

☐	Yes	See attached appendix
x	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.

9.5 **Repopulation**

There are no repopulation issues arising from this report.

10.0 CONSULTATIONS

10.1 The Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and the Chief Financial officer have been consulted in the preparation of this report.

11.0 CONCLUSIONS

11.1 The Committee is asked to note the 2018/19 projected underspend of £705,000 for the Policy and Resources Committee as at Period 8, 30 November 2018.

12.0 BACKGROUND PAPERS

12.1 There are no background papers for this report.

Appendix 1

Policy & Resources Budget Movement - 2018/19

Period 8: 1st April - 30th Nov 2018

Service	Approved Budget 2018/19 £000	Movements: Inflation £000	Movements: Virement £000	Movements: Supplementary Budgets £000	Movements: Transferred to EMR £000	Revised Budget 2018/19 £000
Finance	7,581	6	121		(300)	7,408
Legal	1,674		27			1,701
Organisational Development, HR & Communications	2,001		(6)			1,995
Chief Exec	332		8			340
Miscellaneous	7,886	(139)	(262)			7,485
Totals	19,474	(133)	(112)	0	(300)	18,929

Supplementary Budget Detail

	£000
Inflation	
Software Maintenance Inflation - Finance & ICT	6
Miscellaneous Inflation Contingency:	
Software Maintenance Inflation - Finance & ICT	(6)
Getting Ready for Work Scheme (Ec Dev)	(9)
Electricity Inflation 2018/19	(73)
Gas Inflation 2018/19	(51)
	(133)
Virement	
Turnover Realignment	49
Welfare refund - Social Work triage	62
Welfare refund - Education Anti Poverty Fund	22
Misc - Inflation Contingency (HSCP, Mgmt Restruc, Turnover Reallign, Misc)	(250)
Admin Restructure - Legal & Property	17
Rankin Park costs from Capital Programme to ERR Directorate	(12)
	(112)

POLICY & RESOURCES

Appendix 2

REVENUE BUDGET MONITORING REPORT

CURRENT POSITION

PERIOD 8: 1st April 2018- 30th November 2018

2017/18 Actual £000	SUBJECTIVE ANALYSIS	Approved Budget 2018/19 £000	Revised Budget 2018/19 £000	Projected Out-turn 2018/19 £000	Projected Over/(Under) Spend £000
8,322	Employee Costs	8,215	8,248	8,207	(41)
523	Property Costs	547	547	547	0
602	Supplies & Services	899	936	976	40
3	Transport & Plant	5	5	4	(1)
1,551	Administration Costs	1,442	1,422	1,424	2
34,428	Payments to Other Bodies	42,420	42,080	41,570	(510)
(31,943)	Income	(34,054)	(34,010)	(34,205)	(195)
13,486	**TOTAL NET EXPENDITURE**	**19,474**	**19,227**	**18,522**	**(705)**
	Earmarked reserves		(300)	(300)	0
13,486	**Total Net Expenditure excluding Earmarked Reserves**	**19,474**	**18,927**	**18,222**	**(705)**

2017/18 Actual £000	OBJECTIVE ANALYSIS	Approved Budget 2018/19 £000	Revised Budget 2018/19 £000	Projected Out-turn 2018/19 £000	Projected Over/(Under) Spend £000
7,278	Finance	7,581	7,708	7,503	(205)
1,631	Legal Services	1,674	1,701	1,718	17
8,909	**Total Net Expenditure Environment, Regeneration & Resources**	**9,255**	**9,409**	**9,221**	**(188)**
1,997	Organisational Development, Human Resources & Communications	2,001	1,995	2,004	9
1,997	**Total Net Expenditure Education, Communities & Organisational Development**	**2,001**	**1,995**	**2,004**	**9**
341	Chief Executive	332	339	319	(20)
2,239	Miscellaneous	7,886	7,484	6,978	(506)
13,486	**TOTAL NET EXPENDITURE**	**19,474**	**19,227**	**18,522**	**(705)**
	Earmarked reserves		(300)	(300)	0
13,486	**Total Net Expenditure excluding Earmarked Reserves**	**19,474**	**18,927**	**18,222**	**(705)**

Appendix 3

POLICY & RESOURCES

REVENUE BUDGET MONITORING REPORT

MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)

PERIOD 8: 1st April 2018- 30th November 2018

Outturn 2017/18 £000	Budget Heading	Budget 2018/19 £000	Proportion of Budget £000	Actual to 30/09/2018 £000	Projection 2018/2019 £000	Over/(Under) Budget £000
	Finance/ICT					
41	ICT - Admin Costs - Corporate Calls	38	26	6	11	(27)
437	ICT - Admin Costs -Telephone Line Rental	333	138	238	394	61
72	ICT - Admin Costs - Line Rental - Non Rechargeable	66	49	32	42	(24)
(47)	ICT - Income - Recharges	0	0	(67)	(64)	(64)
(437)	ICT - Income - Line Rental Charges	(333)	(138)	(270)	(394)	(61)
1,994	Rev - Employee Costs -	1,935	1,209	1,193	1,896	(39)
280	Rev - Admin costs - Legal Expenses Sheriff Officer	242	161	174	272	30
45	Rev- Admin costs - Postage	67	47	20	45	(22)
21	Rev- Other Expenditure UC	47	31	5	20	(27)
(8)	Rev - Other Expenditure - Bad Debt Provision	100	50	0	23	(77)
(141)	Rev - Income - Other Income	(95)	(64)	(121)	(134)	(39)
(138)	Rev- Income - Recoveries HB	(220)	(110)	(100)	(135)	85
(283)	Rev - Income - Legal Fee Recoveries	(238)	(158)	(178)	(268)	(30)
8	FIN - Supplies & Services - Computer Software	3	3	8	28	25
	Legal & Property Services					
(78)	Liquor Licences	(122)	(87)	(92)	(77)	45
(2)	Licensing - Betting	0	0	0	(26)	(26)
	Miscellaneous					
253	Non-pay Inflation Contingency	1,428	401	401	778	(650)
1,452	Pay Inflation Contingency	3,977	0	0	4,241	264
(277)	Internal Resource Interest	(150)	(75)	0	(250)	(100)
3,192	**TOTAL MATERIAL VARIANCES**	**7,078**	**1,483**	**1,249**	**6,402**	**(676)**

Appendix 4

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy & Resources

Project	Lead Officer/ Responsible Manager	Total Funding 2018/19 £000	Phased Budget To Period 8 2018/19 £000	Actual To Period 8 2018/19 £000	Projected Spend 2018/19 £000	Amount to be Earmarked for 2019/20 & Beyond £000	Lead Officer Update
Digital Strategy	Alan Puckrin	217	60	49	110	107	2017/20 Digital Strategy approved and projects progressing. Funding KANA Upgrade & Revenues On Line projects.
Welfare Reform - Operational	Alan Puckrin	339	30	10	87	252	Funding temporary employees and brought forward SWF balance of £60k.
Budget Development	Alan Puckrin	61	10	5	25	36	Will fund Participatory Budget pilots once the sum is clarified.
2013/18 Revenue Contingency	Alan Puckrin	190	20	0	30	160	Projects to date include £20k Youth Event, £5k for Gourock Highland Games & £10k for The Great Get Together and £5k for Armed Forces - Tommy Memorials. Total uncommitted funds in 2018/19 of £43k .
Anti-Poverty Fund	Alan Puckrin	1,500	150	133	228	1,272	Committee agreed further 12 month funding extensions in September with further proposals agreed in February 2018. Proposals linked to Child Poverty Action Plan to be developed.
GDPR	Gerry Malone	150	4	7	47	103	£47k to be spent within 2018/19 GDPR training, ICT requirements and storage.
Develop Pay & Grading Model	Steven McNab	50	32	28	50	0	Staffing resources to develop pay and grading options for consideration by the Corporate Management Team and Members with a view to implementing a revised pay structure in 2019. Budget to be fully spent in 2018/19.
Total Category C to E		**2,507**	**306**	**232**	**577**	**1,930**	

APPENDIX 5

COMMON GOOD FUND

REVENUE BUDGET MONITORING REPORT 2018/19

PERIOD 8 : 1st April 2018 to 30th November 2018

		Final Outturn 2017/18	Approved Budget 2018/19	Budget to Date 2018/19	Actual to Date 2018/19	Projected Outturn 2018/19
PROPERTY COSTS		**16,740**	**22,000**	**14,700**	**15,200**	**22,000**
Repairs & Maintenance	**1**	4,730	9,000	6,000	2,580	9,000
Rates	**2**	14,900	12,000	8,000	12,620	13,000
Property Insurance		(2,890)	1,000	700		0
ADMINISTRATION COSTS		**11,480**	**7,700**	**7,200**	**17,340**	**17,700**
Sundries	**3**	5,280	1,500	1,000	11,140	11,500
Commercial Rent Management Recharge		2,200	2,200	2,200	2,200	2,200
Recharge for Accountancy		4,000	4,000	4,000	4,000	4,000
OTHER EXPENDITURE		**83,370**	**79,100**	**66,900**	**51,150**	**79,100**
Christmas Lights Switch On		10,500	10,500	0		10,500
Gourock Highland Games		29,400	29,400	29,400	29,400	29,400
Armistice Service		8,400	8,300	8,300	5,950	8,300
Comet Festival		13,300	13,300	13,300	13,300	13,300
Fireworks	**4**	12,600	12,600	12,600		12,600
Society of the Innocents Rent Rebate		5,000	5,000	3,300	2,500	5,000
Bad Debt Provision		4,170				0
INCOME		**(124,220)**	**(135,440)**	**(90,200)**	**(96,210)**	**(125,440)**
Property Rental		(168,950)	(168,950)	(112,600)	(129,800)	(168,950)
Void Rents	**5**	44,750	34,010	22,700	33,650	44,010
Internal Resources Interest		(20)	(500)	(300)	(60)	(500)
Disposal of Land						
NET ANNUAL EXPENDITURE		**(12,630)**	**(26,640)**	**(1,400)**	**(12,520)**	**(6,640)**
EARMARKED FUNDS		**0**	**0**	**0**	**0**	**0**
TOTAL NET EXPENDITURE		**(12,630)**	**(26,640)**	**(1,400)**	**(12,520)**	**(6,640)**

Fund Balance as at 31st March 2018	**7,400**	
Projected Fund Balance as at 31st March 2019		**14,040**

Notes:

1 **Repairs & Maintenance**
Significant repairs costs continue to be incurred in respect of vacant properties to bring them to an adequate condition to allow the property to be let out.

2 **Rates (Empty Properties)**
Rates are currently being paid on empty properties, projection reflects current Rates levels however all historic Rates costs are being examined to ensure all appropriate empty property relief has been obtained. Any subsequent credit will be included in future reports.

3 **Sundries**
Significant utilities coss have been incurred for 12 Bay St, these costs date back to 2015 when the property became vacant. While costs relating to this property while vacant are the responsibility of the Common Good fund it is believed the costs are excessive and these are crrently being challenged. Any sybsequent credit received will be reflected in future reports.

4 **Fireworks**
The 2018 Fireworks event was cancelled due to extreme weather. The current projection represents the abortive costs of the event, an insurance claim is in progress however and it is hoped that a substantial element of the costs may be recovered. The projection will be amended accordingly once the outcome of the claim is known.

5 **Current Empty Properties are:**

	Vacant since:
12 Bay St	April 2015
10 John Wood Street	August 2018
15 John Wood Street	June 2017
17 John Wood Street	March 2014
74 Port Glasgow Road	September 2012

Inverclyde council

AGENDA ITEM NO. 5

Report To:	**Policy & Resources Committee**	**Date: 5 February 2019**
Report By:	**Chief Financial Officer**	**Report No: FIN/15/19/AP/AE**
Contact Officer:	**Alan Puckrin**	**Contact No: 01475 712223**
Subject:	**2018/19 General Fund Revenue Budget as at 30 November 2018**	

1.0 PURPOSE

1.1 The purpose of this report is to advise the Committee of the position of the General Fund Revenue Budget as at 30 November 2018 and to update the Committee in respect of the position of the General Fund Reserves and Earmarked Reserves.

2.0 SUMMARY

2.1 The Council approved the 2018/19 Revenue Budget in March 2018 and set a budget without the use of Revenue Reserves. It should be noted that Inverclyde Council approved a Committee and Senior Management restructure on 22 February 2018 and these changes have been reflected in the 2018/19 Revenue Budget reports to the individual Service Committees.

2.2 It can be seen from Appendix 1 that as at 30 November 2018, the General Fund is projecting a £1.041 million underspend (excluding the Health & Social Care Directorate) which represents 0.54% of the net Revenue Budget. This is mainly due to:

- Release of non-pay inflation not required (£650,000).
- Projected over recovery Internal Resources Interest (£100,000).
- Net additional turnover savings achieved, including early achievement of savings (£496,000).
- Over Recovery of Planning Development Control Income (£165,000).

This has been offset in part by a projected overspend against the 2018/19 Pay Award allowance, an under recovery of Refuse Collection trade waste income and an overspend in the Recycling contract due to additional costs incurred as a result of the main recycling contractor going into administration. The items above have been or will be factored into the 2019/20 Base Budget where appropriate.

2.3 From Appendix 1 it can be seen that all Service Committees are currently projecting underspends. The Health and Social Care Partnership is currently projecting an underspend, however any resulting underspend will be retained by the Integration Joint Board.

2.4 Appendix 2 shows the latest position in respect of Earmarked Reserves, excluding those relating to Asset Plans and Funding Models. It can be seen that as at 30 November 2018, expenditure totalled £1.586 million which equates to 40.7% of the planned spend in 2018/19. It can also be seen from Appendix 2 that at 30 November 2018, actual expenditure is 15.14% behind the phased budget.

2.5 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31 March 2019 is £5.680 million which is £1.880 million greater than the minimum recommended balance of £3.8 million. This position reflects the decisions taken at the Council budget meeting on 15 March 2018.

2.6 A report elsewhere on the agenda gives an update on the 2019/20 Budget.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the latest position of the 2018/19 Revenue Budget and General Fund Reserves.

3.2 It is recommended that the Committee notes that the use of any Free Reserves will be considered as part of the 2019/20 budget process.

Alan Puckrin
Chief Financial Officer

.

4.0 BACKGROUND

4.1 The Council approved the 2018/19 Revenue Budget in March 2018 and set a balanced budget without the use of Reserves.

5.0 POSITION AS AT 30 NOVEMBER 2018

5.1 It can be seen from Appendix 1 that as at 30 November 2018 the General Fund is projecting an underspend of £1.041 million which equates to 0.54% of the net General Revenue Fund Budget and is an increase of £121,000 from the previous report.

5.2 Appendix 1 shows that all Service Committees are currently projecting underspends.

5.3 In summary the main issues relating to the four Service Committees are as follows:-

Policy & Resources Committee – Projected underspend of £705,000 (3.7%) mainly due to release of non-pay inflation contingency not required and a projected over- recovery of Internal Resources Interest partly offset by a shortfall in the Pay Inflation Contingency. An element of the non-pay inflation and Internal Resources Interest underspends are planned to be factored into the 2019/20 Base Budget.

Environment & Regeneration – Projected underspend of £12,000 (0.05%) mainly due to a projected over recovery in industrial and commercial rent income offset by a projected shortfall of refuse collection trade waste income. In addition, the Committee is reporting an overspend of £121,000 within the Recycling contract arising from the main recycling contractor entering administration. This extra cost will be contained by the Committee in 2018/19.

Education & Communities - £196,000 (0.24%) projected underspend mainly due to additional turnover savings, a projected underspend within Teachers employee costs and a projected over recovery of income for Early Years Wrapround. This has been offset in part by an overspend within Libraries and Museums employee costs, a projected overspend on utility costs and a projected shortfall in library income and golf course income.

Health & Social Care – Projected underspend of £520,000 (1.08%) mainly due to a projected increase in turnover savings being achieved, a number of the vacancies were considered as part of the recent budget discussions or formed part of the decisions taken in March 2018. In addition, there are projected underspends in Client care packages within Learning Disability Services and Addiction Services both as a result of approved Service Reviews taken as part of the 2019/20 budget setting decisions and a refund from an external provider relating to previous years' service provision. The Committee underspend will be retained by the Integration Joint Board.

5.4 Appendix 2 shows the latest position in respect of the Earmarked Reserves and provides information on performance against phased budget. The Committee is asked to note that the phasing will not be amended during the year and provides a useful benchmark for Officers and Members to monitor performance against originally envisaged targets. The Earmarked Reserve statement excludes those funds that relate to Assets Plans or Funding Models.

5.5 As at 30 November 2018, the Council has spent £1.586 million against a phased budget target of £1.869 million. This represents 15.14% behind the target phasing and spend equates to 40.7% of the projected spend for 2018/19. Performance in respect of Earmarked Reserves is reviewed by the Corporate Management Team and reported in detail to each Service Committee.

5.6 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected unallocated balance at 31 March 2019 is £5.680 million which is £1.880 million greater than the minimum recommended balance of £3.8 million. This position reflects the decisions taken at the Council budget meetings 15 March 2018.

6.0 CONSULTATION

6.1 This report has been produced utilising the detailed budget reports to each Committee.

7.0 IMPLICATIONS

7.1 Finance

One off Costs

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

Annually Recurring Costs

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

7.2 Legal

There are no legal implications arising from this report.

7.3 Human Resources

There are no HR implications arising from this report.

7.4 Equalities

There are no equality implications arising from this report.

7.5 Repopulation

There are no repopulation implications arising from this report.

8.0 BACKGROUND PAPERS

8.1 None

Appendix 1

Policy & Resources Committee

Revenue Budget Monitoring Report

Position as at 30th Nov 2018

Committee	Approved Budget 2018/2019	Revised Budget 2018/2019	Projected Out-turn 2018/2019	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	19,474	18,870	18,165	(705)	(3.74%)
Environment & Regeneration	20,521	22,341	22,329	(12)	(0.05%)
Education & Communities **(Note 1)**	90,235	80,843	80,647	(196)	(0.24%)
Health & Social Care	47,794	48,117	47,597	(520)	(1.08%)
Committee Sub-Total	**178,024**	**170,171**	**168,738**	**(1,433)**	**(0.84%)**
Loan Charges (Including SEMP)	12,500	17,128	17,128	0	0.00%
Savings Achieved Early **(Note 2)**	95	128	0	(128)	(100.00%)
Contribution to / (from) Statutory Funds	(240)	(240)	(240)	0	0.00%
Earmarked Reserves	0	4,010	4,010	0	0.00%
2018/19 Pay Offer - Funding Shortfall	0	0	264	264	100.00%
Total Expenditure	**190,379**	**191,197**	**189,900**	**(1,297)**	**(0.68%)**
Financed By: General Revenue Grant/Non Domestic Rates	(160,030)	(160,848)	(160,848)	0	0.00%
General Revenue Grant Redetermination	(523)	(523)	(523)	0	0.00%
Council Tax	(29,826)	(29,826)	(29,826)	0	100.00%
Integration Joint Board - Increase in Reserves	0	0	520	520	100.00%
Net Expenditure	**0**	**0**	**(777)**	**(777)**	

Note 1 - Reduction reflects loans charges and earmarked reserves.
Note 2 - Efficiencies/adjustments identified post budget setting removed from Service Committee budgets.

Earmarked Reserves Position Statement **Appendix 2**

Summary

Committee	Total Funding 2018/19 £000	Phased Budget to 30 Nov 2018 £000	Actual Spend To 30 Nov 2018 £000	Variance Actual to Phased Budget £000	Projected Spend 2018/19 £000	Earmarked 2019/20 & Beyond £000	2018/19 %age Spend Against Projected	2018/19 %age Over/(Under) Spend Against Phased Budget
Education & Communities	1,471	296	166	(130)	726	745	22.87%	(43.92%)
Health & Social Care	1,684	622	575	(47)	1,136	548	50.62%	(7.56%)
Regeneration & Environment	3,955	645	613	(32)	1,461	2,494	41.96%	(4.96%)
Policy & Resources	2,507	306	232	(74)	577	1,930	40.21%	(24.18%)
	9,617	1,869	1,586	(283)	3,900	5,717	40.67%	(15.14%)

Actual Spend v Phased Budget	**Behind Phasing =**	**(£283k)**	**(15.14%)**
Last Update (Period 6)	**Ahead of Phasing**	**£288k**	
Movement in slippage v Phasing		**(£571k)**	

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 30/11/18

	£000	£000
Balance 31/03/18		13447
Projected Surplus/(Deficit) 2018/19	1041	
Contribution to/(from) General Fund Reserves **Note 1**	0	
		1041
Refund from Mortgage Guarantee Reserve		50
Approved Use of Free Reserves (March 2018) **Note 2**		(8858)
Projected Unallocated Balance 31/03/19		**5680**

Minimum Reserve required is £3.8 million

Note 1 No contribution from reserves was required when setting 2018/19 Revenue Budget.

Note 2 (Use of Reserves)

Apprenticeship Programmes	170
Dementia and Autism Friendly Community	200
I Youth Zones	186
Anti- Poverty Fund	200
Community Fund	215
Major Events 2019/21	345
Inverkip Community Hub	50
Demolish Redundant Buildings	150
Contingency Reserve	120
Indoor Bowling Club	100
Beacon Arts Centre - Repairs and Renewals Fund	120
Lady Alice Bowling Club	65
Indoor Tennis Facility	150
Inverclyde Leisure Spend to Save Investment	1300
Cremator Replacement	850
Capital Programme 2018/21 Deficit	467
3 to 4 Traffic Management Studies	30
Passing places Kirn Drive	200
Refurbishment of Ashton Prom	50
Gourock Park Improvements	20
Extend Gourock Pool Opening Times	16
Roads/Footways Investment	204
GDPR	150
Budget Strategy Reserves	3000
Repopulation Strategy	500
	8858

Inverclyde council

AGENDA ITEM NO: 6

Report To:	**Policy & Resources Committee**	**Date:**	**5 February, 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/13/19/AP/CM**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Welfare Reform Update**		

1.0 PURPOSE

1.1 The purpose of this report is to update the Committee regarding the latest developments in relation to Welfare Reform.

2.0 SUMMARY

2.1 There are 5,822 UC claimants in Inverclyde as of November 2018 (Appendix1). DWP's latest published data at May 2018 reports 4,477 Employment and Support Allowance (ESA) claimants and almost 500 claiming other means tested benefits who together with their partners will be required to claim UC.

2.2 In response to the findings of the Social Security Advisory Committee and criticism from the third sector, the government decided to amend draft legislation setting out the way Universal Credit will roll out. Rather than enshrining in legislation the way in which people will be migrated to Universal Credit, testing from July 2019 will be done with a relatively small number of up to 10,000 claimants.

2.3 The Welfare Reforms Board are recommending continued funding to March 2021 for 3 projects as set out in section 6. In agreeing this continued support it will provide greater financial certainty to these important partner services.

2.4 Both DHP and SWF are projecting overspends this year against resources allocated by the Government and Council. Whilst these will be contained in carried forward earmarked reserves in 2018/19, should this trend continue then it will present a budget pressure at some point in the future.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the latest update regarding the impact of Welfare Reform within Inverclyde.

3.2 It is recommended that the Committee approves the allocations from the Anti Poverty Fund as set out in Section 6 of the report.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Committee has agreed to receive an update each Committee cycle on the developments, impacts and action taken by the Council in respect of the significant changes to Welfare Reform.

4.2 Inverclyde was selected as one of the first areas in Scotland to implement Universal Credit. Whilst changes have been made by the DWP to the UC process based on practical experience of the impact on individuals, there continues to be significant demand on Council and partner services. Updates on which are included in the report.

5.0 UNIVERSAL CREDIT

5.1 The Chancellor announced a further package of measures at the autumn 2018 budget to ease the impact of Universal Credit. Officers welcome the changes, although acknowledge some will take time to take effect. The changes are subject to parliamentary approval and will be reported as they are implemented. There is no change to the 2 child limit and the working age benefits freeze remains.

5.2 In response to the findings of the Social Security Advisory Committee and criticism from the third sector, the government decided to amend draft legislation setting out the way Universal Credit will roll out. Rather than enshrining in legislation the way in which people will be migrated to Universal Credit, testing from July 2019 will be done with a relatively small number of up to 10,000 claimants. The announcement of test sites is expected in January 2019. DWP are consulting a national group on the detail of the delivery plans. The group comprises representation from the Social Security Advisory Committee, the third sector; representatives from COSLA's LA Welfare Reform Advisory Group and a representative from River Clyde Homes who is committed to ensuring Inverclyde's experience and views are understood.

5.3 There are 5,822 UC claimants in Inverclyde as of November 2018 (Appendix1). DWP's latest published data at May 2018 reports 4,477 Employment and Support Allowance (ESA) claimants and almost 500 claiming other means tested benefits who together with their partners will be required to claim UC. DWP estimates that 40%-45% of those who will migrate to UC currently claim Tax Credit and no other benefits. This could mean a further 5,000 will go on to claim UC.

5.4 The DWP Universal Credit Service Centre considers Inverclyde to be at steady state with high use of UC journals and lower telephone traffic than other areas, allowing case managers to concentrate on claims processing. While concerns about the impact of UC policy remain, local service providers no longer report the same level of challenges with claim administration.

5.5 By August 2018, 48% of the 66,700 UC claimants offered UC Scottish Choices applied for one or both choices. 41% took up the offer of more frequent payments and 38% took up the offer of direct payment of housing costs to their landlord. The number of those who subsequently changed their mind and chose to reverse twice monthly payments is not known.

6.0 FINANCIAL ADVICE AND SUPPORT

6.1 In February 2018 the Committee agreed an allocation of funding from Anti-Poverty earmarked reserves to a number of 3rd sector organisations to help support Inverclyde residents to mitigate the impacts of ongoing welfare reform changes. Evaluation of these projects has been ongoing and officers have made the following recommendations at a total cost of £120,000:

a) To extend the £30,000 per year allocation to Financial Fitness for a further two years until March 2021

b) To extend the £20,000 funding to Starter Packs and £40,000 IHeat £75 for 75 fuel poverty project for the Elderly for a further year until March 2021

6.2 The funding for Future Skills will be reviewed during 2019/20 following the loss of UC support funding from the DWP. Liaison with other funders will take place and recommendations brought back to Committee.

6.3 The Review of Advice Provision Report has now been received from the external consultants and is the subject of a report elsewhere on the Committee agenda.

6.4 Citizens Advice Scotland have received funding from DWP to deliver a Help to Claim service for clients applying for Universal Credit, and funding from the Scottish Government to deliver Financial Health Checks within Inverclyde. Discussions with Citizens Advice Scotland have been positive, and as is current practice for a number of CAS services, East Renfrewshire CAB will deliver within Inverclyde. To ensure effective pathways for advice within Inverclyde, a Memorandum of Understanding with be developed across all advice partners.

7.0 OTHER MATTERS

7.1 Devolved Social Security

The Scottish Government local delivery relationship lead has met with officers and a number of local external partners. An over-arching agreement is in place between COSLA and the Scottish Government and this will form the basis for local agreements with Councils.

The delivery of devolved benefits continues with the second of twice yearly payments of the Carers Supplement being made to eligible carers on 14 December 2018.

The baby and pregnancy elements of the Best Start Grant were launched on 10 December 2018. The Inverclyde Child Poverty Action Group is sighted on this and is supporting the promotion of the new benefits.

7.2 Employment and Support Allowance

DWP are correcting some historic underpayments of Employment and Support Allowance (ESA) which arose largely between January 2011 and October 2014 while converting Incapacity Benefit and Severe Disability Benefit to Employment and Support Allowance. DWP is reviewing 570,000 ESA cases with plans to complete this work by the end of 2019. On average the Department estimates that affected individuals could be due around £5,000 in arrears and higher entitlement. The DWP has prioritised checking the claims of individuals known from their systems to be terminally ill.

7.3 DHP

Appendix 2 shows that £1,016,622 in Discretionary Housing Payments has been awarded or has been committed to be paid to those whose Housing Benefit or Universal Credit had been reduced by the SSSC. Those coping with financial hardship for other reasons including those in temporary accommodation have been assisted by DHP amounting to £156,000. This exceeds the Scottish Government allocation of £120,000 by £36,000 which will be scored against a carried forward earmarked reserve at the year end.

7.4 Scottish Welfare Fund

Appendix 3 shows that expenditure on the Scottish Welfare Fund (SWF) to 31 December 2018 was £589,000, exceeding the Scottish Government programme funding by 17%. Demand on the SWF budget is expected to continue at around this rate meaning expenditure will exceed the 2018/19 Scottish Government allocation and the £100,000 from the Welfare Reform recurring budget. Any overspend will be met from the carried forward earmarked reserve at the year end.

8.0 IMPLICATIONS

8.1 **Finance**

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Anti Poverty Fund	PtOB	2019/21	120		Proposals per Section 6.1

Annually Recurring Costs/ (Savings)

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

8.2 **Legal**

There are no specific legal implications arising from this report.

8.3 **Human Resources**

There are no HR implications arising from this report.

8.4 **Equalities**

Has an Equality Impact Assessment been carried out?

[ ]	Yes	See attached appendix
X	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.

8.5 **Repopulation**

By mitigating some of the impacts arising from Welfare Reforms then this will help retain people in the area and support the repopulation agenda.

9.0 LIST OF BACKGROUND PAPERS

9.1 None

Appendix 1

Universal Credit - Inverclyde Council

	No. of UC claimants	% of UC claimants with earnings	No. of UC claimants with Council Tax Reduction	No. of UC claimants awarded SWF Crisis Grants
Feb-17	1466	27%	647	128
Mar-17	1960	28%	883	125
Apr-17	2576	31%	1019	118
May-17	2908	29%	1159	135
Jun-17	3169	29%	1256	134
Jul-17	3470	31%	1358	109
Aug-17	3582	31%	1498	119
Sep-17	3786	31%	1581	134
Oct-17	3899	32%	1763	109
Nov-17	4103	35%	1838	123
Dec-17	4266	35%	1863	88
Jan-18	4314	33%	1958	202
Feb-18	4515	30%	2153	160
Mar-18	4628	30%	2205	143
Apr-18	4804	31%	2258	160
May-18	5000	31%	2323	150
Jun-18	5240	32%	2408	135
Jul-18	5397	32%	2526	125
Aug-18	5527	32%	2607	176
Sep-18	5640	33%	2647	156
Oct-18	5718	33%	2657	127
Nov-18	5822	31%	2690	172

Notes

1. No. of UC claimants is the number of individuals in receipt of Universal Credit either individually or as part of a couple

Inverclyde council

Appendix 2

Discretionary Housing Payments
Position 31.12.18

1/ SSSC (Bedroom Tax)

	Applications Approved	1591	94.31%
	Applications Not Eligible/Refused	76	4.51%
	Applications Being Assessed	20	1.19%
		1687	
		£000	
	Paid to Date	1016622	Note 1
	2018/19 Budget	951776	Note 2
	(Under)/Overspend	64846	

2/ Other DHP Cases

		£000	
	2017/18 Budget	120152	Note 3
less :	Payments to 31/12/18	155716	Note 4
	(Under)/Overspend	35564	

Notes

1/ Represents 97.81% of those households known to be affected by SSSC.
2/ Estimate of liability; Scottish Government will meet expenditure in full.
3/ Includes £40k from the Welfare Reform recurring budget
4/ Includes £20k Benefit Cap, £71k Temporary Accommodation

Finance Services
31/12/2018

Appendix 3

Scottish Welfare Fund
31st December 2018

Calls Answered	9002			
Applications	4645			
Applications Granted	2824	60.80%		
Applications Refused	931	20.04%	Note 3	
Applications Withdrawn	847	18.23%		
In Progress	43	0.93%		
Referrals to DWP	191		Note 2	
	Spend £000	Budget £000		Spend %
Crisis Grant paid (2050)	193	254		75.98%
Community Care Grants paid (808) (includes 34 applications paying both CCG & CG)	396	517		76.60%
	589	771		76.39%

Note 1 1st Tier Reviews waiting decision = 0
1st Tier Review decisions = 65 (1.73%)
1st Tier Reviews upheld in customer favour = 32 (49.23%)
2nd Tier Reviews = 6 (as % of 1st tier decisions: (9.23%)
2nd Tier Reviews upheld in customers favour by SPSO = 2 (33.33%) Note 5

Note 2 Referrals to DWP are the number of customers who are awaiting payment of a new claim for Universal Credit from DWP. In these circumstances an application can be made for a UC advance, which is repayable to the DWP.

Note 3 The most common reasons for refusal of claims are, applicants not meeting the eligibility criteria, not being in receipt of a qualifying benefit or incomplete evidence provided.

Note 4 Core Budget is £670,985 to which is added £100,000 allocation from the Anti-Poverty recurring budget.

Note 5 1 decision was based on additional information sourced by SPSO which was not available to Discretionary Payments Team at the point of the original application or 1st tier review stage.

AGENDA ITEM NO: 7

Report To:	**Policy and Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Aubrey Fawcett, Chief Executive**	**Report No:**	**PR/01/19/LMcV**
Contact Officer:	**Louise McVey, Corporate Policy, Performance and Partnership Manager**	**Contact No:**	**01475 712042**
Subject:	**Inverclyde's Best Value Assurance Report Improvement Plan Progress Report**		

1.0 PURPOSE

1.1 The purpose of this report is to present the Policy and Resources Committee with an update on the Inverclyde Best Value Assurance Report (BVAR) Improvement Plan.

2.0 SUMMARY

2.1 The Inverclyde Best Value Assurance Report (BVAR) was submitted to Inverclyde Council on 29 June 2017, with an Improvement Plan which was developed in order to address the recommendations made by Audit Scotland. The actions in the Improvement Plan have been absorbed into the Corporate Directorate Improvement Plans (CDIPs) for the Council.

2.2 It was agreed to provide progress reports to the Committee approximately every 6 months. This is the third progress report to be considered by the Committee. This report brings together the updates on the improvement actions as reported in the Corporate Directorate Improvement Plans progress reports.

2.3 The current status of the 10 BVAR Improvement Plan actions is:

Status	Blue - complete	Red – significant slippage	Amber – slight slippage	Green – on track
	4	0	1	5

3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

a. Notes the progress made in regard to the BVAR improvement actions, set out at appendix one.

Aubrey Fawcett
Chief Executive

4.0 BACKGROUND

4.1 The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. The audit approach, according to Audit Scotland, is proportionate and risk-based and is reflective of the context, risks and performance of an individual council. It also draws on intelligence from previous audit and scrutiny work.

4.2 Inverclyde Council's BVAR report resulted in an improvement plan to enable the Council to address the recommendations made by Audit Scotland.

4.3 The recommendations in the report were:

- To progress community empowerment to the level that the Act requires, the Council will need to further develop the capacity of communities it is working with. It will need to raise awareness of the possibilities for communities, and look at the level of funding and staffing required to work with communities to progress initiatives including the transfer of assets and participatory budgeting (Action BV1).

- The Council and its partners should use the Local Outcome Improvement Plan to develop a single set of outcomes which simplifies the strategic and planning framework (Action BV2).

- The Council should develop more detailed workforce plans and longer-term forecasts of workforce numbers and skills required (Actions BV3 and BV7).

- Actions to deliver strategic improvements should identify the difference they are expected to make to the overall strategic outcomes, with milestones at key intervals (Action BV4).

- Key corporate initiatives such as City Deal projects and shared services should be reflected in updated corporate planning documents (Actions BV5 and BV8).

- The Council should embed the recent introduction of directorate change management groups to prioritise, manage and monitor service improvement activity (Action BV6).

- The Council has experienced delays in its City Deal projects. Councillors and officers should continue to focus significant efforts on developing these projects with private sector partners (Action BV9).

- A detailed review of earmarked reserves should be undertaken with the new Council as part of the 2018-20 revenue budget development (Action BV10).

- Councillors should consider continuing with the Members' Budget Working Group, given the financial challenges that exist and the key decisions that will need to be made following the May 2017 local government election (see paragraph 4.4 below).

- All service review reports should be presented to councillors at the relevant service committee, in accordance with the Council's service review guidance. Councillors should also receive progress reports on service reviews (see paragraph 4.4 below).

4.4 In regard to the Members Budget Working Group it was agreed unanimously by the Council to continue with this group, as recommended by Audit Scotland. Service review reports are reported to relevant service committees as they are completed. The timing of reporting of some service reviews is affected by the budget planning process.

4.5 Attached at Appendix 1 is a full progress report on the improvement actions set out in the BVAR Improvement Plan. Highlights of the activity which has been undertaken to deliver the Improvement Plan include:

- Locality Plans were approved by the Alliance Board in December 2018. A locality meeting with the community of Greenock South and South West took place in December 2018 and it is planned to carry out meetings in the other two localities by Easter.
- The Leadership Development Programme is being developed, including CMI training. Succession plans are being updated and preparations are being carried out for the next round of appraisals.
- Inverclyde and West Dunbartonshire Councils have appointed a shared Head of Service to manage roads and transportation services in both councils. The appointee commenced on 7 January 2019. Along with leading on roads and transportation, the Head of Service will develop strategic business plans for the sharing of front line services such as ground maintenance, waste, etc.

4.6 One improvement action has slipped in relation to its original timescale:

- City Deal: a final business case was due to be submitted for Inverkip but a change in position by Transport Scotland on agreed road improvements has introduced a delay. Revised designs and timescales are being developed as a consequence.

4.7 A number of the improvement actions are now complete:

- The new Inverclyde Outcomes Improvement Plan was approved by the Alliance Board in December 2017. The LOIP has one set of strategic outcomes, the SHANARRI wellbeing outcomes and three strategic priorities (BV2).
- Key corporate initiatives, such as City Deal and Shared Services are reflected in updated corporate documents (BV5 and BV8).
- All succession plans are now complete (BV3 and BV7).
- A full review of earmarked reserves has been completed (BV10).

4.8 The status of the 10 improvement actions is:

Status	Blue - complete	Red – significant slippage	Amber – slight slippage	Green – on track
	4	0	1	5

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: A positive BVAR for Inverclyde Council contributes to the work of promoting Inverclyde as a good place in which to live and work.

6.0 CONSULTATION

6.1 n/a

7.0 CONCLUSIONS

7.1 There is good progress being made against the recommendations for improvement from Audit Scotland and these have been used to inform the self-evaluation processes used to develop improvement plans for the organisation. By embedding the improvement actions within the CDIPs, this allows the Council to ensure delivery.

8.0 LIST OF BACKGROUND PAPERS

8.1 Inverclyde Best Value Assurance Report 2017 http://www.audit-scotland.gov.uk/report/best-value-assurance-report-inverclyde-council

Appendix One: Actions to address BVAR recommendations

BVAR Improvement Action Plan

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
BV1	**The Community Empowerment (Scotland) Act 2015**	The Council and the CPP are ready for the implementation of the Community Empowerment (Scotland) Act 2015, working with partners to deliver on the statutory requirements. Each element is in place across all Services. There are locality profiles and plans for the agreed localities across Inverclyde, mapping assets and issues, agreed with and led on by communities. Services/CPP partners and communities use these profiles to plan service delivery, targeting inequalities and working to reduce them All Inverclyde Alliance Partners are investing in building the	Respond to Scottish Government guidance. Bring the improving data analysis group together to gather information around the agreed localities Facilitate improved community engagement in the development of Locality Plans and community planning through Wellbeing Clusters and the development of more robust community engagement methods, including Place Standard Timescale: October 2017 Set up working groups to cover each element, for example, legal, environmental, community learning and development,	Locality plans are available for Port Glasgow, Greenock East and Central and Greenock South and South West. Community Food Growing Strategy in Place A broader range and number of individuals and community groups are engaged and contributing to the development and delivery of Locality Plans and community planning. The Council is ready to manage participation requests and asset transfer requests Communities are making full use of the Community Asset Transfer, Participation Request and Participation in Public Decision-	Steven McNab/Grant McGovern/ Gerard Malone	Qualitative baseline data has been established. Having previously slipped against the original timescale, Locality Plans were considered and approved at the Alliance Board meeting in December 2018. A data group has been formed and is currently exploring the issues around GDPR. A locality meeting with the community has taken place in Greenock South and South West and it is planned to carry out meetings in the other two localities by Easter. Updates are provided to every meeting of the Alliance Board in respect of locality planning. In respect of the food growing strategy the Council is legally obliged to submit a strategy by May 2020. Work on this strategy has begun with	Green – on track

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
		capacity of communities so that they may take full advantage of their rights set out in the Community Empowerment Act.	property etc. October 2017 Create a community food growing strategy. Awaiting guidance re timescales. Through the Community Engagement Network, highlight to the Alliance Board the resources required to effectively deliver on community empowerment/ engagement and capacity building, and make recommendations to the Alliance Board. December 2017 meeting of Alliance Board.	Making elements of the Community Empowerment Act.		Inverclyde Council identifying areas of land that may be available for community food growing. Guidance for communities on various elements of the Community Empowerment Act is available on the Council's website.	
BV2	**Local Outcome Improvement Plan**	Community engagement has taken place to help develop the new LOIP and to assess whether the current outcomes are appropriate. New Local Outcome Improvement Plan agreed and being	Carry out a strategic assessment to inform the new LOIP, including engagement with communities Use locality profiles to inform development of the LOIP	Community Engagement taken place. LOIP produced and agreed by all partners.	All IOIP Leads	The new Inverclyde Outcomes Improvement Plan was approved by the Alliance Board at its meeting on 11 December 2017. The LOIP has one set of outcomes, the wellbeing outcomes and 3 strategic priorities. A comprehensive Strategic Needs	Blue - complete

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
		delivered. One set of outcomes is adopted by the Alliance and the Council.	Timescale: 1 October 2017			Assessment for Inverclyde has been developed and is appended to the LOIP. Work is underway to develop the Locality Plans. An analysis of the Our Place Our Future survey has been carried out at an Inverclyde and locality level. 1,310 people completed the survey which is a response rate of 1.7%. This is the highest number of respondents Inverclyde Alliance has had to an engagement process.	
BV3	**Corporate Workforce Planning and Development**	Continue to ensure workforce planning and development are integrated into CDIPs, risk registers and workforce plans are in place for service areas to address the key workforce challenges over the next 3 years and into the longer term.	Analysis of workforce data and learning needs with a coordinated approach to WP and L&D solutions. Including future workforce requirements. March 2018.	WP and L&D activity is prioritised and needs are met through coordinated and cost effective approaches. Appropriate WP and L&D interventions are implemented to address key workforce challenges over the next 3 years.	Steven McNab	The Council is currently looking to review the Modern Apprentice levy fund. The Leadership Development Programme is being developed, including CMI training. Succession plans are being updated and preparations are being carried out for the next round of performance appraisals.	Green – on track

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
BV4	**Measuring Impact on Outcomes**	Inverclyde Alliance and Inverclyde Council are better able to demonstrate impact on outcomes, at various levels across services and programmes.	Working with experts and other performance management specialists, processes will be developed to better measure impact on outcomes. By March 2018	In the next Best Value Assurance Report Audit Scotland are assured that Inverclyde is able to demonstrate impact on outcomes for all its children, citizens and communities.	Steven McNab	Work continues to be ongoing in this area. A full review of the Council's performance reporting is underway with a view to ensuring that the Council's performance information helps to evidence the delivery of the Corporate Plan priorities. The new CDIPs 2019/22 will be aligned to the delivery of the Corporate Plan priorities. CDIP performance measures will also be considered as part of the CDIP review. An annual report for the Inverclyde Outcomes Improvement Plan is being developed which will help evidence how we are delivering on our partnership priorities.	Green – on track
BV5	**Key Corporate Initiatives**	Key corporate initiatives are reflected in updated corporate documents, included as part of the review of the Strategic Planning and Performance Management Framework.	When drafting the new LOIP and Corporate Statement, references to City Deal and shared services will be made. By March 2018.	The LOIP and Corporate Statement make reference to City Deal and shared services.	Steven McNab	The new Inverclyde Outcomes Improvement Plan includes reference to City Deal and was approved by the Alliance Board on 11 December 2017. The new Corporate Plan was approved by Inverclyde Council on 7 June 2018. City Deal and shared services are	Blue – Complete

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
						referenced in the new Corporate Plan.	
BV6	**Change Management**	Services have been reviewed and where appropriate redesigned to ensure they are fit for purpose, meet customers' needs and are efficient.	3 Change Management Directorate Groups are established to review progress on all change projects on a monthly basis. The Group will be chaired by the Corporate Director and consist of the DMT plus Finance & HR support. Heads of Service will be accountable for promoting change management projects and taking necessary action to ensure timeous delivery. Progress reports using a RAG status will be submitted to the Corporate Management Team. Once further work on Change Management is embedded with the new Council, in the summer of 2017, regular updates will be presented to the	Savings are identified through change management process. Change Management Directorate Groups meeting regularly. Bimonthly review of progress by the CMT using a RAG report.	Ruth Binks/ Louise Long/ Scott Allan	This is on track in terms of regular meetings and officers are progressing all change management proposals.	Green – on track

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
			Policy & Resources Committee.				
BV7	**Succession Planning**	Develop and Implement a Succession Planning programme for the Council.	Develop and Introduce Succession Planning programme in consultation with key stakeholders December 2017	A Succession Planning programme will be developed and rolled out across the Council to support the Council's workforce meet future challenges.	Steven McNab	All plans are complete.	Blue – Complete
BV8	**Environment and Public Protection – service wide**	Appointment of a lead change officer and the production of a detailed Business Plan for shared services.	Through joint collaborative working and with partner authority and the successful development of the detailed Business Plan in Autumn 2017. Progress throughout 2018 was associated with achieving agreement across workforces in both Council and Council approvals. Action timeline for 2019 includes;- **January 2019** Workforce Briefings **Jan–March 2019**	A staged approach for the detailed Business Plan reported to the joint Committee and tracked against timescales and targets	Lead change officer reporting through Chief Executives Group and Corporate directors Scott Allan Gail MacFarlane	Inverclyde and West Dunbartonshire have appointed a shared Head of Service to manage roads and transportation services in both councils. The appointee commenced on 7 January 2019. Along with leading on roads and transportation, the Head of Service will develop strategic business plans for the sharing of front line services such as ground maintenance, waste, etc. A Shared Service Joint Committee has been arranged for Friday 11 January. Members will be updated on progress. Discussions will also take place with East Dunbartonshire Council in respect of their aspirations for service	Green – on track

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
			Workshops to identify: Early Wins Collaboration/Resilience/Efficiencies Opportunities for use of Technology Resource & Performance Issues **Apr–Sep 2019** Service Proposals & Implementation **May-Dec 2019** Develop Strategic Business Cases: Fleet/Waste/Greenspace/Street Scene			sharing on a strategic partnership basis.	
BV9	**Regeneration**	Implementation of projects in respect of Inverkip road infrastructure Implementation of the projects to expand the quayside and delivery of a new visitor centre at Greenock Ocean Terminal Progress the Inchgreen project	Outline Business Cases will be presented to the Environment and Regeneration Committee for approval OBC to be ratified by The Glasgow City Region Cabinet	Reports on progress will be delivered to the City Deal Project Board Project Monitoring Office – 4 weekly Inverclyde Council Environment & Regeneration Committee	Scott Allan	Outline Business Cases for both Ocean Terminal and Inverkip were approved initially by the Environment and Regeneration Committee and thereafter by the City Deal Project Management governance last year. A final business case for Ocean Terminal is due to be submitted to City Deal PMO following a special Environment and Regeneration Committee on 7 February. Works will	Amber – slight slippage

Ref no	Area of Directorate activity	Where do we want to be?	How will we get there (including timescale)?	How will we know we are getting there?	Who is responsible?	Progress update 05/02/19	Status 05/02/19
						commence on site in April in respect of the pontoon and later in the year in respect of the terminal building. A final business case was due to be submitted for Inverkip but a change in position by Transport Scotland on agreed road improvements has introduced a significant delay. Revised designs and timescales are being developed in consequence. A strategic Business Case for Inchgreen was approved by the Committee in November 2018 and submitted to City Deal PMO. An outline business case will follow in the spring of 2019.	
BV10	**Reserves**	A full review of earmarked reserves has been undertaken and reflects the Council's medium term financial priorities and challenges.	The Members' Budget Working Group will undertake the review in September to December 2017 and any decisions will be taken in February 2018 as part of the budget.	Report is available regarding the review of earmarked reserves and this complies with the Approved Reserves Policy. Regular reporting of Reserves position to Committees and bimonthly review by the CMT.	Alan Puckrin	Complete. A review has been undertaken and with write backs of £2.3million agreed by the Council on 21st December 2017. Further decisions on the use of the Council's Reserves were taken in March, 2018.	Blue - complete

Inverclyde council

AGENDA ITEM NO: 8

Report To:	**Policy and Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Steven McNab** **Head of Organisational Development, Policy & Communications**	**Report No:**	**PR/02/19/KM**
Contact Officer:	**Louise McVey, Corporate Policy, Performance and Partnership**	**Contact No:**	**01475 712042**
Subject:	**Corporate Services Progress Report 2018/19**		

1.0 PURPOSE

1.1 The purpose of this report is to update the Committee on the achievement of key objectives during 2018/19 by the Council's Corporate Services, as detailed in the Education, Communities and Organisational Development and the Environment, Regeneration and Resources Corporate Directorate Improvement Plans 2016/19. Details are provided in the Appendices. Appendix 1 Appendix 2

1.2 The report focuses on improvement actions that sit within the following Services: Finance and ICT; Legal and Property; Procurement; Organisational Development, Policy and Communications.

2.0 SUMMARY

2.1 The Council's current Corporate Directorate Improvement Plans 2016/19 were approved in May 2016. The CDIPs are subject to an annual review, the second of which was carried out at the end of 2017/18. The refreshed Plans were presented to this Committee on 18 September 2018.

2.2 This is the first progress report on the Corporate Services elements within the refreshed Plans. Full details of progress are provided in Appendix 1. Further progress reports will be submitted to every second meeting of this Committee.

2.3 The CDIPs also contain a range of key performance indicators which provide an important measure of how our Corporate Services contribute to the Council's strategic aims. Information on indicators is gathered either quarterly or annually, depending on the availability of the performance information and performance is reported to Committee at the appropriate time. The most recent performance figures i.e. for quarters 1 and 2 in 2018/19, is provided in Appendix 2.

2.4 The current status of the CDIPs' improvement actions is:

Status	**blue - complete**	**red - significant slippage**	**amber - slight slippage**	**green - on track**
January 2019	1	0	2	23

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee:

a. notes the progress made by the Council's Corporate Services during 2018/19 in delivering the year three improvement actions outlined in their respective CDIPs 2016/19; and

b. agrees to consider a second progress report at its meeting on 21 May 2019.

Ruth Binks	**Scott Allan**
Corporate Director	**Corporate Director**
Education, Communities and Organisational Development	**Environment, Regeneration and Resources**

4.0 BACKGROUND

4.1 Improving corporate and service performance is a key priority for Inverclyde Council. Information is regularly given to key stakeholders to allow them to evaluate and make informed judgements about performance and the achievement of key objectives.

4.2 CDIPs are a key component of the Council's Strategic Planning and Performance Management Framework. They are the principal vehicle for managing and delivering the strategic outcomes in the Council's Corporate Plan 2018/22, as well as the wellbeing outcomes which are Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included (SHANARRI).

4.3 The Environment, Regeneration and Resources CDIP 2016/19 was approved by the Environment and Regeneration Committee on 28 April 2016. Min. Ref. E&R Cttee 28.4.16

4.4 The Education, Communities and Organisational Development CDIP 2016/19 was approved by the Education and Communities Committee on 3 May 2016. Min. Ref. E&C Cttee 3.5.16

4.5 Progress regarding delivery of these two CDIPs is reported to every second meeting of the relevant Service Committee. These progress reports provide Members with a summary of progress with the CDIPs' implementation and aim to give Committee and officers the opportunity to make appropriate judgements on where performance across the Council is improving, good or starting to decline. Additionally, because the CDIPs include improvement actions that are of a corporate nature, a separate Corporate Services Performance Report is submitted to every second meeting of the Policy and Resources Committee.

4.6 This report focuses on improvement actions that sit within the following Services: Finance and ICT; Legal and Property; Procurement; Organisational Development, Policy and Communications.

4.7 As detailed in Appendix 1, improvement actions have been allocated a 'BRAG' status:

blue - complete; red - significant slippage; amber - slight slippage; green - on track.

4.8 The CDIPs also contain key performance indicators, comprising statutory performance indicators and local performance indicators. These indicators provide an important measure of how our Corporate Services contribute to the Council's strategic aims. Information on indicators is gathered either quarterly or annually and performance is reported to Committee at the appropriate time; the most recent position on the indicators is attached as Appendix 2.

5.0 YEAR THREE IMPROVEMENT PLAN - PROGRESS 2018/19

5.1 This is the first progress report on delivery of the CDIPs' Corporate Services improvement actions during 2018/19. The current status of the improvement actions is:

Status	blue - complete	red – significant slippage	amber - slight slippage	green - on track
January 2019	1	0	2	23

Appendix 1 details the present status of all the improvement actions, together with a commentary from the appropriate Service.

5.2 **Improvement actions with green status – on track**

Progress with a number of improvement actions is on track; examples of which include:

<u>The Community Empowerment (Scotland) Act 2015</u>

A locality meeting with the community has taken place with the community of Greenock South and South West and it is planned to carry out meetings in the other two localities by Easter.

Work on the Community Food Growing Strategy has begun with Inverclyde Council identifying areas of land that may be available for community food growing.

<u>Child Poverty Local Action Report</u>

A strategic Child Poverty Action Group has been established and is chaired by the Corporate Director Education, Communities and Organisational Development. Work is progressing on the Local Action Report with a view to submitting this in accordance with the deadline of June 2019.

<u>Revenue Budget</u>

Officers and Members continue to work together via the Members' Budget Working Group to develop proposals by March 2019 to deliver a balanced 2019/20 Revenue Budget.

<u>Procurement Strategy</u>

The Procurement and Commercial Improvement Programme (PCIP) was carried out in November 2018 and a score of 69% was achieved, an improvement of 3% on 2016 performance.

<u>Care Positive Employer</u>

The Council has achieved the Level 1 Award and is currently reviewing requirements for Level 2.

<u>ICT Strategy</u>

Significant progress has been achieved, particularly in areas of Cyber and ICT Security. All other strategy actions are on target.

5.3 Two actions have an amber (slight slippage) status.

<u>Customer Interactions</u>

The Kana system upgrades are complete and undergoing user acceptance testing. Development is now required. The implementation of Citizens Access for Revenues is ongoing and systems release is expected from Northgate in the first quarter 2019. This will address the issues identified via testing.

<u>Post project evaluation</u>

Two office AMP project reviews have been initiated. Six Education project post-occupancy evaluations have been undertaken with the summary reports at various stages of completion/collation. Completion of the reports has been impacted due to the retirement in August 2018 of the Quality Improvement Officer (School Estate).

5.4 **Performance Indicators – Performance for Quarter 1 and 2, 2018/19**

The quarterly targets for the following performance indicators have been met or exceeded in the first quarter 2018/19:

- Speed of processing new claims for Council Tax reduction
- Speed of processing changes in circumstances to Housing Benefits
- Percentage of invoices paid within 30 calendar days

The quarterly targets for the following performance indicators have been met or exceeded in the second quarter 2018/19:

- Speed of processing new claims for Council Tax reduction
- % of abandoned calls (Revenues and Benefits)
- % of abandoned calls (General)

5.5 The Council Tax collection rate has a year-end target set. Currently performance is on a par with previous years. Similarly, Customer Service Centre Complaints and Compliments performance targets also relate to the end of the financial year.

6.0 IMPLICATIONS

6.1 Financial implications - one-off costs:

Cost centre	Budget heading	Budget year	Proposed spend this report	Virement from	Other comments
n/a	n/a	n/a	n/a	n/a	n/a

Financial implications - annually recurring costs/(savings):

Cost centre	Budget heading	With effect from	Annual net impact	Virement from	Other comments
n/a	n/a	n/a	n/a	n/a	n/a

6.2 Human Resources: There are no direct human resources implications arising from this report.

6.3 Legal: There are no direct legal implications arising from this report.

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

Has an Equality Impact Assessment been carried out?

	Yes	See attached appendix
X	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: Provision of Council services which are subject to close scrutiny with the aim of delivering continuous improvement for current and potential citizens of Inverclyde support the Council's aim of retaining and enhancing the area's population.

7.0 CONSULTATION

7.1 Updates on progress with the Corporate Services improvement actions included in the

CDIPs have been provided by the respective lead officers.

8.0 BACKGROUND PAPERS

8.1 Environment, Regeneration and Resources CDIP 2016/19.

Education, Communities and Organisational Development CDIP 2016/19.

9.0 CONCLUSION

9.1 The progress report 2018/19 on improvement actions that sit within the Finance and ICT; Legal and Property; Procurement; Organisational Development, Policy and Communications sections of the Environment, Regeneration and Resources CDIP 2016/19 and the Education, Communities and Organisational Development CDIP 2016/19 is presented for Members' consideration and approval. It is recommended that further progress reports are submitted to every second meeting of this Committee.

Appendix One – Improvement Actions

CORPORATE SERVICES ANNUAL PROGRESS REPORT 2018/19

Corporate Improvement Actions 2018/19

These improvement actions have implications for the whole Council or more than one Directorate

Corporate Improvement Actions 2018/19						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
1.	<u>The Community Empowerment (Scotland) Act 2015</u> The Council and the CPP are ready for the implementation of the Community Empowerment (Scotland) Act 2015, working with partners to deliver on the statutory requirements. Each element is in place across all Services. There are locality profiles and plans for the agreed localities across Inverclyde, mapping assets and issues, agreed with and led on by communities. Services/CPP partners and communities use these profiles to plan service delivery, targeting inequalities and working to reduce them All Inverclyde Alliance Partners are investing in building the capacity of	Respond to Scottish Government guidance. Facilitate improved community engagement in the development of Locality Plans and community planning and the development of more robust community engagement methods, including Place Standard Create a community food growing strategy in partnership with the Environment Network of third sector and community organisations. Through the Community Engagement Network, highlight to the Alliance Board the resources required to effectively deliver on community empowerment/ engagement and capacity building, and make recommendations to the Alliance	●	On Track	Qualitative baseline data has been established. A locality meeting with the community has taken place in Greenock South and South West and it is planned to carry out meetings in the other two localities by Easter. Updates are provided to every meeting of the Alliance Board in respect of locality planning. In respect of the food growing strategy the Council is legally obliged to submit a strategy by May 2020. Work on this strategy has begun with Inverclyde Council identifying areas of land that may be available for community food growing.	OP2

Appendix One – Improvement Actions

Corporate Improvement Actions 2018/19						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
	communities so that they may take full advantage of their rights set out in the Community Empowerment Act.	Board.				
2.	<u>Corporate Workforce Planning and Development</u> Continue to ensure workforce planning and development is integrated into CDIPs, risk registers and associated plans to address the key workforce challenges over the next 3 years and into the longer term.	Analysis of workforce data and learning needs with a coordinated approach to WP and L&D solutions. Including future workforce requirements.	●	On Track	We are currently looking to review the Modern Apprentice levy fund. The leadership development programme is being developed including CMI training. Succession plans are being updated and preparations are being carried out for the next round of performance appraisals.	OP10
3.	<u>Measuring impact on outcomes</u> Inverclyde Alliance and Inverclyde Council are better able to demonstrate impact on outcomes, at various levels across services and programmes.	Working with experts and other performance management specialists, processes will be developed to better measure impact on outcomes.	●	On Track	Work continues to be ongoing in this area. A full review of the Council's performance reporting is underway with a view to ensuring that the Council's performance information helps to evidence the delivery of the Corporate Plan priorities. Work on the new CDIPs is also underway and will be closely aligned to the delivery of the Corporate Plan priorities. Performance measures will also be considered as part of	OP9

Appendix One – Improvement Actions

Corporate Improvement Actions 2018/19						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
					the CDIP review. An annual report for the Inverclyde Outcomes Improvement Plan is being developed which will help evidence how we are delivering on our partnership priorities.	
4.	<u>Service Statements</u> The Council's Service Statements are up to date and reflect the changes made to the management structure.	Carry out a review of the Council's Service Statements	●	On Track	All services are currently in the process of updating their Services Statements. The new Statements will be available on the Inverclyde Council website by the end of January 2019.	OP9
5.	<u>Child Poverty Local Action Report</u> An Inverclyde Child Poverty Local Action Report is developed capturing all the work being undertaken in the area to tackle child poverty. Inverclyde Council and HSCP are working towards the mitigation of the impacts of Child Poverty	Engagement with services and partners regarding work to tackle child poverty and production of the report. Multi-agency work with CELCIS on neglect.	●	On Track	A strategic Child Poverty Action Group has been established and is chaired by the Director of Education, Communities and Organisational Development. A Child Poverty Event was held on 2 October and was well attended. Feedback from the event was very positive. On track to produce a Local Action Report by June 2019.	OP4 OP5

Appendix One – Improvement Actions

Corporate Improvement Actions 2018/19					
	Where do we want to be?	**How will we get there?**	**Status January 2019**	**Commentary January 2019**	**Corporate Plan priority**
6.	<u>Revenue Budget</u> Balanced revenue budget 2019/20 which reflects Council priorities	Officer savings proposals reviewed and updated by the end of September, 2018 for consideration by the MBWG. Engagement with TUs and partners during process Balanced budget approved February/March 2019	On Track	Officer and Members are working via the Members' Budget Working Group to develop proposals by March 2019 to deliver a balanced 2019/20 Revenue Budget,	OP9
7.	<u>Digital Strategy</u> Progress towards and completion of agreed actions	2017/20 Strategy approved by Committee – June 2017 Updates on progress to every 2nd Committee	On Track	Quarterly updates are provided to the Policy and Resources Committee. The strategy actions are broadly on target with several systems now fully live or undergoing user acceptance testing.	OP9
8.	<u>ICT Strategy</u> Progress towards and completion of agreed actions	2017/20 ICT Strategy approved by Committee – June 2017	On Track	Quarterly updates are provided to the Policy and Resources Committee. Significant progress has been achieved, particularly in areas of Cyber and ICT security. All other strategy actions are on target.	OP9
9.	<u>Procurement Strategy</u> PCIP has replaced PCA. The previous score was 66% which placed the	The Procurement Strategy sets out goals and timescales	On Track	PCIP carried out in November 2018. A score of 69% was achieved. The next assessment will be carried out	OP9

Appendix One – Improvement Actions

Corporate Improvement Actions 2018/19						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
	Council on an equal footing with peers. A similar or better performance in PCIP would represent success.				in 2020.	

Appendix One – Improvement Actions

Cross Directorate Improvement Actions 2018/19						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
10.	Change Management ERR and ECOD services have been reviewed and where appropriate redesigned to ensure they are fit for purpose, meet customer's needs and are efficient.	Continue to meet regularly and progress specific projects. Detailed projects are established. Ongoing work with the Policy and Resources Committee and Members' Budget Working Group.	●	On Track	This is on track in terms of regular meetings and officers are progressing all change management proposals.	OP9

Appendix One – Improvement Actions

Service Improvement Actions 2018/19

These improvement actions will be implemented by individual Council Services

Service Improvement Actions 2018/19 Finance and ICT						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
1.	<u>Service Accountancy</u> Increase value added professional support to services, improve the budget management by budget holders. Medium term solution for the FMS	Support existing employees through professional training (Summer 2019) Improve management information and improve budget holder self-reliance. Continue to participate in Apprenticeship Programme. (From now to 2020) Explore options for extension or replacement of FMS over next 2/3 years	●	On Track	FMS contract extended to 2022, more clarity on future of FMS beyond 2022 will be available by the end 2019.	OP10
2.	<u>Revenues and Customer Services</u> Continue to manage the roll out of Universal Credit and the migration of the live load over to UC. Workforce which reflects the reducing caseload and demand for SWF/DHP	Active management of vacancies and release of staff through voluntary severance. Ongoing review of impact on Benefits/CSC workload Timescale from now until 2021/22	●	On Track	Universal Credit timescale moved to 2022/23. Regular updates are provided to the Welfare Reform Project Board and reports to each Policy and Resources committee. Universal Credit delivery is tracked with both internal and external partners. Workforce planning: there is selective recruitment of vacant posts and voluntary severance. Demand on	OP4 OP10

Appendix One – Improvement Actions

	Service Improvement Actions 2018/19 Finance and ICT				
	Where do we want to be?	**How will we get there?**	**Status January 2019**	**Commentary January 2019**	**Corporate Plan priority**
				SWF expenditure exceeding Scottish Government allocation contained within Welfare Reform recurring budget.	
3.	Revenues and Customer Services Successful implementation of the Barclay Review meeting all timescales set out in the Review – Timescale from now until April 2020 Resilient & stable NDR Service via a potential collaboration with one or more councils for the delivery of NDR services	Ensuring knowledge transfer to relevant officers. Ensure that software upgrades are received, tested and implemented timeously. Participation in relevant communications with key parties and analysis of cost and capability of potential partners.	On Track	Legislative and system changes to date have been implemented timeously and relevant officers have received training on changes. The Chief Financial Officer is progressing the NDR collaboration through communication with key internal and external partners and is evaluating the associated costs and operational issues; senior revenues staff are involved in the planning.	OP10
4.	Customer Interactions Move customers away from traditional costly channels of communication to digital channels	Ongoing development of alternative channels supported by CSC encouraging channel shift. Development of Citizens Access for Revenues and upgrades to KANA and associated systems (Autumn/Winter 2018)	Slight slippage	Kana system upgrades are complete and undergoing user acceptance testing. Development now required for the new service development. Implementation of Citizens Access for Revenues is ongoing. Systems release is expected from Northgate Q1 2019 which will address issues identified via testing.	OP9

Appendix One – Improvement Actions

Service Improvement Actions 2018/19 Legal and Property Services						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
5.	<u>Post-project evaluation</u> The implementation of Post-Project review for completed projects allows the Council to identify benefits realisation and to incorporate learning into new projects going forward.	The post-project evaluation follows a straightforward questionnaire-led approach. Officer resource required in connection with the Client / Technical Lead role in collation of reports.		amber – slight slippage	Two office AMP project reviews have been initiated. Six Education project post-occupancy evaluations have been undertaken with the summary reports at various stages of completion / collation. Completion of the reports has been impacted due to the retirement in August 2018 of the Quality Improvement Officer – School Estate.	OP9 OP10
6.	<u>REVIT</u> The service is able to hold information on a central system which can be accessed by all users across the network.	Server has been procured in order to accommodate REVIT storage space requirements.		blue – complete	New server and drive operational	OP9
7.	<u>GDPR</u> GDPR compliance across all services with robust systems for monitoring and review.	Programme of scheduled training for services and Elected Members and continued briefing updates, where relevant, during 2018/19. Programme of training for Year 1 to June 2019 being managed through Information Governance team.		On Track	Scheduled training for Services and Elected Members is complete. A programme of briefing updates has been arranged in response to Service needs. In addition, quarterly updates are provided to CMT. Programme of training for Year 1 to June 2019 is on track.	OP9 OP10

Appendix One – Improvement Actions

Service Improvement Actions 2018/19 Legal and Property Services						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
					Training sessions scheduled for early 2019 and further sessions will be planned.	

Service Improvement Actions 2018/19 Procurement						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
8.	<u>SME and Local Supplier engagement in procurement activity</u> Policy required on inviting SME and local suppliers to bid for quotes and encourages engagement on tendering.	On-going monitoring of the success in inviting SME and local supplier to bid for quotes and the numbers who seek the assistance of Supplier Development Programme.		On Track	Nine out of nine quotations have been completed using the policy in relation to inviting local suppliers where a local supplier exists. This policy ensures that at least 50% of the invited field of suppliers are local. All quotations in the same period are compliant with the requirement to have at least 50% of the invited field being SMEs. 10 local suppliers have sought the assistance of the Supplier Development Programme.	OP3

Appendix One – Improvement Actions

Service Improvement Actions 2018/19 Organisational Development, Policy and Communications						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
9.	<u>Corporate Identity, Branding and Messaging</u> A new overarching guide to how the Council presents itself visually through printed, online and individual communications.	Conduct a thorough review of the Council's corporate identity, branding and messaging Create a new 'how we present ourselves' protocol which includes corporate identity and branding guidance.	●	On Track	A review of the Council's corporate identity is underway. This will be aligned with the repopulation marketing 'look and feel' and the reconfiguration of the tourism promotion. Questions on the Council's reputation were included in the Spring 2018 Citizens' Panel survey.	OP1
10.	<u>Tourism and Destination</u> Inverclyde Council supports the wider City Region in regard to tourism Boost tourism across the city region by 2023 by a million additional visitors for the city region.	Support a range of region wide initiatives. Inverclyde Council will also lead on production of an annual calendar of events across the city region; development of a communications plan for events communicating with residents; maximising opportunities for the year of coast and water in 2020, linking with transport providers to improve connectivity and support, through the City Deal Greenock Ocean Terminal project doubling cruise ship passengers in the region.	●	On Track	A meeting of the City Region Portfolio Group is planned. Action on City Region Councils to support delivery of the strategy and action plan.	OP1

Appendix One – Improvement Actions

Service Improvement Actions 2018/19 Organisational Development, Policy and Communications						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
11.	Health and Safety Management Be able to record and monitor key action points and control measures which require to be implemented at Service level. Monitor and record that implementation has taken place. Integrate accident reporting function with Finance Insurance section to enable a more streamlined investigation and recording process ensuring that all documentation is readily available for use in the event of a claim.	Develop and test the relevant modules in the Figtree system. Change over the current incident reporting system to the Figtree system. Bring online the audit and assessment modules and pilot them in selected areas (Fire Risk Assessment, Education and Environmental and Commercial Services). Develop the reporting function to bring statistical information to the Corporate Health and Safety Committee as required.	●	On Track	The Figtree system has now been handed over for use. Pilots will be started for Fire Risk Assessment monitoring and feedback.	OP10
12.	Pay and Grading A revised pay and grading model is in place.	Models will be developed for consideration to incorporate Living Wage and other recommendations from Equality Impact Assessments. April 2019	●	On Track	It has been agreed that the living wage will be incorporated. This will now be progressed through Payroll. The Revised Pay Model has been agreed by the Trades Union.	OP10
13.	Care Positive Employer The Council has achieved a higher level	Develop submission for award, engage with employees who are carers, ensure our policies and practices are reviewed to meet	●	On Track	The Council has achieved the Level 1 Award and reviewing the requirements for the Level 2 Award. An employee	OP10

Appendix One – Improvement Actions

Service Improvement Actions 2018/19 Organisational Development, Policy and Communications						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
	of award	the necessary standards.			consultation exercise is required to be carried out.	
14.	<u>Healthy Working Lives</u> Joint assessment and award between the Council and HSCP for Healthy Working Lives accreditation	Submission is made jointly between HSCP and the Council to Healthy Working Lives	●	On Track	The joint assessment and award for Gold Healthy Working Lives has been achieved. Responsibility for the submission is being rotated between OD, Policy and Communications and the Health and Social Care Partnership. It is with the HSCP for 2018/19.	OP6 OP10
15.	<u>Corporate Directorate Improvement Plans</u> Review guidance and engage with services to develop new CDIPs for 2019 to 2022, reflecting new Corporate Plan, new LOIP, Locality Planning and Management Restructure.	Work with CQIG to develop new guidance. Carry out workshops with Directorates to develop new plans	●	On Track	CDIP guidance is under review. Services will begin work on developing the new 3 years CDIPs during February / March and these will be presented to the Policy & Resources meeting in May.	OP9

Appendix One – Improvement Actions

Capital Projects Improvement Actions 2018/19

Capital Projects Improvement Actions 2018/19						
	Where do we want to be?	**How will we get there?**	**Status January 2019**		**Commentary January 2019**	**Corporate Plan priority**
1.	School Estates Management Plan (SEMP) Fully refurbished school estate to high quality, modern standards.	SEMP investment is fully approved and capacity will be provided by Legal and Property Services with external Hub construction projects where required. Delivery by 2020.		green – on track	Regular reports are presented to Committee on the School Estate Management Plan's progress. This is ongoing until 2020.	OP1 OP3 OP9

Appendix Two – Performance Indicators

CORPORATE SERVICES PROGRESS REPORT 2018/19 –PERFORMANCE INDICATORS

January 2019

The Council's key performance indicators help demonstrate performance in terms of strategic and operational objectives. These indicators include statutory performance indicators and local performance indicators. Full year figures for 2016/17 and 2007/18 are shown below, together with the 2018/19 targets and performance in the first and second quarter of this financial year where this performance information is available:

Key performance measure	Performance 2016/17	Performance 2017/18	Target 2018/19	Performance Quarter 1 2018/19	Performance Quarter 2 2018/19	Commentary
Council Tax: in-year collection level[1]	95.3%	95.5%	95.5%	27.7%	54.6%	Year-end target. Performance is the same as at the same time last year.
Speed of Benefits processing changes in circumstances to HB	4 days	4 days	4 days	3.95 days	6.66 days	Performance was better than target in Q2 but did not meet target in Q2
Speed of Processing new claims for Council Tax Reduction (From November 2016)	36 days	30 days	34 days	27 days	31 days	Performance in the first half of the year is better than the target.
Creditor payments: number of invoices paid within 30 calendar days of receipt as a % of all	96.6%	96.6%	97.13%	97.34%	94.36%	Performance was below target in Quarter

[1] The is a year-end target. A higher % of Council Tax is expected to be paid in the first 3 quarters of the year than in the final quarter. Most Council Tax customers pay by 10 monthly instalments from April to January each year; therefore, dividing the annual target by 4 quarters would not give a true reflection of the expected income in each quarter

Appendix Two – Performance Indicators

Key performance measure	Performance 2016/17	Performance 2017/18	Target 2018/19	Performance Quarter 1 2018/19	Performance Quarter 2 2018/19	Commentary
invoices paid						2
CSC Complaints	38	14	20	5	6	
CSC Compliments	58	81	63	23	22	
Customer Service Centre – abandoned calls • Revenues and Benefits • General	 23% 7%	 25% 7%	 20% 7%	 31% 9%	 17% 7%	
Registrars – Percentage of payments made by debit/credit card	-	50%	60%	Performance on this measure will be reported on an annual basis.		
Performance appraisals: the % of performance appraisals completed	93	94	92	Performance appraisal performance information is gathered annually		
Equal opportunities: % of the highest paid 5% of earners among Inverclyde Council employees that are women (excluding teachers) (CORP 3b)	52.9	53.9	50.6	There has been an increase in the percentage of women in the top 5% of earners. National LGBF data is expected in to be reported to Committee in Spring 2019. Once this is available, it will allow Inverclyde to see how it compares to all other Scottish local authorities.		

*An ICT Services Performance Update Report is prepared for every second meeting of the Policy and Resources Committee.

Inverclyde council

AGENDA ITEM NO: 9

Report To:	**Policy and Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Head of Organisational Development, Policy and Communications**	**Report No:**	**PR/33/18/SMcN/KB**
Contact Officer:	**Karen Barclay, Corporate Policy Officer**	**Contact No:**	**01475 712065**
Subject:	**Audit Scotland Reports on Fife, East Ayrshire, West Dunbartonshire, Glasgow City East Lothian and Dumfries and Galloway Councils**		

1.0 PURPOSE

1.1 The purpose of this report is to summarise Audit Scotland's 2018 Best Value Assurance Reports (BVARs) on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils, and propose improvement actions for implementation by Inverclyde Council.

2.0 SUMMARY

2.1 Summaries of the key issues from Audit Scotland's Reports on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils are set out in sections 5-10.

2.2 Areas highlighted at the six local authorities include:

- the Council's vision;
- performance;
- partnership working; and
- improvement.

2.3 A number of case studies are included in the Reports, information on which is outlined in Appendix 1. Attached at Appendix 2 are details of potential improvement actions for implementation by the Council. APPENDICES 1 & 2

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee:

a. notes the content of Audit Scotland's BVARs on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils and takes cognisance of the recommendations made in respect of each Council; and

b. notes that Officers are considering implementing the proposed improvement actions, as appropriate.

Ruth Binks
Corporate Director – Education, Communities and Organisational Development

4.0 BACKGROUND

4.1 The findings of relevant Audit Scotland reports on local authorities are reported initially to the Corporate Management Team and thereafter to the Policy and Resources Committee, together with details of potential improvement actions for implementation. Consideration of such reports ensures that we are kept updated about issues raised by Audit Scotland regarding other Councils; additionally, this information provides us with the opportunity to explore how we might learn from other local authorities with the aim of improving local service delivery.

4.2 Summaries of the key issues and recommendations in the reports on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils are set out in sections 5-10. Outlined in Appendix 1 are details of case studies included in the BVARs while Appendix 2 provides information on potential improvement actions for implementation by Inverclyde Council.

4.3 The documents reviewed in this report are the new BVARs which aim to offer a rounded and comprehensive analysis of a Council's performance. A BVAR will be produced for each local authority every five years. The documents cover:

- the clarity of a Council's priorities and the quality of long-term planning to achieve these;
- how effectively Councils are evaluating and implementing options for significant changes in delivering services;
- how effectively Councils are ensuring that Elected Members and Officers have the right knowledge, skills and time to lead and manage delivery of Council priorities;
- how effectively Councils are involving citizens in decisions about services; and
- the quality of Councils' Public Performance Reporting to help citizens gauge improvement.

4.4 As the Committee will be aware, Inverclyde Council was the first local authority to be audited by Audit Scotland as part of its new process of Best Value Audit. Inverclyde's BVAR was published on 1 June 2017 and a report on its contents, together with an Improvement Plan, was submitted to Inverclyde Council on 29 June 2017.

Min. Ref. Inv. Coun. 29.6.17 Para 361

4.5 At the time of writing, a number of other Best Value reports have been published by Audit Scotland:

- Renfrewshire BVAR
- East Renfrewshire BVAR
- East Dunbartonshire BV follow-up
- West Lothian BVAR
- Orkney Islands BVAR
- Clackmannanshire BVAR
- Falkirk BV follow-up.

4.6 A report on the above BVARs (excluding the follow-up documents) was considered by the Policy and Resources Committee at its meeting on 27 March 2018.

Min. Ref. P&R Cttee. 27.3.18 Para 212

5.0 FIFE COUNCIL: BEST VALUE ASSURANCE REPORT

5.1 Fife Council's BVAR was published on 24 May 2018. The key areas of focus were:

- the Council's vision and strategic direction;
- performance;

- use of resources;
- partnership working; and
- continuous improvement.

5.2 Fife Council – Key messages

Audit Scotland found that Fife had maintained good progress since its last Best Value (BV) report nine years ago. Its approach to continuous improvement is well-developed and it uses a range of tools and methods to review its processes and performance. The Council has also introduced a new programme with the aim of empowering its employees and fostering a culture of improvement.

5.3 Fife and its Community Planning Partners (CPPs) share a clear strategic direction through their joint commitment to the Plan for Fife 2017/27. The Council understands the issues and challenges facing the area as it has undertaken extensive research and carried out engagement with communities. However, it still needs to develop Delivery Plans with specific actions and finalise the respective performance monitoring arrangements.

5.4 Audit Scotland noted that Elected Members and Officers at Fife demonstrate effective leadership; there are also signs that the Joint Administration is working well.

5.5 There has been continuous improvement in the performance of services and the Council broadly tracks national trends. There is a focus on improving areas of weaker performance (including aspects of education and social work), prioritising outcomes such as reduction of inequality.

5.6 The Council has reviewed and implemented improvements – including the development of effective medium- and long-term financial planning arrangements - in the use of its key resources like finance, staffing and assets.

5.7 Fife has good examples of implementing service change: for example, it has reduced the number of offices and depots which has delivered financial and operational benefits. Additionally, a new Care at Home digital scheduling system was developed that has made the service more efficient and provided savings; another benefit has been the delivery of more home care visits. More details of the Care at Home system are provided in Appendix 1.

5.8 A number of tools are in use at the Council to involve communities in decision-making, including plans to expand Participatory Budgeting.

5.9 Audit Scotland note that the Fife Health and Social Care Partnership (HSCP) faces significant challenges around finance and service redesign in the short to medium term, adding that the pace of change around the latter needs to increase.

5.10 Fife Council – Recommendations

Audit Scotland made a number of recommendations for Fife Council, advising that it should:

- identify the neighbourhood plans for priority areas it intends to complete and devise a timetable for this piece of work;

- extend its improvement methodology on raising educational attainment in deciles 1-3 to a broader range of young people;

- finalise (as early as possible) its framework for managing performance against the Plan for Fife 2017/27;

- develop a range of Delivery Plans to support clear, measurable actions and the wider ambitions in the Plan for Fife 2017/27, together with clear deadlines;

- continue its new approach to managing sickness absence rates;

- work with the Fife HSCP and NHS Fife to accelerate the redesign of adult health and social care services and mitigate medium-term financial pressures;

- seek early agreement with the HSCP around roles and responsibilities, so that the Partnership's management and governance arrangements support the significant service redesign challenges that lie ahead; and

- ensure alignment of the aims of its new Programme Board with the aims of the Plan for Fife 2017/27 and service change plans (with a focus on outcomes rather than being led by budget changes).

6.0 EAST AYRSHIRE COUNCIL: BEST VALUE ASSURANCE REPORT

6.1 East Ayrshire Council's BVAR was published on 29 May 2018. The key areas of focus were:

- the Council's vision and priorities, as developed with CPPs;
- managing performance, self-evaluation and measuring outcomes;
- financial sustainability, including the difficult decisions the Council faces on the funding gap and related policy choices;
- community engagement, including the Council's *Vibrant Communities* approach, community-led action plans and asset transfers to the community;
- partnership working, including interacting with the Integration Joint Board (IJB);
- financial governance and resource management; and
- transformation and improvement activity, including the arrangements to effectively deliver the Transformation Strategy 2017/22.

6.2 <u>East Ayrshire Council – Key messages</u>

Audit Scotland said that East Ayrshire's Elected Members support its Community Plan 2015/30 which sets out a clear, shared vision for the area. It also noted that the Community Planning Partnership understands the challenges facing the area and is focussing on three Strategic Themes: economy and skills; safer communities; and wellbeing.

6.3 Executive leadership at the Council is strong. Officers and Elected Members from all parties work well together and there is evidence of effective challenge from the latter.

6.4 The Council and its Partners have seen improvements in more than two thirds of the indicators used to monitor performance against their priorities. In comparison to other local authorities, East Ayrshire's performance has improved recently; for example, the results of last year's Residents' Survey indicated high levels of satisfaction with the majority of Council services. East Ayrshire and its Partners can demonstrate where its actions have resulted in improved performance. Meanwhile, the Council is addressing the challenges that remain in some areas, for example, employment and planning.

6.5 Effective financial planning and management arrangements are in place at East Ayrshire which has medium- and long-term financial plans in place. Anticipating a funding gap of £24-90 million over the next five years, the Council identified key areas for change when developing its Transformation Strategy 2017/22. Additionally, the Council acknowledges that it has a lot to do to implement the Strategy during its five year lifespan.

6.6 Communities are empowered at East Ayrshire via its *Vibrant Communities* initiative which helps them develop the skills and confidence to deal with local needs and priorities. Local people are also included in spending public money and the planning of services; this led to community groups having a positive attitude and a sense of control in shaping their own area.

6.7 There is a long track record of CPPs working well together at East Ayrshire; good examples exist of partnership working in care, the economy and roads. The Council and the NHS have a well-established partnership which has been strengthened by the IJB. As is the case nationally, the Council, the IJB and the NHS are working to resolve funding issues around shifting the balance of care between hospitals and communities.

6.8 East Ayrshire carries out self-assessment at strategic, service and partnership levels which provides assurance on two counts: systems approaches and the quality of service delivered. The process has helped the Council identify and address areas for improvement over a number of years. Additionally, the Council uses the results of external scrutiny to target improvement and looks beyond both its own boundaries and indeed Scotland to identify learning and innovative practice.

6.9 The Council has a long-established culture of self-assessment and improvement. It has maintained the strong levels of performance reported in historical Best Value Reports. Effective implementation of its Transformation Strategy 2017/22, together with the resolution of issues relating to health and social care, will be essential to the Council sustaining performance levels.

6.10 East Ayrshire Council – Recommendations

Audit Scotland made a number of recommendations for East Ayrshire Council around its Transformation Strategy 2017/22, advising that it should:

- make the appropriate arrangements to support, monitor and deliver the expected Outcomes;
- set up a Programme Management Office to co-ordinate people and activities;
- develop tools to assess whether it has achieved the Strategy's aims; and
- determine and secure the skills necessary to implement the initiative.

Additionally, Audit Scotland recommend that the Council should:

- develop a Council-wide Workforce Plan which includes information on the numbers, costs and skills of the current and desired workforce, together with details on how the move from the current to the desired workforce will take place and the timescale involved;
- resolve issues around resourcing a shift of relevant hospital care services into a community setting;
- examine how its approach to reducing demand for services could be extended to other areas of work; and
- develop a Council-wide Plan for working with the business sector and specify how such work will take place, as well as how the Council will co-ordinate and monitor activity.

7.0 WEST DUNBARTONSHIRE COUNCIL: BEST VALUE ASSURANCE REPORT

7.1 West Dunbartonshire Council's BVAR was published on 28 June 2018. The key areas of focus were:

- the Council's vision and strategic direction;
- performance;
- use of resources;
- partnership working; and
- continuous improvement.

7.2 West Dunbartonshire Council – Key messages

Audit Scotland said that, since its last Best Value Report in 2007, West Dunbartonshire has made significant improvements. The Council now demonstrates a focus on delivering Best Value with Audit Scotland noting evidence of continuous improvement in its services.

7.3 In 2011, the Accounts Commission highlighted extensive and fundamental weaknesses in leadership and direction at West Dunbartonshire, together with poor relationships among Elected Members and between Elected Members and Officers. Since then, changes to the Council's Senior Officer Team (including the appointment of the current Chief Executive in 2011) have played a key role in improvements at the Council. Additionally, it is encouraging to note that Audit Scotland found that Officers and Elected Members from all political parties are working well together for the benefit of local people.

7.4 Generally speaking, service performance at West Dunbartonshire is improving, with most local people who provided feedback indicating that they are satisfied. The Council is maintaining the steady pace of change that led to improved outcomes in priority areas including housing services and pupils' educational attainment.

7.5 West Dunbartonshire's Strategic Plan 2017/22 outlines a focused and ambitious vision which reflects the community's needs. Evidence demonstrates that the community's views have influenced budget-setting and decision-making at the Council. Additionally, the Plan is clearly aligned to the Strategic Priorities of the Community Planning Partnership.

7.6 The Council's Strategic Improvement Framework provides a structured and practical approach to assist Council Services to continually improve. A commitment has been made to delivering services differently in West Dunbartonshire and the Council is working well with Partners in this respect. Examples of such initiatives include a shared IT data centre with East Dunbartonshire Council; membership of the Civil Contingencies Service with Renfrewshire, East Renfrewshire and Inverclyde Councils; and a communications partnership with Stirling Council.

7.7 Audit Scotland note that West Dunbartonshire has a good record of delivering services within budget, and that it has developed medium- and long-term Financial Plans. However, it is essential that service reform continues, especially in light of the Council's projected funding gap of £13.8 million for the three years to 2021.

7.8 Despite the Council significantly expanding its Capital Budget in recent years, its Capital Programme is showing a trend of significant slippage which resulted in the late finish of some projects. Audit Scotland therefore said that project planning and management needs to be strengthened at the Council.

7.9 Audit Scotland commented that West Dunbartonshire has demonstrated good practice and has a detailed, five-year Workforce Plan, together with individual service-specific Workforce Plans.

7.10 In 2007, Audit Scotland said there was a need to improve scrutiny at West Dunbartonshire. The Council will therefore be pleased to learn that Audit Scotland saw evidence of significant improvement in this area, noting that Elected Members are working together and demonstrating stronger scrutiny.

7.11 West Dunbartonshire Council – Recommendations

Audit Scotland made a number of recommendations for West Dunbartonshire Council, advising that it should:

- aim to reduce its Capital Plan's slippage by conducting a review of its project management processes;

- further develop its Workforce Plans to include forecasts of workforce numbers, and the expected shape and cost of its workforce;

- continue to explore opportunities for improvement in its staff absence rates;

- continue to offer help to further develop the role of the Community Alliance (comprising representatives from neighbourhood, interest and user groups who provide an important engagement link with the community) and help it reach its full potential; and

- ensure Elected Members consider working in cross-party groups to address financial challenges and the important decisions which will be required in future.

8.0 GLASGOW CITY COUNCIL: BEST VALUE ASSURANCE REPORT

8.1 Glasgow City Council's BVAR was published on 23 August 2018. The key areas of focus were:

- the Council's vision and priorities;
- managing performance, self-assessment and measuring Outcomes;
- the Council's plans to transform services, reduce costs and create a more flexible workforce;
- financial management and planning, including the challenges around resolving equal pay claims;
- how the Council involves communities in planning and delivering services; and
- partnership working.

8.2 Glasgow City Council – Key messages

Since its last Best Value Report in 2009, Audit Scotland note that Glasgow City has made steady progress. Many changes have been made in the last decade with the aim of improving services for local residents and performance has subsequently improved in a number of areas. Time and resources is invested in self-assessment and improvement activities, with staff and local people involved in the process.

8.3 Glasgow City and its Partners have a clear, shared vision of inclusive growth which is outlined in its Community Plan. Effective from October 2017, the document was informed by a good understanding of the challenges Glasgow faces. Audit Scotland note that the Council demonstrates effective leadership and that the Plan has the support of all political parties. Glasgow is currently refining its Corporate Performance Framework to monitor progress against its strategic plan. It is encouraging to note that the Council continues to improve partnership working and community participation to help redefine its leadership role.

8.4 Audit Scotland point out that the Glasgow Community Planning Partnership has performed well in addressing the priorities of alcohol misuse, youth unemployment and vulnerable people. Despite this, however, homelessness is still a challenge for Glasgow.

8.5 As well as the areas mentioned in paragraph 8.4, performance at Glasgow has improved in several other service areas including teachers' sickness absence and Council Tax collection. When compared to other Scottish local authorities, Glasgow's overall performance decreased slightly for the reporting year 2016/17; that said, the Council performs well in comparison to similar cities in the UK. Consultation with residents takes place on a regular basis, with most people indicating their satisfaction with the services they receive. Importantly, Glasgow can demonstrate how it responds to feedback from residents.

8.6 At Glasgow, a funding gap of £129.1 million is predicted over the next three years. Added to that is the unprecedented financial impact of the outcome of a substantial number of equal pay claims, something the Council has made a commitment to resolve. Audit Scotland note that Glasgow is not yet in a position to reflect equal pay claims in any of its financial forecasts, pointing out that these financial pressures may have an impact on how the Council delivers public services. Encouragingly, Audit Scotland note that Glasgow has a strong record of financial management, highlighting that its Transformation Programme 2016/18 has delivered savings of £102.5 million. While the Council can demonstrate the impact of a number of transformation projects, Audit Scotland is not clear how it will measure the longer-term, non-financial benefits of the Programme.

8.7 It is clear that Glasgow is committed to partnership working and there are positive relationships with the public sector, business and academic Partners. To build on this, the Council has acknowledged that there is potential to improve its relationships with third sector partners and with communities; this is actively being pursued. An already effective working relationship with NHS Greater Glasgow and Clyde has been strengthened by the IJB and it is encouraging to note that the Board is beginning to make progress in shifting the balance of care from hospitals to communities.

8.8 A review of services delivered by the Council and its Arm's-Length External Organisations (ALEOs) is continuing, with changes already made to property and ICT services. Care and community safety services – currently delivered by different ALEOs – will soon be transferred to the Council, with around 4,300 staff affected.

8.9 In terms of City Deal, good progress is being made with Partners to deliver Glasgow's five infrastructure projects (worth around £386 million) by 2024. Preparations are also well underway for the first UK and Scottish Government Gateway Review of its projects this year.

8.10 Glasgow Council – Recommendations

Audit Scotland made a number of recommendations for Glasgow Council, advising that it should:

- continue to refine its Corporate Performance Framework to help measure the long-term Outcomes in its Strategic Plan;

- agree its Homelessness Improvement Plan with the Scottish Housing Regulator and continue to work with Partners to implement its Homelessness Strategy (including the monitoring and review of the impact of its homelessness interventions on the homeless population);

- consider the impact of resolving the equal pay claims and include this in its financial plans (more widely, it should also consider the impact on service delivery);

- review the lessons learned from its Transformation Programme 2016/18 and ensure that appropriate monitoring arrangements are in place to measure the non-financial benefits and long-term Outcomes for its transformation activity;

- build on the success of its Third Sector Summit (more details of which are available from Appendix 1) by continuing to work with third sector partners with the aim of strengthening relationships;

- in conjunction with Partners, apply the lessons learned from its *Thriving Places* initiative (a targeted approach to working with disadvantaged communities) to help make locality planning a success more widely; and

- closely monitor the financial and service implications of changes to its Council Family structure with the aim of ensuring it delivers the expected benefits and to help it demonstrate Best Value.

9.0 EAST LOTHIAN COUNCIL: BEST VALUE ASSURANCE REPORT

9.1 East Lothian Council's BVAR was published on 1 November 2018. The key areas of focus were:

- leadership, governance and scrutiny;
- outcomes and performance;
- improvement plans; and
- partnership working.

9.2 <u>East Lothian Council – Key messages</u>

Audit Scotland said East Lothian has made significant improvements since its last Best Value Report in 2007. Governance arrangements have improved, together with leadership and scrutiny, as well as how the Council demonstrates a focus on continuous improvement. The Council's decision-making processes are also more clear and open.

9.3 In recent years, the pace of improvement has accelerated with performance in most areas comparing favourably to other Councils. While improving performance in education has been a focus for a number of years, Audit Scotland highlight that more recent momentum needs to be maintained so that improvements result in better outcomes for local children.

9.4 Audit Scotland said that East Lothian's increasing population has implications for service planning and delivery; this is reflected in the ambitious vision for the area (of inclusive economic growth and sustainable communities). The vision has the strong support of Elected Members, staff, Partners and local communities. Improved governance arrangements provide an appropriate and effective framework for decision-making and scrutiny.

9.5 East Lothian's Improvement Framework is well-established, with improvement activity delivered via its Transformation Programme. While the Council is committed to delivering the opportunities arising from an increased population, Audit Scotland notes the challenges around delivering this change, alongside increasing demands on services and financial pressures.

9.6 Effective financial management is in place at East Lothian, together with a budget-setting process focused on Council priorities. East Lothian has a good track record of delivering services within budget and its Financial Strategy 2018/23 was approved in 2017. A three-year balanced budget was presented at the beginning of 2018 and proposals have been developed to address the projected funding gap of £12.5 million for the next three years.

9.7 Implementation of the Council's Transformation Programme, while challenging, seeks to embrace new technologies and help address the anticipated funding gap.

9.8 East Lothian's refreshed Corporate Workforce Plan 2018/22 was approved in June 2018, with the related Action Plan (comprising 38 actions) approved two months later. The Council acknowledges that more work is required to implement the Action Plan and ensure it has the right people with the right skills to deliver services in future.

9.9 Audit Scotland notes that strong links exist between the Council and Partners but the former should ensure that the impact all are having can be demonstrated in terms of achieving economic growth and reducing inequalities. Effective engagement takes place with communities and East Lothian has begun to make an impact via its Local Area Partnerships (which are the local voice of community planning, with a delegated budget from the Council to deliver improvements in their areas).

9.10 Audit Scotland suggests that the Council could better demonstrate progress in delivering its priorities by making the links between individual performance reports and explaining more clearly the status of performance. East Lothian is reforming its Continuous Improvement Framework and Key Performance Indicators with the aim of more effectively monitoring progress against delivery of its Corporate Plan 2017/27.

9.11 <u>East Lothian Council - Recommendations</u>

In terms of its vision, Audit Scotland firstly made the following high level recommendation for East Lothian, advising that the Council should:

1. ensure that its performance reporting arrangements are more coherent and better aligned to demonstrate delivery of the vision, supporting objectives, service performance and savings plans.

Audit Scotland suggest that this could be done by the Council:

- working with the East Lothian Partnership to agree outcome measures and report on progress in reducing inequalities and supporting the economy;
- reporting the benefits its Transformation Programme is having on its customers and communities, together with the savings being achieved;
- continuing to focus on improving the educational performance of all local children and young people; and
- building on existing good scrutiny arrangements by ensuring reports are free of jargon, clear on purpose and provide the information that Elected Members require to effectively perform their scrutiny role.

The second high level recommendation concerns the Council's finances, with Audit Scotland advising that East Lothian should:

2. develop more detailed plans linked to its longer-term Financial Strategy and to delivering the savings required.

Audit Scotland suggest that this could be done by the Council:

- ensuring the expected benefits of its Transformation Programme are delivered on time;
- prioritising the Programme's projects that are most likely to lead to major change; and
- preparing individual Service Workforce Plans to support delivery of its Workforce Plan 2018/22 (Implementation Plan) with the aim of helping it to consider in more detail how it will manage changes in services and staffing levels.

The final high level recommendation concerns involvement with community groups, with Audit Scotland advising that the Council should:

3. continue to focus on working with communities.

Audit Scotland suggest that this could be done by the Council:

- ensuring community and third sector organisations have the chance to shape East Lothian's strategic planning at an earlier stage;
- continuing to support Local Area Partnerships to focus on the Priority Actions included in their Local Area Plans; and
- co-ordinating consultation activity via its People's Voice framework, as well as telling local people how their feedback has been used.

10.0 DUMFRIES AND GALLOWAY COUNCIL: BEST VALUE ASSURANCE REPORT

10.1 Dumfries and Galloway Council's BVAR was published on 22 November 2018. The key areas of focus were:

- the Council's vision and priorities – how it aims to improve things for people in its rural, remote and urban communities;
- financial sustainability and planning – how well the Council is planning its finances now and for the future;
- governance, openness and transparency – how well the Council is run, its checks and balances and how it is held accountable;
- performance management, including outcomes and trends – how well the Council measures what it is doing to improve services for local residents and how this has changed over time;
- partnership working – how well this is working with the Council's Partners, including other public bodies, local businesses, the Third Sector and community groups;
- community engagement and empowerment in a remote and rural context – how the Council consults and involves its residents in local service provision, especially in its rural and remote communities;
- service and improvement activity – what the Council is doing to be sustainable for the future and improve how its services are provided; and
- Elected Member involvement and engagement – what the Council is doing to ensure effective decision-making.

10.2 <u>Dumfries and Galloway Council – Key messages</u>

Audit Scotland found that Dumfries and Galloway had made good progress since its last audit in 2009. The Council now has a clear strategic direction, underpinned by effective leadership. Systems are also in place for planning, monitoring and continuous improvement.

10.3 Throughout political change at the Council (five Administrations), its priorities have been maintained; they are also reflected in its plans, strategies and policies. Clear links exist between strategic priorities and the key challenges that exist for the area.

10.4 While momentum around improvement has increased since 2014, Audit Scotland said that it must now increase again. Although £86 million has been saved since 2010/11, the Council's Financial Strategy 2018/23 estimates that it will be required to save an additional £79 million by 2022/23. The Council will be in no doubt that achieving those savings will be challenging and difficult decisions will require to be taken by Elected Members. Additionally, effective leadership from both Officers and Elected Members will be needed to ensure Dumfries and Galloway can transform at the required pace.

10.5 An area for improvement at the Council is workforce planning. While the Council has had a Workforce Strategy since 2011, Directorate-specific Workforce Plans have only been in place since September 2018. An overarching Workforce Plan is therefore required, with links to the Council's Financial Strategy 2018/23 and savings plans.

10.6 Community engagement at the Council was highlighted as a strength in Dumfries and Galloway's 2009 BVAR and this continues to be so. The Council's culture is one of working with local communities and it is implementing arrangements for community empowerment. Partnership working is also good at Dumfries and Galloway and the Council is committed to building on its relationships with community councils, the Third Sector and other Partners (including the South of Scotland Enterprise Agency and Borderlands Inclusive Growth Deal).

10.7 Audit Scotland note that there has been a significant programme of improvement activities at Dumfries and Galloway, adding that, since 2010/11, the Council has made savings while generally maintaining or improving services. That said, inconsistencies exist around how it has applied its improved processes across Council Directorates.

10.8 While the Council's performance across national indicators is mixed, performance of the indicators that measure services to the public has generally been maintained or has improved. Audit Scotland note that the Council's response to underperformance varies and that its reported improvement actions are not always clear. Additionally, historical external scrutiny reports on services for vulnerable people have criticised the Council and its Community Planning Partners (CPPs); examples include a highly critical report in 2014 on services provided by CPPs for vulnerable children. Additionally, in the same year, the Scottish Housing Regulator expressed concerns about Dumfries and Galloway's housing options and homeless service.

10.9 While performance management arrangements have improved since the Council's BVAR in 2009, Audit Scotland commented that additional improvements are required; for example, the indicators that monitor progress against some of the Council's priorities could be more informative. Additionally, performance reports at Dumfries and Galloway do not consistently include information about long-term trends, and some targets and indicators change (which makes it difficult to assess progress against the Council's long-established priorities).

10.10 <u>Dumfries and Galloway Council – Recommendations</u>

Audit Scotland made a number of recommendations for Dumfries and Galloway Council, advising that it should:

- finalise and agree its long-term savings plans and move to delivering the savings (given the increasing scale of the financial challenge);

- devise an authority-wide Workforce Plan which includes information on the number and skills of staff required in the medium and longer term;

- ensure a Council-wide, consistent approach is in place around the areas of staff engagement, performance management and improvement processes and practices;

- conduct a review of its performance management arrangements (including its performance indicators) with the aim of focusing on fewer but better measures which will demonstrate progress against priority areas, and help Elected Members to make difficult financial decisions;

- work with community councils to implement improved ways of working together to maximise the input and added value that community councils can provide;

- work with Elected Members to explore the reasons for their low attendance at training courses – in 2017/18, 37% of Elected Members attended face-to-face training and only 9% engaged with e-learning courses - and develop actions to improve current rates; and

- work with Elected Members to reach an agreement on what level of information committee reports should contain, and take steps to ensure that those reports are as clear and concise as possible.

11.0 IMPLICATIONS

11.1 Financial Implications - One off Costs

Cost centre	Budget heading	Budget year	Proposed spend this report	Virement from	Other comments
n/a	n/a	n/a	n/a	n/a	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	n/a	n/a	n/a	n/a	n/a

11.2 Human Resources: There are no direct human resources implications arising from this report.

11.3 Legal: There are no direct legal implications arising from this report.

11.4 Equalities: There are no direct equalities implications arising from this report.

11.5 Repopulation: Provision of Council Services which are subject to close scrutiny with the aim of delivering continuous improvement for current and potential citizens of Inverclyde support the Council's aim of retaining and enhancing the area's population.

12.0 CONSULTATION

12.1 There was no requirement to consult on the contents of this report.

13.0 CONCLUSION

13.1 The BVARs on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils were published between May and November 2018; the main findings of the documents are summarised in this report. While Inverclyde Council was the first in Scotland to be audited under the new process, we recognise the importance of keeping abreast of the BVARs of the following local authorities to be audited, including the case studies outlined in Appendix 1. Additionally, details of proposed improvement actions for implementation by Inverclyde Council are outlined in Appendix 2.

14.0 LIST OF BACKGROUND PAPERS

14.1 Fife Council – Best Value Assurance Report, 24 August 2018

East Ayrshire Council – Best Value Assurance Report, 29 May 2018

West Dunbartonshire Council – Best Value Assurance Report, 28 June 2018

Glasgow City Council – Best Value Assurance Report, 23 August 2018

East Lothian Council – Best Value Assurance Report, 1 November 2018

Appendix 1

Audit Scotland Reports on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils

Case studies

1. Fife Council

- **Case study 1: The Council has invested significant time and resources in improving its social work services for children and families**

Fife invested £39.4 million in the implementation of its Children and Families Social Work Strategy which aimed to shift the balance of care so that more children are looked after safely at home or in kindship care, rather than in foster care or residential care. Early indications are that outcomes for those children are improving.

- **Case study 2: Community engagement – Gallatown Gateway Project**

The focus of the project was the demolition of a dilapidated building to create a better space for community use. During a wide-ranging consultation process, the community indicated its preference for a car-free area. A Primary 6 pupil identified a route around the edge of the location as a solution. Following support by the community, the idea was incorporated into the new design.

- **Case study 3: Participatory budgeting – Forward West Fife**

Following the closure of Longannet Power Station, a number of projects successfully competed for £60,000 of funding; the winners included local youth, community and sports groups.

- **Case study 4: Community asset transfer – Kingdom Brass**

The first formal Community Asset Transfer Request to be considered by the Council following the introduction of The Community Empowerment (Scotland) Act 2015 concerned the transfer of ownership of a library to Kingdom Brass, a local brass band, for use as a rehearsal space and equipment store and to allow the organisation to restart its youth development programme. Following a recommendation by the relevant Area Committee, the Council's Assets, Property and Facilities Committee approved the disposal of the former library to Kingdom Brass.

- **Case study 5: Care at home – digital project**

The initiative aimed to deliver a digital solution for appointment scheduling in adult social care. Following initial teething problems – including complaints from clients and staff – the emphasis for scheduling was changed from efficiency towards carer and staff preferences. The revised solution proved to be more acceptable to clients and the project has delivered a 30% increase in capacity which is valued at £2 million. Additionally, feedback from front-line staff suggests that the technology has enabled them to provide a better service at a sustainable level.

2. East Ayrshire Council

- **Case study 1: The Council's Education Service made effective use of new benchmarking data to support improvements in educational attainment**

In 2014, aware that its performance around educational attainment was below that of other local authorities, East Ayrshire saw the introduction of INSIGHT (an online benchmarking tool that provides comparative data on educational outcomes) as an opportunity to focus on improving attainment. School staff – and Head Teachers in particular – were encouraged to utilise the tool, especially the *virtual comparators* option (i.e. the attainment of one East Ayrshire Council pupil is compared with ten young people with matching characteristics in other Councils). Additionally, the three Ayrshire Councils (East, North and South) devised a pan-Ayrshire collaborative to share effective practice around raising attainment. In the reporting year 2016/17, educational attainment improved in terms of the achievement of five or more Awards at Scottish Credit and Qualifications Framework Level 5 or higher and at Level 6 or higher (by the time pupils left secondary school).

- **Case study 2: New Cumnock's community-led action plan**

New Cumnock's Action Group launched its community-led Action Plan in 2014. Local people expressed the wish to redevelop a number of town centre areas, including the Town Hall and the outdoor swimming pool. The Group approached a charitable organisation for help to renovate the Town Hall and aimed to ensure the new community space would meet the needs of local people who were involved in the entire process. Another local community group was established to run the outdoor pool. The former Town Hall is now a multi-purpose community centre while the pool, as well as providing public swimming and swimming courses for local residents, is a tourist attraction as it is only heated freshwater outdoor pool in the country.

- **Case study 3: Ochiltree Community Centre and Library**

In 2013, East Ayrshire announced that the Ochiltree Community Centre and Library would be available for community asset transfer. Ochiltree Community Hub, in partnership with the Prince's Foundation for Building Community, developed a design for a new community space. The Council demolished the original community centre and library buildings and transferred ownership of the cleared site to the Hub. The project has been progressed in partnership with local business and other organisations including the National Library of Scotland. The Hub has secured more than £1.4 million of funding from a variety of sources. Audit Scotland cite Ochiltree as an example of how local people came together to take on a facility they felt was essential for their community.

3. West Dunbartonshire Council

- **Case study 1: The Community Empowerment (Scotland) Act 2015 in action: Westbridgend Community Centre**

Three years ago, Westbridgend Hall, a well-used community centre, was closed because the building was no longer fit for purpose and was too damaged to repair. £675,000 was allocated by the Council to build a new centre on the site, on the condition that the community ran the facility. A community-led Management Committee was established, supported by the Council's Tenant Participation Team, as well as the Communities Team. The Council's main focus has been empowering the community, giving local people skills and confidence, and transferring a valuable asset to the community that will provide services based on local needs.

- **Case study 2: West Dunbartonshire is making good progress with improving learning, raising attainment and narrowing the poverty-related attainment gap**

Approved in 2012, West Dunbartonshire's Strategy for Raising Attainment provided a strong basis for improvement and helped the Council prepare for the introduction of the Scottish Attainment Challenge and the Pupil Equity Fund. At the beginning of last year, a review by Education Scotland and Audit Scotland showed considerable improvement in the achievement of pupils from the Council's deprived areas. The review also noted the robust and well-articulated governance framework for education overall and, specifically, for raising attainment. Clear evidence exists of the *golden thread* in terms of raising attainment and closing the poverty-related gap. The funding streams mentioned above have been used to extend the depth and pace of existing initiatives, with the aim of ensuring the Council's approach is coherent and fully supports its strategic priorities.

- **Case study 3: Queens' Quay – District Heating Network**

Two years ago, the Council approved £6 million of funding for a District Heating Network at Queens' Quay. Supported by funding from the Scottish Government, the innovative project will extract water from the River Clyde through heat extraction pumps and direct it to businesses and homes via insulated pipes. A number of potential customers have been identified including West College Scotland and NHS Greater Glasgow and Clyde. To ensure long-term control over the expansion and investment of the Network, a Municipal Energy Company – owned in its entirety by the Council - will be set up. The main aims of the initiative are to achieve a reduction in the Council's carbon emissions and contribute to the targets in The Climate Change (Scotland) Act 2009. The reduced heat tariff will also help to address fuel poverty in the area and generate revenue for the Council.

4. Glasgow City Council

- **Case study 1: The Council is working with partners to improve outcomes for homeless people across the city, particularly for those people with multiple and complex needs**

The *Housing First* approach to homelessness is an internationally recognised intervention for people sleeping rough and for those with complex needs; it ensures that rough sleepers are provided with their own independent accommodation without having to go through the formal homelessness system. As tenants, service users are in a better position to later access other forms of support, such as health care. The Glasgow HSCP devised a proposal to reconfigure and extend one of the Council's new-build emergency accommodation projects to provide independent tenancies for 54 people. The estimated cost of the *Housing First* model is around £7.1 million, together with annual costs of £2.5 million; this is substantially less than the estimated £20 million cost of new hostel accommodation.

- **Case study 2: A Transformation Programme project – Customer First**

Glasgow's *Customer First* digital project aimed to reduce the cost of supporting customers' needs while creating more online information and services to help improve the customer experience. The Council invested in digital solutions; re-designed its website and back office support; changed the way staff interact with customers; and promoted the use of new digital channels. More than 50 services are now available online, round the clock. Investment in 2016/18 totalled £1.3 million with annual savings expected to be around £1.5 million.

- **Case study 3: Third Sector City Summit**

Glasgow City hosted a Third Sector City Summit in 2017 to allow open discussion to identify the challenges and ways to improve partnership working. The outcome from the Summit was an agreement to: co-produce a new Partnership Agreement for submission to the Council's Wellbeing, Empowerment, Community and Citizen Engagement Policy Committee; and establish a new Working Group with representatives from the Council and the third sector.

5. East Lothian Council

- **Case study 1: Joint working to develop the Innovation Hub proposal through City Deal**

East Lothian worked with Queen Margaret University to develop an ambitious proposal for City Deal funding. The proposal was to create an Innovation Hub at the University Campus in Musselburgh. The University and the Council produced a masterplan for the proposed development which will be part of a larger development and complemented by upgrades to infrastructure, leisure facilities and new housing. Additionally, it is proposed to co-locate a commercial development which will provide new local amenities. The masterplan also complements the objectives and strategic goals in the Council's Plan 2017/22 and is intended to drive sustainable economic development for the benefit of local communities.

- **Case study 2: The Musselburgh Total Place Pilot**

The East Lothian Partnership established the Musselburgh Total Place Pilot with the aim of investigating how better outcomes could be achieved for the most vulnerable families living in the area. Engagement with families and practitioners enabled partners to have a better understanding of the complexity of circumstances and factors which increase the vulnerability of families and affect their ability to succeed. Partners identified the resources they invest in families who are in receipt of services from a number of Partner agencies but who, in their view, continue to experience negative outcomes. While, in 2016, it was proposed to establish a Multi-Disciplinary Team to work with the families, Partners were not in a position to make the relevant staff available. However, in 2018, work took place to establish the implementation stage of this initiative.

- **Case study 3: Challenging perceptions. Overcoming poverty.**

The East Lothian Poverty Commission was established two years ago and comprises six Commissioners, supported by Council Officers. Five key findings illustrated the extent of poverty in East Lothian: homelessness; households claiming crisis grants; the percentage of children living in poverty; the number of households living in poverty; and the number of food parcels being distributed. An Action Plan was established to tackle inequality and break the cycle of poverty;

many of the improvement actions relate to the introduction of a policy or long-term strategy. While, in June 2018, 20 of the actions resulting from the Commission's 46 recommendations had been completed, there was no indication of their impact on poverty. Audit Scotland therefore suggests that it should be ensured that the impact of the work is measured.

- **Case study 4: Education – the Council is addressing areas of underperformance in some aspects of education**

East Lothian is an area of low deprivation and educational attainment had been better or on a par with the Scottish average for overall measures such as the achievement of five or more Awards at Level 5 and at Level 6. In 2013/14, the Council was increasingly concerned about several areas of educational underperformance. The Council took action across a number of areas to address those concerns including: the recruitment of an experienced education professional as Head of Service; assisting schools to raise attainment; improving the management of exclusions from school; and adopting a renewed focus on supporting and challenging education staff across a number of disciplines. During the past two years, the Council has renewed its emphasis to delivering improvements in educational performance. Audit Scotland suggests that, as some changes will take time before their full benefits are realised, it is important that East Lothian retains its focus on education.

- **Case study 5: The community ran a successful participatory budgeting event for young people in Musselburgh**

The *Your Voice, Your Choice* programme was a participatory budgeting opportunity for young people aged eight to 18 to initiate community projects. Young people were encouraged to provide ideas and develop proposals for projects for funding up to a maximum of £2,000 to improve health and reduce inequalities in their community. More than half of the 44 applications were chosen to present at an event where young people voted for projects to receive funding. Feedback – which will be used to learn lessons for future projects – indicated that the event had been well received by the local community.

Appendix 2

Audit Scotland Reports on Fife, East Ayrshire, West Dunbartonshire, Glasgow City, East Lothian and Dumfries and Galloway Councils

Potential improvement actions for Inverclyde Council

1. Fife Council

Fife has adopted a new approach to managing sickness absence rates which focuses on the behaviour associated with good attendance. Training was provided for managers with the aim of ensuring they have the confidence and skills to support staff, manage behaviour and deal with sensitive issues (such as mental health).

Potential improvement action for Inverclyde Council: Our Managing Attendance Policy was reviewed last year to reflect legislative changes and best practice, and the refreshed Supporting Employee Attendance Policy was approved by the Policy and Resources Committee in June 2017. However, given that managing employee attendance is a key area of focus in our People and Organisational Development Strategy 2017/20, we could consider approaching Fife to establish if there anything we can learn from their new approach to managing sickness absence rates.

Since 2015, Fife has implemented an organisational culture improvement programme based on the *Unwritten Ground Rules* approach. This helps managers understand and manage workplace culture and includes the use of around 100 *Checkmates*: trained facilitators for staff group discussions to find out what the frustrations are and to address them.

Potential improvement action for Inverclyde Council: While Fife's organisational culture improvement programme may have some similarities to the Public Service Improvement Framework currently used at Inverclyde, it may nonetheless be worth approaching that Council to establish if there is anything we can learn from its programme.

2. West Dunbartonshire

West Dunbartonshire is taking positive steps to understand and reduce its staff absence rates. A range of policies, schemes and employee-centred initiatives are being developed and implemented with the aim of creating a positive and engaged workforce; examples of initiatives include an Employee Wellbeing Strategy, a Carers' Policy, a Bereavement Scheme and an Enhanced Leave Scheme.

Potential improvement action for Inverclyde Council: While Inverclyde already has in place some of the initiatives mentioned above, we may wish to contact West Dunbartonshire to hear more about the variety of approaches they have in terms of absence management.

3. Glasgow City

At Glasgow, there is evidence that residents' feedback influences the Council's performance reporting, strategy development, Communications Policy, budget decisions and how it develops services.

Potential improvement action for Inverclyde Council: At Inverclyde, feedback from local people already informs a number of areas of work including, for example, the budget-setting process. However, we may be able to learn from the approach taken by Glasgow around using feedback from local people to inform other areas of service delivery, including some of those mentioned above.

4. East Lothian

Audit Scotland suggests that East Lothian could better demonstrate progress in delivering its priorities by making the links between individual performance reports and explaining more clearly the status of performance. The Council is reforming its Continuous Improvement Framework and Key Performance Indicators with the aim of more effectively monitoring progress against delivery of its Corporate Plan 2017/27.

Potential improvement action for Inverclyde Council: As Members will be aware, an improvement action is included in our BVAR Improvement Plan around the Inverclyde Alliance and the Council being better able to demonstrate impact on Outcomes, at various levels across services and programmes. We may therefore wish to contact East Lothian to find out more about the reform of the Framework mentioned above and what action it proposes to take in light of its findings.

Inverclyde council

AGENDA ITEM NO: 10

Report To:	**Policy & Resources Committee**	**Date:**	**5 February,2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/03/19/AP**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Accounts Commission Report - Local Government Financial Overview 2017/18**		

1.0 PURPOSE

1.1 The purpose of this report is to present the main issues raised in the recent Local Government Financial Overview report by the Accounts Commission and to highlight actions proposed by officers.

2.0 SUMMARY

2.1 The report presents the annual overview of Local Government Finance by the Accounts Commission. As has been the case for several years, the CMT have reviewed the report and key findings and have prepared an assessment of where the Council is placed against the large number of questions asked.

2.2 The report's Key Messages are listed on Page 7 of the document and are summarised as follows:

- Councils are under continued financial pressure with revenue funding from the Scottish Government reducing by 0.6% (£60million) in cash terms in 2017/18. The outlook is that this pressure will continue.
- Councils are using reserves and increasing Council Tax to balance their revenue budgets. Total reserves fell by £18million which is a relatively small amount.
- Expenditure on Education and Social Work is being offset by funding reductions in other budgets.
- Most IJBs have underlying financial sustainability issues despite a 3% increase in funding in 2017/18.
- All Councils received an Unqualified Audit Opinion for the 7th year in a row.
- The impact of EU withdrawal is unclear but Councils need to plan to manage any risks identified.

2.3 The report also contains a number of exhibits many of which show where the Council is placed compared to other Councils. The body of this report provides some context and commentary for the Committee to consider but there is nothing in these exhibits over which the CMT would raise any concerns.

2.4 The report is timely given the current focus on the 2019/20 budget and confirms many of the matters raised with Members via the Financial Strategy and various reports and briefings on the challenging financial position Inverclyde along with all other Scottish Councils faces.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee considers the contents of the Accounts Commission report and thereafter approves the officer assessment of where the Council is placed against the matters raised in Appendix 1.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 For the last number of years the Accounts Commission has produced a Local Government Financial Overview in November in order to assist Councils in the development of their forthcoming budgets. As has been the case previously, the report has been presented to the Policy & Resources Committee for consideration.

4.2 A further Accounts Commission report covering the overall performance of Councils is produced in March and is also presented to Committee.

5.0 ACCOUNTS COMMISSION'S REPORT & FINDINGS

5.1 The report's Key Messages are listed on Page 7 of the document and are summarised as follows:

- Councils are under continued financial pressure with revenue funding from the Scottish Government reducing by 0.6% (£60million) in cash terms in 2017/18. The outlook is that this pressure will continue.
- Councils are using reserves and increasing Council Tax to balance their revenue budgets. Total reserves fell by £18million which is a relatively small amount.
- Expenditure on Education and Social Work is being offset by funding reductions in other budgets.
- Most IJBs have underlying financial sustainability issues despite a 3% increase in funding in 2017/18.
- All Councils received an Unqualified Audit Opinion for the 7th year in a row.

The impact of EU withdrawal is unclear but Councils need to plan to manage any risks identified.

5.2 The report also contains a number of exhibits many of which show where the Council is placed compared to other Councils.

Exhibit 4 – The distribution system which allocates resources is on the basis of need, however this exhibit questions whether deprivation is adequately taken into account. Whilst agreeing with the overall premise that deprivation is not adequately reflected in the distribution process the presentation takes no account of scale and a comparison with average spend per citizen would be more useful.

Exhibit 5 – Shows the percentage increase in Council Tax achieved by each Council in 2017/18 from either the banding multiplier changes or a standard increase. This clearly shows the disparity in the ability of Councils to raise funding from Council Tax.

Exhibits 7&14 – These exhibits focus on Reserves and in particular the current size of reserves (Inverclyde has the largest General Fund Reserves relative to its size in Scotland) and initial information on the size of IJB Reserves.

Exhibits 8 – This exhibit shows the size of debt relative to "turnover" and the proportion of the Councils' turnover spent on debt servicing. Inverclyde is ranked quite highly albeit is no longer in the top 5. As has been highlighted a number of times previously, the high level of debt is largely driven by policy choices and is reflected in the recent significant investment in the School, Leisure, Office and Depot estate plus the ongoing Roads investment.

Exhibit 9 – This shows the percentage of reserves for which the Council holds cash or investments. Inverclyde does not have 100% cash coverage as it is temporarily using these resources to reduce borrowing and save money. The Council is planning to borrow later this year when the need arises.

Exhibit 12 - This final exhibit shows the LGPS liability as a percentage of revenue budget. Placing on this table largely reflects the volume and value of historic early release liabilities and the local added years arrangements.

6.0 QUESTIONS RAISED IN THE REPORT

6.1 The Corporate Management Team has reviewed the report and the various tables and the large number of questions raised for Members to consider. The assessment of the CMT is that there is nothing raised in the report that comes as a surprise and has not been reported in recent Annual Audit reports or previous Financial Overview reports

6.2 The Council has large reserves relative to its size but officers report these each Committee cycle and through the 6 monthly Financial Strategy. The Council also has had an ambitious programme of investment in its key assets and therefore the relative size of its debt is expected to be higher than many other Councils. The critical issue is that this debt remains affordable and that is demonstrated in the medium/longer term within the Financial Strategy.

6.3 In order to assist the Committee in assessing the report, the CMT has extracted the questions raised and collated them in Appendix 1 along with an assessment of where the Council currently sits. The Committee is asked to review and approve this assessment.

7.0 IMPLICATIONS

7.1 Finance

There are no financial implications arising from this report albeit the report captures many of the strategic financial challenges faced by the Council at this time.

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

There are no legal implications arising from this report.

7.3 Human Resources

There are no HR issues arising from this report.

7.4 Equalities

Has an Equality Impact Assessment been carried out?

☐	Yes	See attached appendix
X	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 direct repopulation issues arising from this report.

8.0 CONSULTATIONS

8.1 The Corporate Management Team endorse the contents of the report and the associated Action Plan.

9.0 LIST OF BACKGROUND PAPERS

9.1 None

Financial Overview 2017/18 - Actions

Appendix 1

Issue Raised		Officer Response	Further Action/By Whom
1/	Does your Council have a Charging Policy in line with corporate plans and objectives? When was this last reviewed?	The Charging Policy was approved in 2015 and is due to be considered by the Committee in February 2019.	No further action proposed
2/	Do you receive enough information about the impact on the wider community when making decisions about charging?	The introduction of new charges and major changes to charges are outlined in detailed saving sheets which includes an analysis of risk and impact.	No further action proposed
3/	How do you engage with the budget process and ensure you have the opportunity to influence the development of the strategic budget?	The Council operates the MBWG on which all groups are represented. The final budget decisions are made by the full Council affording the opportunity for all Members to input to the budget decisions.	No further action proposed
4/	How does the annual budget setting process link to the medium/longer term financial planning?	The budget process is intrinsically linked to the approved Financial Strategy with a presumption against short term decisions	No further action proposed
5/	Does your Council have a savings plan and are you kept informed about progress in savings delivery?	Savings are agreed in detail as part of the budget and any issues with delivering savings is flagged up as part of the usual monitoring reports.	No further action proposed
6/	What Services are under most pressure to make savings?	As observed in the Audit Scotland report, services outwith Education and Social Work have received most savings in recent years.	No further action proposed

Issue Raised		Officer Response	Further Action/By Whom
7/	What impact to savings have on outcomes for service users and communities?	Impacts and risks are set out in the detailed saving sheets along with the EIA.	No further action proposed
8/	What is the Council's reserve policy and what have reserves been used for in recent years?	The Council had a reserves policy which was last approved in 2016. Regular updates on reserves are reported to the Strategic Committees.	No further action proposed
9/	What types of usable reserves does your Council hold and do you know what these can be spent on?	The Council's useable reserves are detailed in the Financial Strategy and Reserves Policy.	No further action proposed
10/	Are the reserves sufficient for the purpose identified? Could the reserves be better used for something else?	The level of usable reserves is reported to Council every 6 months and kept under regular review. The Insurance Fund undergoes an actuarial review every 3 years.	No further action proposed
11/	What is the Council's current debt position and do you receive information on future borrowing needs when agreeing authorised borrowing limits?	The Policy & Resources Committee and Council receive 3 reports per year on the Treasury Strategy which outlines the key treasury indicators including debt levels, future borrowing levels and authorised borrowing limits.	No further action proposed
12/	What share of the Council's budget is taken up with interest and debt repayments?	Approximately 14%. This is expected to peak in 2020 and then to gradually reduce.	No further action proposed

Issue Raised		Officer Response	Further Action/By Whom
13/	What proportion of the Council's debt is linked to fixed interest borrowing?	The percentage varies but is currently 24%	No further action proposed
14/	Do budget monitoring reports explain financial performance against plans plus any changes and associated reasons?	The Council includes year end projections in all monitoring reports and flags up all material variances along with associated narratives explaining any reasons/impacts.	No further action proposed
15/	Does the annual accounts management commentary explain the financial performance and reasons for any changes?	The management commentary pulls together a significant amount of financial and performance information and is reviewed by the Audit Committee and CMT.	No further action proposed
16/	What additional training would you like to receive around financial scrutiny?	All Members receive a detailed induction programme and if Members require further training this can be delivered.	Identifying if there are any further training needs. Head of Legal & Property Services June 2019
17/	Is the IJB financially sustainable and what is the level of reserves?	The IJB is delivering services within available resources and has healthy reserves retained in line with the approved Policy.	No further action proposed
18/	What new financial pressures are there for 2019/20?	All pressures are picked up and reported via the Financial Strategy.	No further action proposed

Issue Raised		Officer Response	Further Action/By Whom
19/	Does your Council have a transformation plan? Are projects achieving their aims in terms of performance and cost and are you kept informed about progress?	The Council operates a "ground up" change programme called Delivering Differently. Progress is monitored via CMT and JBG with projects reported as part of the CDIP and to the relevant Committee.	No further action proposed
20/	Does your Council have a long term Financial Strategy that reflects changes in demographics and demand for services including potential funding scenarios?	The Council has a short, medium and longer term Financial Strategy. It is recognised that the longer the Strategy the more uncertain the projections therefore officers focus on the 3-5 year horizon. The Strategy includes scenarios for the medium term.	No further action proposed
21/	What is the likely use of earmarked reserves in 2018/19 and what are the plans for using reserves in 2019/20 and beyond?	Earmarked Reserves are reported to each Committee with a consolidated report going to Policy & Resources. Use of the reserves is reviewed annually and decisions for 2019/20 will be taken in coming weeks.	No further action proposed
22/	What planning has been undertaken in preparation for EU withdrawal, what are the risks and potential impacts for the Council and wider community?	The Council receives regular information from Cosla and the Scottish Government and is closely monitoring developments and will report firm detail once it becomes clearer.	Continue to report to the Policy & Resources Committee. Corporate Director Environment, Regeneration & Resources Ongoing

Local government in Scotland

Financial overview 2017/18

ACCOUNTS COMMISSION

Prepared by Audit Scotland
November 2018

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Links

PDF download

Web link

Information box

Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

These question mark icons appear throughout this report and represent questions for councillors.

Audit team

The core team consisted of: Carol Calder, Kathrine Sibbald, Ashleigh Madjitey, Ruth Azzam and David Docherty, with support from other colleagues and under the direction of Brian Howarth.

Key facts

£8.3 billion
IJBs' spending in 2017/18

6.9 per cent
Real terms reduction in Scottish Government revenue funding since 2013/14

£17.4 billion
Council income 2017/18

£12.2 billion
Council net spending on day-to-day services in 2017/18

£2.7 billion
Council capital spending in 2017/18

£1.9 billion
Councils' usable reserves (excluding Orkney and Shetland) at 31 March 2018

£6.6 billion
Councils' share of the Local Government Pension Scheme deficit at 31 March 2018

£15.1 billion
Councils' net debt (excluding Orkney and Shetland) at 31 March 2018

£2.4 billion
Council budgets delegated to IJBs in 2017/18

Chair's introduction

Welcome to the Accounts Commission's 2018 financial overview report for local government.

This report reflects a similar situation to last year as councils face an increasingly complex range of challenges and continuing pressure on finances. Challenges include increasing demand across many of the wide range of services councils deliver to local communities. Demand has to be met against tightening budgets in many service areas along with uncertainty stemming from external factors such as EU withdrawal.

One of the most significant issues for councils continues to be funding. In 2017/18, funding from the Scottish Government, councils' main source of funding, again reduced in real terms. The reduction was largely offset by increases in council tax and councils' fee income, with most councils applying the maximum three per cent increase to council tax. In total, the net effect of Scottish Government and council action was a reduction in funding of only 0.1 per cent in real terms although the impact on individual councils varied. In general, increased spending in education and social work was offset by reductions in other services. I would also note that the relationship of funding of individual councils to areas of deprivation remains unclear.

The forecast trend is for further reductions in funding from the Scottish Government in the medium term. Pressure therefore remains on councils to make further savings and find ways to meet service demand more efficiently and effectively. This will require difficult decisions and innovative thinking by councillors and senior management working together.

It is important that these decisions are taken in a planned and coordinated way. It is positive progress that almost all councils now have medium-term financial planning in place and some have made progress with long-term financial projections. I would encourage all councils to build on medium-term plans and develop suitable long-term financial planning. This supports consistency in financial decisions with corporate priorities and outcome aims, as well as supporting transformation initiatives. Councillors also need to be clear about the potential impact of planned savings or changes to fees and charges on the local community and economy as well as on achieving corporate objectives.

Last year, we highlighted the risk for some councils plans to use significant amounts of their reserves to manage funding gaps. I am pleased that this year, although overall reserves have continued to reduce, no council is using its reserves at a level that risks their financial sustainability in the next two to three years. We will continue to have an interest in how councils set their reserves policy and utilise reserves as funding pressures continue in the coming years.

The Commission recognises that one of the other most significant challenges for councils are financial issues associated with the Integration Joint Boards (IJBs). The majority of IJBs have underlying financial sustainability issues and without year-end support from the NHS and council partners, 20 out of the 30 IJBs would have reported deficits. In November 2018, we published a report on progress with *Health and social care integration*. This highlighted areas for improvement, including financial management and financial planning. The Commission will continue to keep a focus on IJBs and consider how best to monitor their progress in future.

Finally, we welcome that the audits of annual accounts from all 32 councils were signed off with no qualifications. This is testament to the hard work of council staff, especially those within the finance function, and of our auditors. We also note that again there has been some progress with the quality of reporting on financial matters. However, we encourage councils to continue to improve the transparency and clarity of financial information provided to councillors and the public.

I hope you find this overview useful and would welcome any feedback you may have.

Graham Sharp
Chair of Accounts Commission

Summary

Key messages

1 Councils depend on Scottish Government funding for a significant part of their income. Scottish Government revenue funding to councils reduced in 2017/18, in cash terms by 0.6 per cent (£0.06 billion) and in real terms, by 2.3 per cent (£0.22 billion). Council tax increases and increased fees and charges were used by councils to increase overall budgets by £0.3 billion (cash terms).

2 In 2017/18, councils managed funding gaps of four per cent in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves. Councils are under pressure to find different ways to fund and deliver services. In 2017/18, 24 councils increased council tax, whereas in 2018/19, all councils increased council tax.

3 Overall increases in spending in Education and Social Work were offset by reductions in other services.

4 Eighteen councils ended 2017/18 with lower levels of usable reserves than they had at the start of the year. Total usable reserves fell by £18 million, a relatively small amount.

5 Funding to the Integration Joint Boards (IJBs) increased in 2017/18 by three per cent in cash terms (1.4 per cent in real terms), including additional funding from the NHS. The majority of IJBs have underlying financial sustainability issues, with 20 incurring deficits or dependent on additional ('deficit') funding from their partners.

6 The financial outlook is for reductions in Scottish Government revenue funding to councils. This will mean continued and increasing financial pressures on council services, especially those that are not protected.

7 The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks.

councils managed funding gaps of four per cent in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves

About this report

1. This report provides a high-level independent analysis of the financial performance of councils during 2017/18 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils. It is one of two overview reports that the Accounts Commission publishes each year. The second report comments on the wider challenges and performance of councils. It will be published at the end of the financial year, in March 2019.

2. Our primary sources of information for the financial overview are councils' 2017/18 audited accounts, including management commentaries and the 2017/18 external annual audit reports for each council. We have supplemented this with data submitted by councils to the Scottish Government through local finance returns (LFRs) and Provisional Outturn and Budget Estimates (POBE). LFRs present spending information on a different basis from the spending information that councils record in their annual accounts. We do not audit data contained in the LFRs.

3. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2017/18 prices (and 2018/19 prices where 2018/19 comparisons are made), adjusted for inflation so that they are comparable. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

4. Throughout the report, we identify examples of questions that councillors may wish to consider, to help with understanding their council's financial position and to scrutinise financial performance. The Accounts Commission encourages councillors to use an appropriate level of scepticism in scrutiny and ensure they receive sufficient information to answer their questions fully. The example questions are also available on our website in *Supplement 1: Scrutiny tool for councillors*.

5. Accompanying this report, and to facilitate insight and comparisons across the sector, we have provided additional financial information on our website. The information is based on councils' audited accounts. We hope this will be useful for senior council finance officers, their staff and other interested stakeholders. We will also publish a separate supplement on the Local Government Pensions Scheme (LGPS) in December 2018.

6. Orkney and Shetland have been excluded from some exhibits that show usable reserves and debt. This is because their values would make it difficult to see the relative positions of other councils. Most councils hold usable reserves of between seven and 36 per cent of their annual revenue, whereas Shetland's reserves were 260 per cent of its annual revenue and Orkney's 329 per cent of its annual revenue. These large reserves relate to oil, gas and harbour-related activities. Both Orkney and Shetland also have significant investments rather than borrowing, unlike other councils.

Part 1

Councils' budgets and spending in 2017/18

Key messages

1 Councils depend on Scottish Government funding for a significant part of their income. Scottish Government revenue funding to councils reduced by 2.3 per cent (£0.2 billion) in real terms in 2017/18, but council tax, grants to services and fees and charges increased, and overall budgets grew by £0.3 billion in cash terms.

2 Between 2013/14 and 2017/18, funding from the Scottish Government to local government decreased at a faster rate, 6.92 per cent, than the Scottish Government revenue budget at 1.65 per cent.

3 Distribution of funding from the Scottish Government is based mainly on population but could be more transparent to ensure clarity about how funding distribution reflects factors that drive demand and costs in councils.

4 In 2017/18, councils managed funding gaps of four per cent in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves. Their outturn at the year-end was better than budgeted.

5 Overall increases in spending in Education and Social Work were offset by reductions in other services

Scottish Government revenue funding to councils reduced by 2.3 per cent (£0.2 billion) in real terms in 2017/18

Council funding

The main source of councils' funding is the Scottish Government

7. Scottish councils get their annual funding and income from a range of sources (Exhibit 1, page 10). In 2017/18, these totalled £17.4 billion. The main source of funding is the Scottish Government, contributing 55 per cent. In 2017/18, the Scottish Government provided £9.65 billion (compared to £9.71 billion in 2016/17). Within this total, a relatively small element (two per cent, £211 million) is for specific policy areas, such as the Pupil Equity Fund, previously known as the Attainment Scotland Fund. This has increased from £91 million (one per cent) in 2016/17.

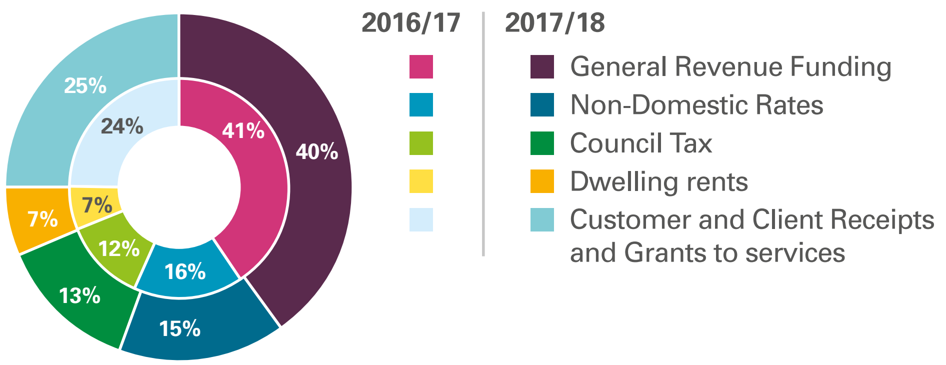
Although Scottish Government funding reduced, increases in council tax and charges increased the total amount available to councils to meet expenditure

8. Total income and funding of £17.4 billion is an increase from £17.1 billion in 2016/17. Reductions in Scottish Government funding of £57 million have been more than countered by increases in charges and grants to services, dwelling rents and council tax totalling £328 million. In total, this means that total income and funding is £271 million more in 2017/18 than 2016/17. Across Scotland in 2017/18, 13 per cent of income, £2.3 billion, was generated through council tax and 25 per cent, £4.3 billion, through fees, charges and grants credited to services.

Exhibit 1

Sources of council revenue income, 2017/18

Total funding and income to councils in 2017/18 was £17.4 billion.



Source: Finance Circulars and Audited Financial Statements

An element of Scottish Government 2017/18 funding was agreed late, limiting councils' ability to properly plan and agree their budgets

9. Provisional funding allocations for 2017/18 were issued to councils on 15 December 2016 and further increases were agreed and communicated to councils in a letter from the Finance Minister, on 2 February. The financial circular of 9 March 2017 confirmed these changes. The amount to be distributed to councils as revenue funding increased by £182 million (1.9 per cent). Councils agree their budgets at meetings during February and March. One council noted in its budget papers that 'In the last few days, (the Finance Minister) announced …change(s) on 2nd February, the day before the administration's budget proposals were due to be signed off'. Another council noted that a 'very late and material revision was made to the revenue grant settlement… present(ing) challenges in terms of configuring a balanced budget at short notice and ensuring value for money spending proposals'. Receiving significant changes at a late stage in the budgeting process limits the time available to councils to plan, discuss and agree budgets.

Scottish Government Revenue funding fell by 2.3 per cent in real terms in 2017/18

10. Exhibit 2 (page 11) shows that in 2017/18 the **total revenue funding** from the Scottish Government reduced by 0.6 per cent in cash and 2.3 per cent in real terms. Including additional funding of £34.5 million and health and social care funding via the NHS, Scottish Government funding was reduced by 0.8 per cent in real terms in 2017/18, compared to the previous year.

Total revenue funding:

This consists of general resource grants, specific revenue grants (together known as revenue grants), and Non-Domestic Rates income (NDR).

Total revenue funding does not include the additional £34.5 million added at Stage 1 of the Budget Bill to be paid in 2017/18 in respect of 2018/19. It also does not include health and social care funding paid to local government via the NHS.

Exhibit 2
Changes in Scottish Government funding in 2017/18
Scottish Government Revenue funding fell by 2.3 per cent in real terms in 2017/18.

	2016/17 £m	2017/18 £m	Cash %	Real %
Revenue Grant	6,939	6,985	0.7 ▲	-1.0 ▼
NDR	2,769	2,666	-3.7 ▼	-5.3 ▼
Total revenue funding	**9,708**	**9,651**	**-0.6 ▼**	**-2.3 ▼**
Further funding		35[1]		
Health & social care funding via NHS	250	357		
	9,958	**10,043**	**+0.9 ▲**	**-0.8 ▼**

Note: £34.5 million was added at Stage 1 of the Budget Bill to be paid in 2017/18 and 2018/19. Accounting standards meant that this was correctly treated as 2017/18 income by councils.

Source: Finance Circulars 1/2017 and 4/2018

11. In 2017/18, the Scottish Government paid an additional £107 million to NHS boards to assist with health and social care. This was used mostly to offset new living wage and sleepover costs of care workers in local government.

Local government funding has reduced at a faster rate than other areas of the Scottish public sector

12. In May 2018, the Scottish Parliament Information Centre (SPICe) reported that between 2013/14 and 2017/18, funding from the Scottish Government to local government decreased at a faster rate than the Scottish Government revenue budget; 7.1 per cent and 1.8 per cent respectively. Using a similar approach, but with up-to-date inflators, the reductions have been 6.92 per cent and 1.65 per cent (Exhibit 3, page 12). This demonstrates a significantly higher impact on total local government funding compared to the total Scottish Government revenue budget. In cash terms, the funding from the Scottish Government to local government has fallen by 1.18 per cent while the Scottish Government revenue budget has grown by 4.41 per cent.

Distribution of funding from the Scottish Government could be clearer about how it reflects factors that drive costs in councils

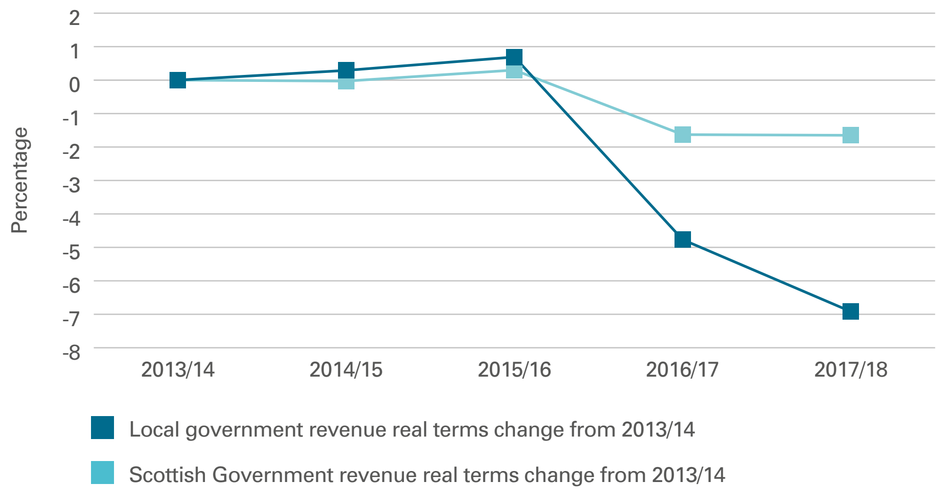
13. As we reported last year, the Scottish Government and COSLA's mechanism for distributing funding to councils is the main determinant of a councils' overall funding. Grant-aided Expenditure, or GAE, is a needs-based methodology, used to allocate the Scottish Government's pre-determined spending review totals among councils. It is made up of 89 indicators such as 'services for people with disabilities' and 'road maintenance'. These indicators are weighted to reflect factors that impact on the demand for and cost of delivering services, for example, 'the size of the 16 to 64 year-old population' and 'length of roads to maintain'.

14. The weighting factors determine the proportion of GAE funding that goes to each council. It is important to note that GAE is purely a methodology to redistribute spending review totals: councils are not obligated to spend the specific amounts on each area identified in the methodology.

Exhibit 3

Real terms change in revenue funding for Scottish Government and councils since 2013/14

Scottish Government revenue budget has fallen by 1.65 per cent between 2013/14 and 2017/18, while revenue funding to councils has fallen by 6.92 per cent over the same period.



Note: Local government funding shown is General Revenue Grant funding, other ring-fenced funding, and NDR.

Source: Audit Scotland; and SPICe

15. Since 2008/09, the total amount of GAE has remained at £7.9 billion and the weighting allocated to each GAE indicator has stayed the same. Each year the councils' relative proportion of funding has been recalculated using the 89 indicators, which means that the amount each council receives may change as its 'population', 'number of teachers', or value of other indicators change. However, the methodology used, and relative importance of each indicator used in arriving at the overall distribution of GAE has not changed in ten years.

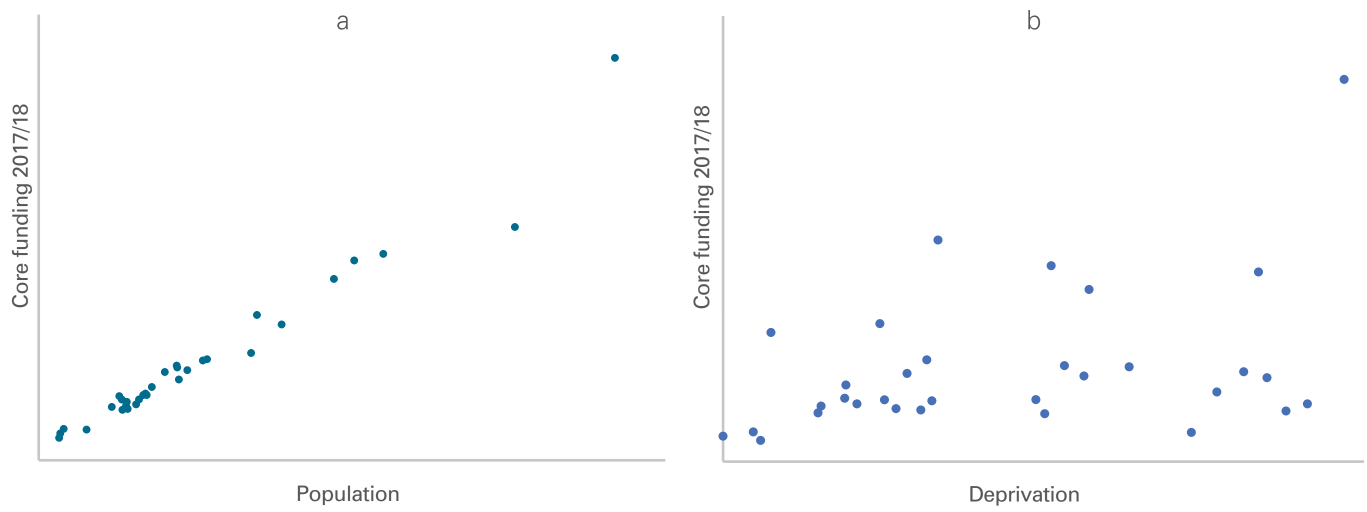
16. The majority of GAE is allocated according to population-based factors. Other factors are far less significant influences on total funding. For example, those which might be considered to link to deprivation, for example 'the number of current income deprived', are linked to a much smaller proportion of funding than population-based weighting factors.

17. This is demonstrated when we consider the relationship between how much funding a council receives and its population size and deprivation levels. The former is a very strong determinant of overall funding and the latter is only a moderate to weak factor (Exhibit 4, page 13). Given Scotland's demographic changes and the Scottish Government's commitment to tackling social and economic inequality, there is a risk that the GAE weightings no longer sufficiently represent need.

Exhibit 4

Scottish Government core funding compared to council population size and deprivation levels

The majority of core funding is allocated to councils according to population-based factors. A much smaller proportion of factors linked to deprivation influences funding levels.



Note: Deprivation has been calculated using the percentage of datazones in the council which are in the 30 per cent most deprived datazones in Scotland. Based on the Scottish index of multiple deprivation (SIMD).

Source: Scottish Government finance circulars; National Records for Scotland 2017 population estimates; and Scottish Index of Multiple Deprivation.

18. Scottish Government funding provided to councils on top of the GAE funding allocation, £3.7 billion in 2017/18, is either distributed using the same proportions as the GAE funding or through a separate methodology agreed by the Scottish Government and COSLA. The Scottish Government advises that in 2017/18, £0.2 billion was distributed using the GAE methodology and £3.5 billion through individual separate methodologies. The basis of the calculations for the separate methodologies are not publicly available and should be more transparent.

19. The £3.7 billion funding includes former ring-fenced grants, new policy commitments (since 2008/09), additional funding from the government spending reviews, special island needs allowance and loan charges. This funding, alongside the GAE, makes up the 'total estimated expenditure' which is then adjusted to take account of expected council tax and non-domestic rates income and specific ring-fenced grants such as the Pupil Equity Fund.

20. The Scottish Government and COSLA have two groups that consider the funding distribution allocations on a regular basis, the settlement and distribution group (SDG) which is supported by the data issues working group (DIWG). These groups work on understanding the strategic issues behind the distribution of funding and updating the data behind the indicators. Both groups include membership from Scottish Government, COSLA and several Directors of Finance. We recognise that a review of funding distribution is difficult in times of reducing budgets, as there will inevitably be some councils that end up with smaller allocations of funding, putting further strain on already tight budgets. But we continue to believe that it is important that the Scottish Government and COSLA assure themselves that the funding formula remains fit for purpose.

Council tax changes raised a further £189 million in 2017/18

21. Council tax is another important source of income for councils. In 2017/18, £2.3 billion, 13 per cent of council funding came from council tax, which is set by individual councils. Councils raised a further £189 million in 2017/18 through council tax, compared to 2016/17.

22. In 2017/18, the Scottish Government's council tax freeze was lifted but with a maximum increase of three per cent. Twenty-four councils chose to increase council tax, with twenty-one increasing rates by the maximum three per cent (Exhibit 5). This raised an estimated £49 million.

23. The national changes in 2017/18, also included increases to the council tax bands E to H and removal of second-home discounts. These changes raised the remaining £140 million and benefited councils with a relatively higher proportion of higher banded properties.

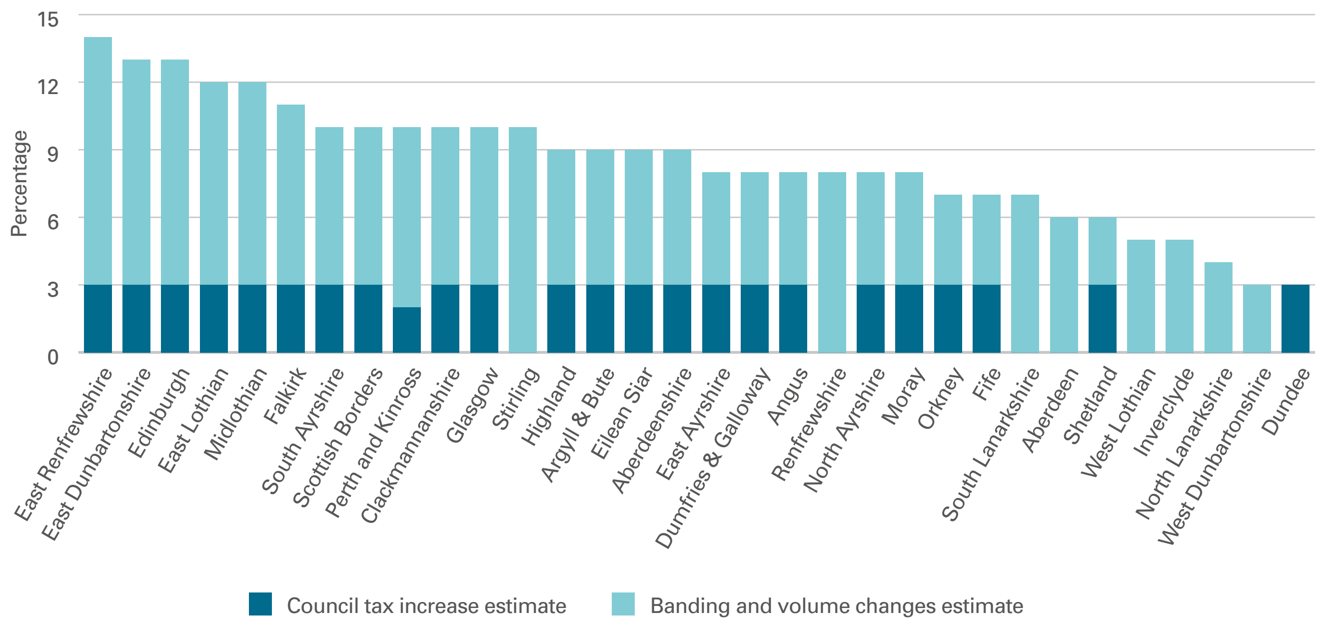
A significant element of income comes from fees, charges, house rent and grants taken directly to services

24. In 2017/18, 32 per cent (£5.4 billion) of councils' income was generated from fees, charges, rents and grants taken to services. The majority of this sum comes from two sources including house rents and grants from government and other bodies, such as the Department of Work and Pensions, which are credited to services. A smaller proportion of this money is raised from a wide range of charges for services including parking charges, music tuition in schools and fees for road closure consent. These are not easily distinguishable in the audited financial statements.

Exhibit 5

Increase in council tax income by council, 2017/18

Council tax changes raised a further £189 million in 2017/18.



Source: Audited financial statements 2017/18

There is significant variation between councils in charges for services

25. There is wide variation in what councils charge for and the level of charge made for services. In 2017/18 and 2018/19, there is variation in how councils are making increases to their income from fees and charges. Some councils are making incremental increases across the range of charges and fees they use. Some councils are making significant increases to groups of fees and charges, such as those related to commercial waste, harbour management or to burial and cremation. Some councils are introducing new fees and charges, these include, for example, charges for garden waste collection, use of residential centres, car parking charges, public toilets, and for pest control.

26. An analysis of a sample of 16 types of charges, from data provided by local audit teams in each council, indicates that from 2016/17 to 2018/19, 11 increased by more than the rate of inflation. Inflation over the two-year period has been calculated at 4.7 per cent. The service charges which showed the highest increases were:

- purchase of grave (lair), where of the 22 councils that had provided information on fees, the average increase was 20 per cent
- adult burial (interment), where 23 councils reported an average increase of 12 per cent
- junior swimming access, where 11 councils reported an average increase of 11 per cent.

Does your council have a charging policy?

Is it in line with corporate plans and objectives?

When was this last reviewed?

Do you receive sufficient information about the potential impact on the service and wider community when making decisions about changing fees and charges?

What information do you need to be able to explain increases in fees and charges to your constituents?

Councils' budgets 2017/18

Councils identified some consistent pressures in setting their 2017/18 budgets

27. Councils' 2017/18 budget papers identified some common themes in the pressures that councils were identifying. These include:

- Staff costs – as the single most significant expenditure for councils, changes to staff-related costs can generate significant pressure on budgets. Specific pressures included:
  - Pay inflation was a consistent pressure across councils. The Highland Council identified pay and pensions pressures of £4.2 million (0.7 per cent of its budget).
  - The introduction of the living wage and sleepover arrangements: this affected adult care services particularly. Renfrewshire Council's budget identified this pressure as £2.0 million (0.5 per cent of its budget)
- Other costs – inflationary pressures. Renfrewshire Council identified the ending of commissioned contracts and the renegotiation of new national care home contracts in adult care services as a budget pressure of £1.2 million (0.3 per cent of its budget).
- Financing costs – when a council borrows or invests in assets it can incur additional financing costs that become a new annual budget pressure. The Highland Council budgeted for additional pressures of £4.3 million (0.7 per cent of its budget) (including additional loans charges and unitary charges).

How do you engage with the budget-setting process and ensure you have the opportunity to influence the development and content of a strategic budget?

- Apprenticeship levy – this is a new levy on bodies of 0.5 per cent of pay bills above £3 million. The Highland Council identified this as a pressure of £1.2 million (0.2 per cent of its budget), East Ayrshire as £0.8 million (0.2 per cent of its budget) and Dundee City Council £1.0 million (0.3 per cent of its budget). Budgets tended not to assume receipt of funding or grants from the Scottish Government or Scottish Apprenticeship Advisory Board in respect of the levy.

- Demand costs – increasing demand for services was noted as a cost pressure. This was most distinct in adult care services. Renfrewshire Council identified this as £1.2 million (0.3 per cent of its budget). East Ayrshire Council agreed to fund demand pressures in adult social care of £2.0 million (0.6 per cent of its budget).

Budgeted net expenditure of £12.4 billion included 'funding gaps' of four per cent

28. Councils' 2017/18 budgets identified total final net expenditure budgets of £12.4 billion. This is after fees, charges and grants are credited to services as budgeted income. These total net expenditure budgets were not fully met by remaining income from core Scottish Government funding, including NDR, and council tax. The shortfall or 'funding gap' was £0.5 billion (four per cent).

How does annual budget-setting link to medium and long-term financial planning in your council?

Funding gaps were managed by planned savings and temporary use of reserves

29. Councils identified funding gaps of up to six per cent of total revenue, but still managed to present balanced budgets through:

- planned budget savings of £0.4 billion (three per cent of revenue funding). These included management and staff reductions and restructuring, service redesign and procurement

- planned use of £0.1 billion of unearmarked reserves.

Does your council have a savings plan?

What are the options to close future funding gaps?

How well are you kept informed about progress in delivering those savings?

Some councils reverted to a temporary planned use of reserves due to the uncertainty presented by the local government elections in May 2017

30. The local government elections in May 2017 had a bearing on some councils' approach to budget-setting. With outgoing administrations and the possibility of changed incoming administrations, officers did not feel able to agree transformational savings plans with outgoing administrations or have confidence that these could be sustained with new incoming administrations. This meant that reserves were used as a short-term contingency to manage funding gaps in 2017/18 until wider transformational plans could be agreed with new administrations. This demonstrates why medium and long-term financial planning is important.

Councils' outturn against their 2017/18 budget was more favourable than planned

31. 2017/18 net expenditure was £12.2 billion compared to the final budget of £12.4 billion. Common themes for this improved position were savings on staff costs and loan charges.

32. As we noted above the planned use of reserves was £105 million. The actual use of revenue reserves was much lower at £38 million and those that planned to use unearmarked General Fund reserves to balance the budget did not need to use reserves in line with their plan.

Overall increases in spending in education and social work were offset by reductions in other services

33. Scottish Government provisional outturn data identified expenditure grew by 1.1 per cent in cash terms, compared to 2016/17. In real terms it fell by 0.6 per cent. There were significant differences in expenditure between services:

- Education expenditure increased by 3.2 per cent (1.5 per cent in real terms). This reflects several national priorities including raising attainment.
- Social Work expenditure increased by 2.4 per cent (0.7 per cent in real terms). This included funding the living wage and demand pressures.
- Other 'non-protected' services fell by 2.6 per cent (4.3 per cent in real terms). This includes environmental services, culture and related services, planning and development services, and roads and transport.

Which service areas are under the most pressure to make savings?

What impact will savings have on the delivery of services and outcomes for service users, the wider community and the local economy?

What are the potential risks?

Part 2

Councils' financial position

Key messages

1. Eighteen councils drew on their usable reserves in 2017/18, overall by a relatively small amount.
2. Some councils have relatively higher levels of debt for their size.
3. Local policies vary on whether cash and investments are held to support reserves. This could increase the need for further future borrowing.
4. Capital expenditure in 2017/18 decreased by five per cent in real terms. Housing and education were the main areas of investment. Despite this the number of social houses provided by councils continues to fall.
5. Some councils have had significant increases in their debt positions.
6. There were delays with the valuation of pensions liabilities in councils across Scotland in 2017/18, but the net pension liability has reduced substantially in 2017/18.
7. Management commentaries in councils' accounts should do more to explain financial outturn against budget.

in 2017/18, councils drew on their usable reserves by £18 million, a relatively small element of usable reserves

Councils' financial position

In 2017/18, councils drew on their usable reserves by £18 million, a relatively small element of usable reserves

34. In last year's overview report we noted that more councils were drawing on their usable reserves. This trend continued in 2017/18, with 18 councils ending 2017/18 with lower levels of usable reserves than they had at the start of the year. In 2016/17, 20 councils were in this position.

35. Some councils added to their usable reserves including South Lanarkshire (increased by £15 million, 15 per cent), Stirling (increased by £6 million, 22 per cent) and Dundee (increased by £7 million, 35 per cent), due to significant in-year surpluses relative to the usable reserve balance. One council had a significant reduction in usable reserves: Aberdeen City reduced its usable reserve by £21 million (25 per cent), through a combination of a General Fund deficit and using part of its capital reserve.

?

What is the council's reserve policy?

What have reserves been used for in recent years?

Supporting services and bridging the funding gap or transforming services?

36. It is important that councillors are aware how usable reserves are being used each year, especially where the cumulative scale of this is potentially significant to financial sustainability. Northamptonshire County Council, in its 2017/18 financial statements, identifies that 'financial pressures ....have led to a position where the council has had to utilise almost all of its General Fund (£12 million) and earmarked reserves (£5.5 million) in order to deliver a balanced year-end outturn for 2017-18.' Our analysis based on 2018/19 budgets and levels of General Fund reserves indicates there are no short-term concerns in Scottish councils.

The overall total General Fund position is consistent with 2016/17 at £1.15 billion

37. Usable reserves held by councils totalled £2.4 billion. This includes General Fund balances and other statutory reserves. Within this total the General Fund balance remains relatively unchanged from 2016/17 at £1.15 billion. The nature and value of usable reserves are shown in Exhibit 6.

What are the different types of usable reserves your council holds?

Do you know what these can be spent on?

Is it clear that the reserves are needed for the purposes they are assigned?

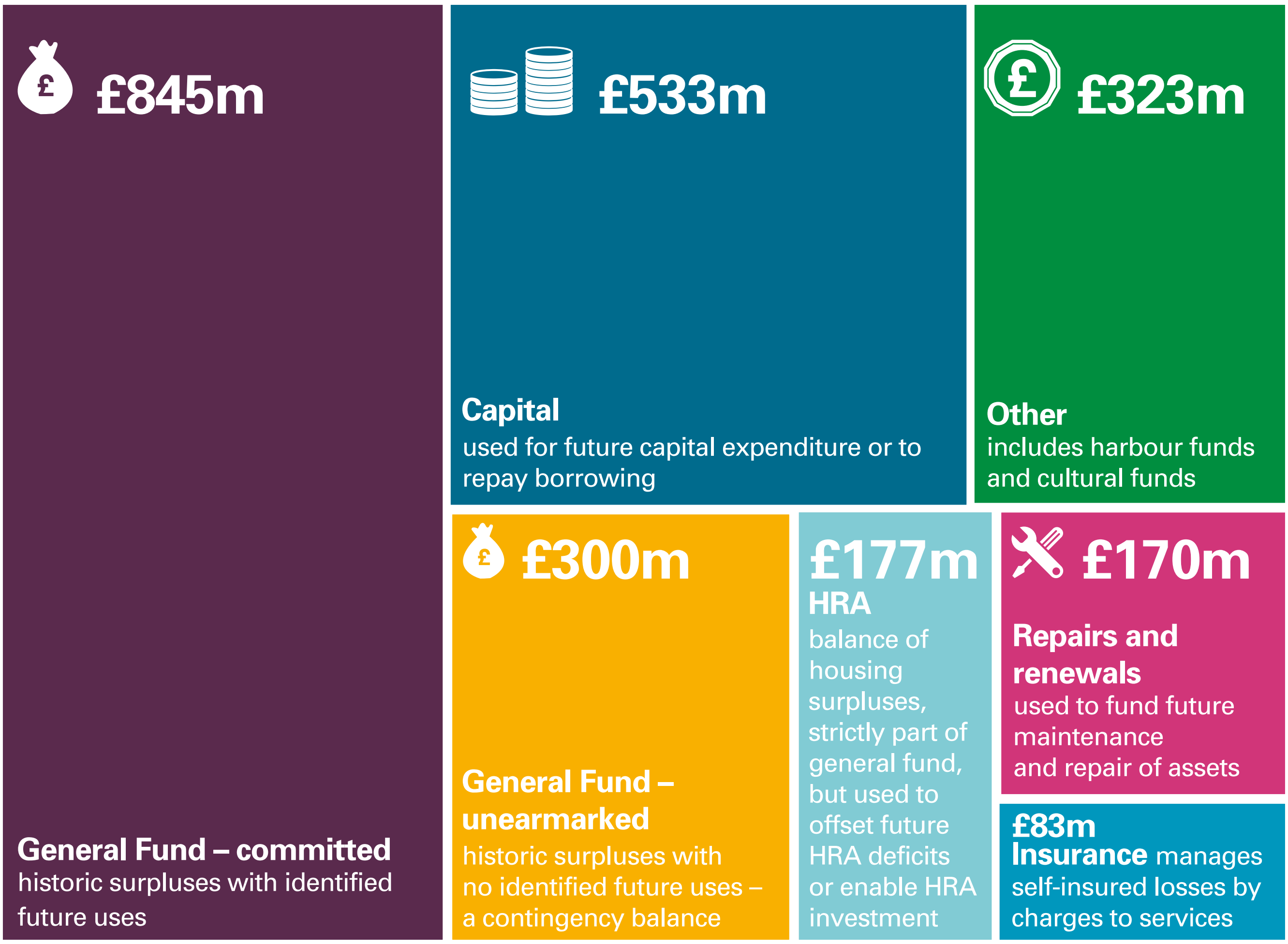
Are the reserves sufficient for those purposes?

Could the reserves be better used for something else?

Exhibit 6

The relative size and nature of council's usable reserves

In 2017/18, usable reserves held by councils totalled £2.4 billion.



Source: Audited financial statements 2017/18

There is significant variation in the relative size and the nature of reserves held

38. Councils adopt different strategies for creating and managing their reserves, with some councils operating significant capital funds with associated investment plans. This provides a significant variation in the nature and extent of funds held (Exhibit 7). Councillors should scrutinise the nature, extent and timing of plans for using specific and committed funds to ensure that these remain valid, appropriate and reasonable.

Some councils have relatively higher debt than others

39. Councils' **net debt** varies by between 45 per cent of annual revenue in Shetland to 203 per cent in West Dunbartonshire (Exhibit 8, page 21). Higher levels of debt lead to higher annual costs of servicing this debt and councils need to ensure this is affordable. West Dunbartonshire has total debt of £535 million offset by cash assets of £22 million. This is a net external debt of £513 million compared to annual revenue of £253 million (from council tax, NDR, revenue support grant and dwelling rents).

Gross debt/net debt:

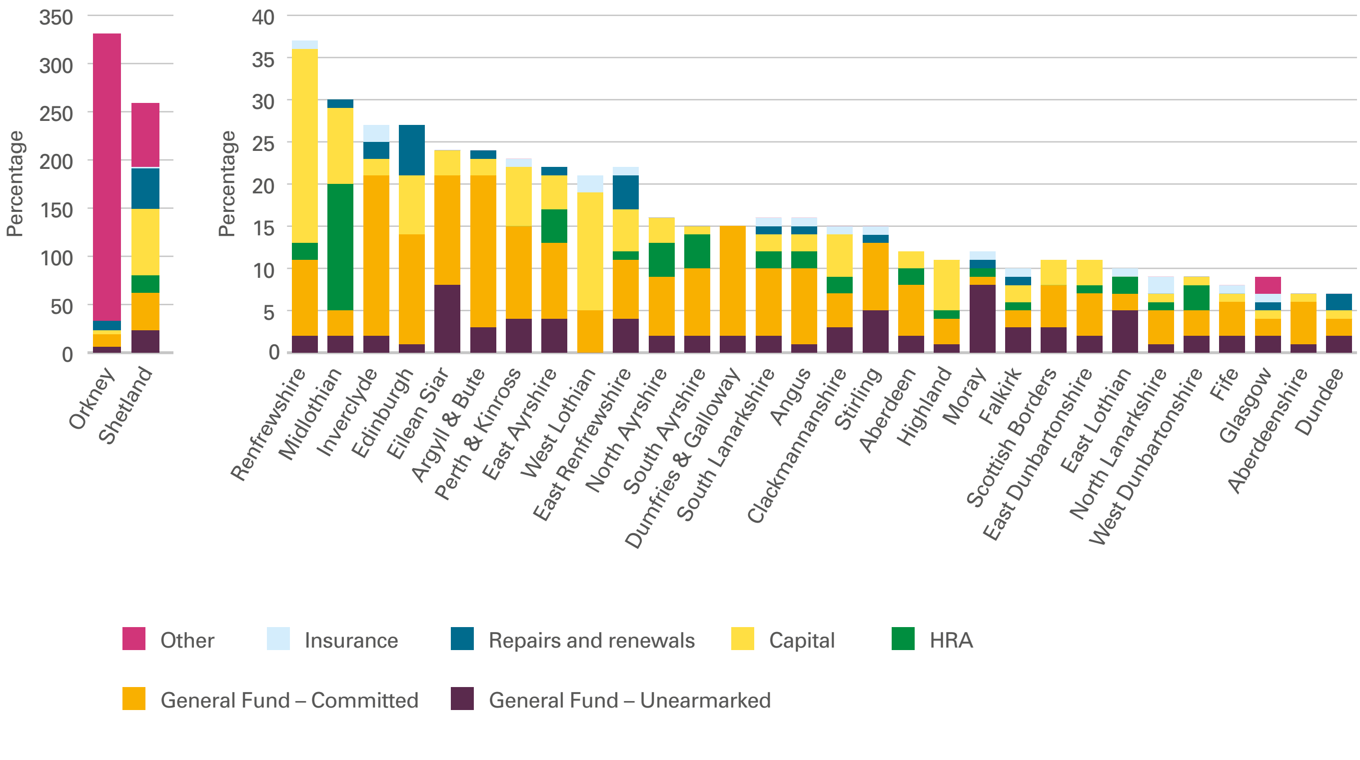
Gross debt is the total outstanding borrowing and the liabilities associated with PFI/PPP/NPDO and HuB schemes.[1] This includes both long and short-term balances.

Net debt is 'gross debt' less any cash or investments, which form part of the council's overall approach to treasury management.

Exhibit 7

Usable reserves as a percentage of council annual revenue

There is significant variation in the relative size and the nature of reserves held.

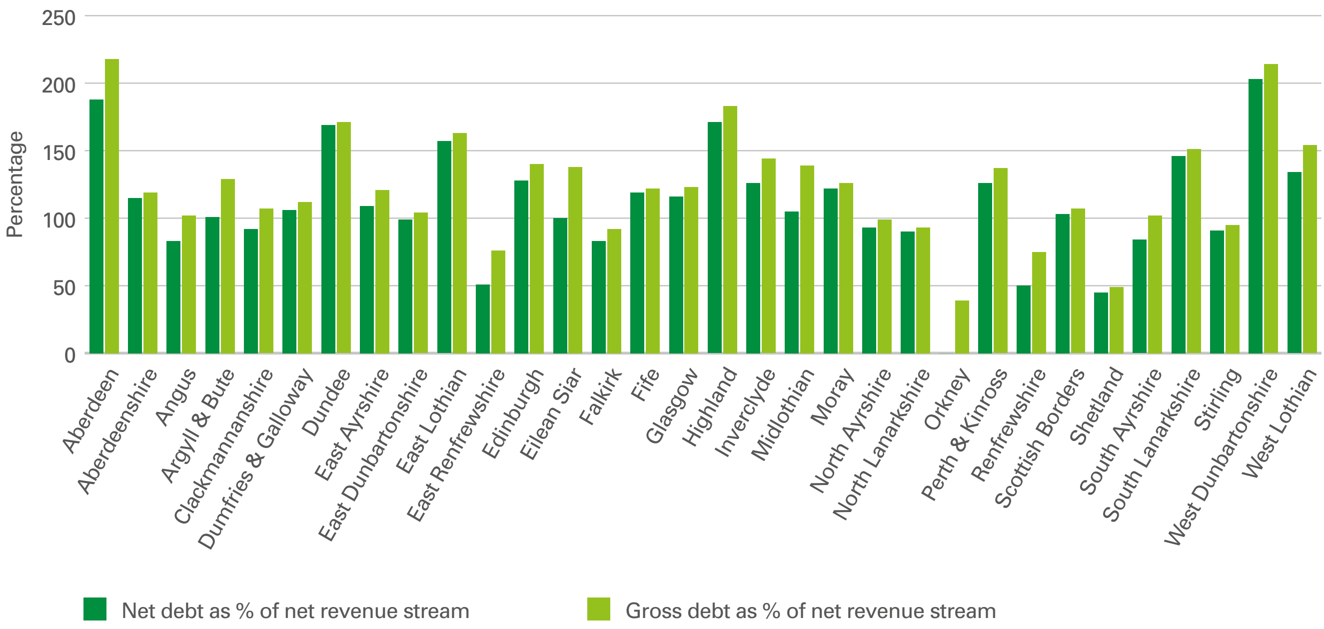


Source: Audited financial statements 2017/18 (Orkney and Shetland have reserves which are above 250 per cent of their annual revenue)

Exhibit 8

Council gross and net external debt compared to its annual revenue

Councils' net borrowing varies between 45 per cent of annual revenue in Shetland to 203 per cent in West Dunbartonshire.



Note: NRS is the net revenue stream, ie the net spending used for day-to-day delivery of council operations.
Source: Audited financial statements 2017/18 (Orkney is excluded as it has net investments)

Councils don't always have cash to support reserves and might need to borrow further

40. Thirteen councils have significant cash or investments that can be used to support the reserves position (Exhibit 9, page 22): spending reserves would reduce the cash or investments held. However, other councils have chosen in the past to use their cash or investments to fund capital spending rather than take on further borrowing. This means that some councils would need to borrow further over the longer term to provide the cash to spend on commitments identified in their reserves. This borrowing would increase their 'underlying' debt position from the position shown in Exhibit 9.

41. Councillors should be aware of the current borrowing position and the potential need for future borrowing when agreeing authorised borrowing limits as part of the prudential code.

Capital spending in real terms reduced by five per cent in 2017/18

42. In real terms, capital expenditure decreased by £138 million (five per cent) between 2016/17 and 2017/18 to £2,698 million. Exhibit 10 (page 22), illustrates the level of capital expenditure across the main services areas. The majority of investment is in schools' estate, new social housing and major refurbishment of social housing.

What is the council's current debt position?

Do you have clear information about the potential need for future borrowing when agreeing authorised borrowing limits?

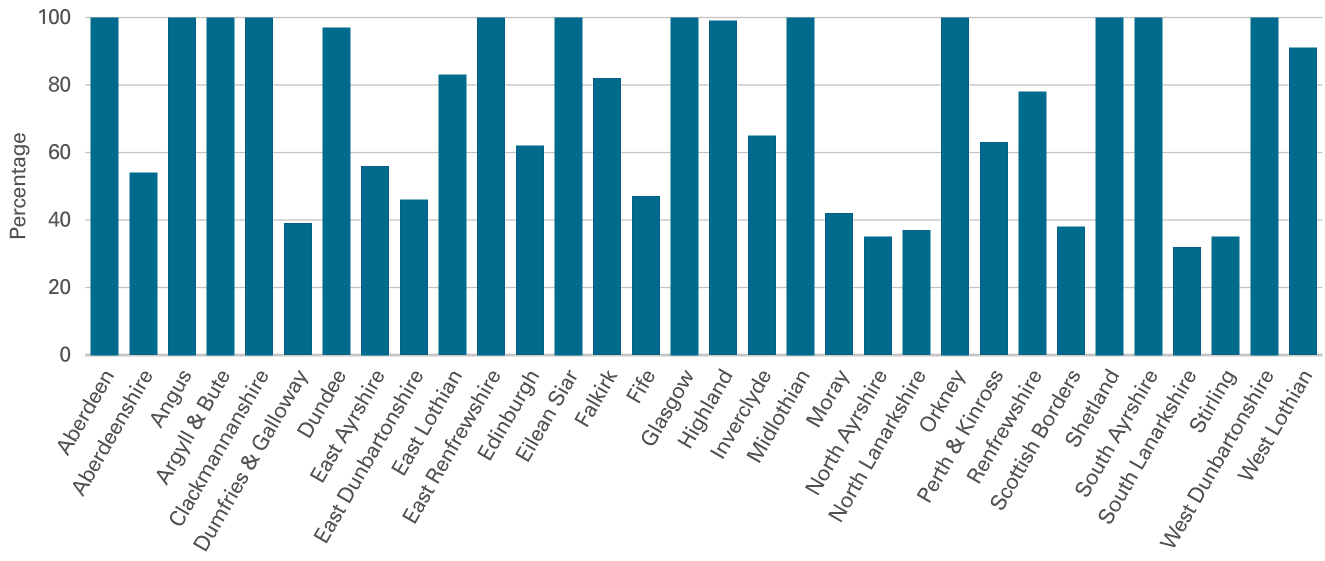
What share of the council's budget is taken up with interest payments and debt repayment?

What proportion of the council's debt is linked to inflation or at fixed rates? What does this mean for longer-term affordability?

Exhibit 9

Extent that usable reserves are represented by cash or investments

Thirteen councils have significant cash or investments that can be used to support the reserves position.

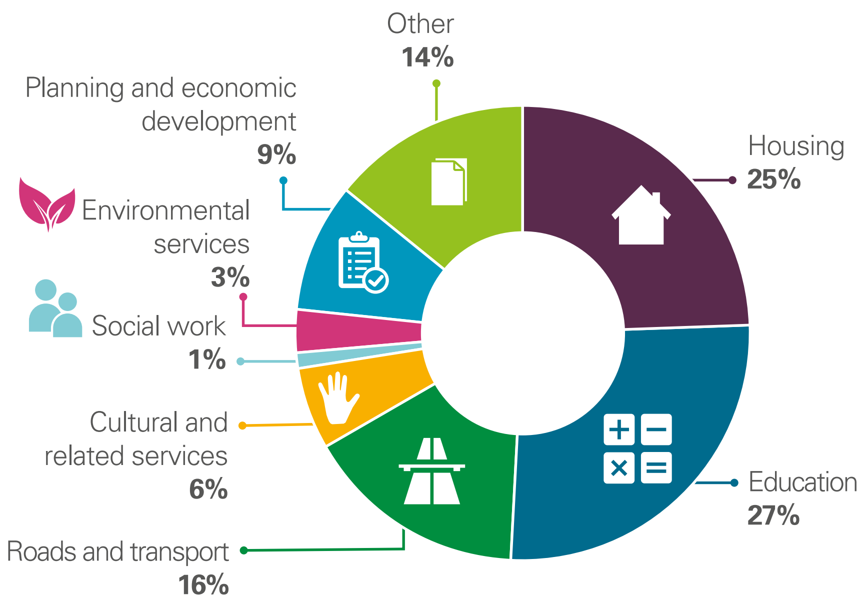


Source: Audited financial statements 2017/18 (100 per cent shown as max. amount, some councils exceed 100 per cent)

Exhibit 10

Capital expenditure by service area, 2017/18

The majority of investment is in schools' estate, new social housing and major refurbishment of social housing.



Source: Scottish Government POBE provisional outturn by service

Despite investment in social housing overall, numbers of council houses continue to fall

43. Across Scotland, social housing is provided by a mix of housing associations and by councils. In 24 areas, councils continue to be significant housing providers. The number of council houses in Scotland continued to fall slightly in 2017/18, down a further 334 houses (0.1 per cent of stock), although the rate of decrease has slowed. The right-to-buy council housing ended in Scotland on 31 July 2016, but applications submitted by that date are still being processed during 2017/18, with 1,640 sales in the first three quarters of 2017/18. Sales and other contributing factors, such as demolitions, continue to offset the number of new houses being completed by councils (with housing stock). This net movement varied between councils: 16 councils saw a decrease in house numbers and ten increased in 2017/18 (six councils no longer have housing stock following stock transfer).

Government grants and amounts from revenue continue to be the main sources of funding for capital expenditure

44. Sources of capital expenditure funding included (Exhibit 11, page 24):

- £1 billion of government grants (£138 million or 16 per cent higher than in 2016/17)
- £0.6 billion of internal charges to services (loans fund principal repayments) (£0.7 billion in 2016/17)
- £0.6 billion increase in the underlying need to borrow[2] (£0.7 billion in 2016/17) with £0.3 billion of this resulting in an increase in external borrowing.

Some councils had significant increases in their net debt position

45. Councils’ net debt increased in 2017/18 by £0.6 billion to £15.1 billion. Twenty councils increased their net debt by a total of £0.8 billion, with another 11 councils reducing their net debt by £0.2 billion.

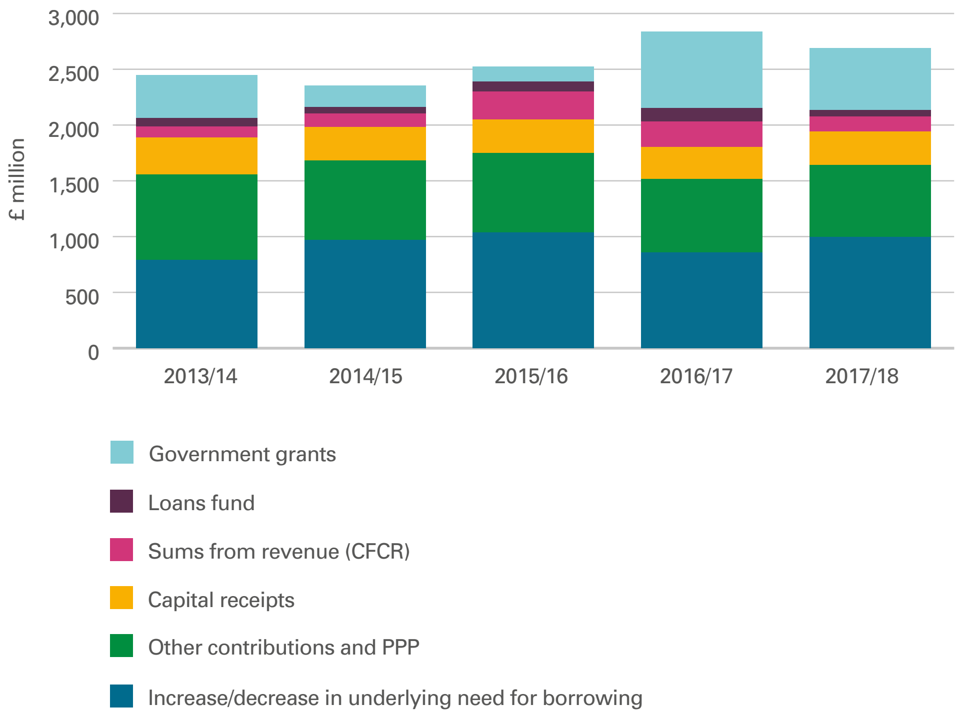
46. The councils with notable increases included:

- Argyll and Bute Council – a £58 million increase (31 per cent) due to increase in primary school finance leases and increased long-term borrowing.
- Aberdeen City Council – with the largest increase in net debt of £211 million (28 per cent) represented by a reduction in investments and an increase in finance leases, associated with Marischal Square and the ongoing capital investment and use of reserves to support delivery of the transition to its 'Target Operating Model'.
- Perth and Kinross Council – increased debt by £75 million (21 per cent) represented by an increase in long-term borrowing for capital expenditure.

Exhibit 11

Sources of funding for capital expenditure, 2013/14 to 2017/18 (real terms)

Government grants and amounts from revenue continue to be the main sources of funding for capital expenditure.



Source: Audited financial statements, sources of capital financing in real terms 2017/18 prices

Other key elements in the audited financial statements

There were delays with the valuation of pensions liabilities in councils across Scotland in 2017/18

47. Councils account for their share of the Local Government Pension Funds (LGPS) in accordance with International Accounting Standard 19 - Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the scheme's actuary. Actuarial reports across Scotland used estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns, as a result of significant changes in markets. This resulted in pension fund assets reported in the council's balance sheet being understated in the unaudited accounts. This issue was corrected in the majority of audited accounts across Scotland.

48. In updating the IAS19 report, an actuary also identified an omission in the original calculation of liabilities in three councils resulting in an increase to the council's net pension liability.

49. This issue affected councils and a significant number of subsidiary bodies that are also members of the LGPS.

The net pension liability has reduced substantially in 2017/18 compared to 2016/17

50. In 2017/18, councils' total net pension liabilities in the Scottish Local Government Pension Scheme (LGPS) reduced by 43 per cent from £11.5 billion in 2016/17 to £6.6 billion in 2017/18. All councils reduced their liability, except for Aberdeen City Council. This significant improvement was due to:

- an increase in pension fund assets of £1.1 billion, an increase of four per cent
- a reduction in scheme liabilities of £3.8 billion due to reductions in life expectancy, lower than assumed salary increases and increases in the discount factor used to value future benefits, based on bond rates.

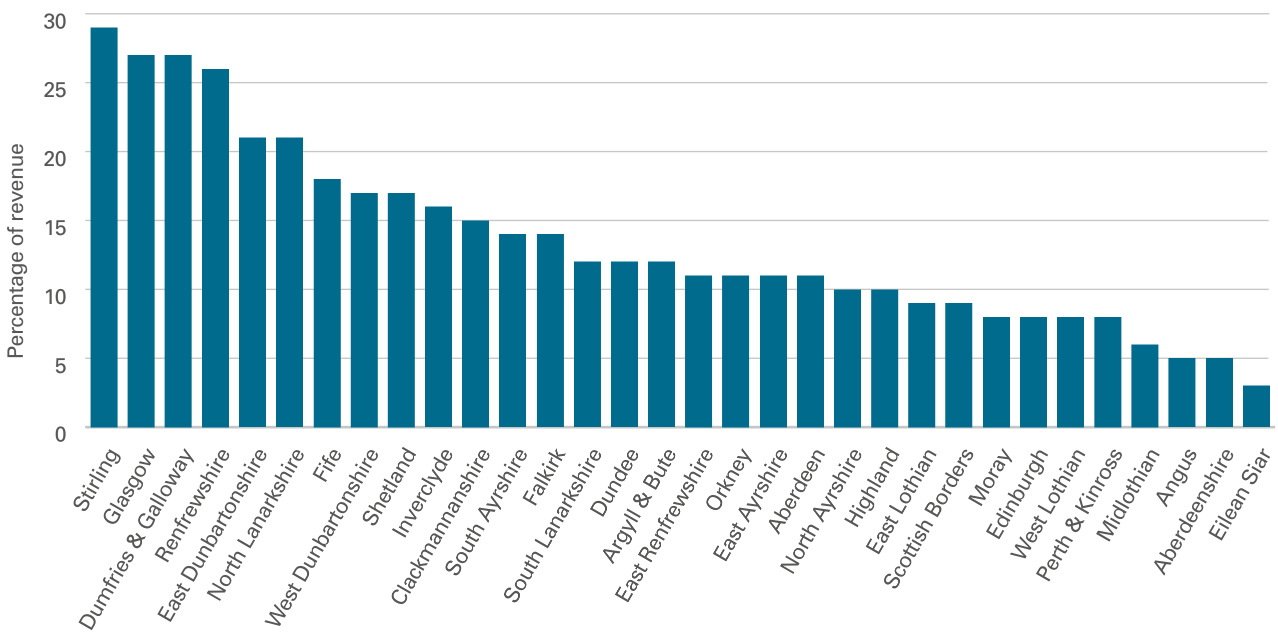
Unfunded LGPS liabilities vary significantly across councils

51. Unfunded liabilities are amounts that are not met by the Local Government Pension Schemes, but by individual employers. These can occur when an employer approves an early retirement, without actuarial reduction or with enhanced pension. Exhibit 12 shows that value of these unfunded benefits as a percentage of the annual revenues of each council. These ongoing commitments can represent annual payments of one to two per cent of revenue.

Exhibit 12

The total liability for LGPS unfunded liabilities as a percentage of annual council revenue

The amounts councils are committed to pay to pension funds for historic early retirements over the medium to long-term varies significantly.



Source: Audited financial statements 2017/18 and IAS19 valuation reports by actuaries

Glasgow City Council reports additional financial pressures that may arise from further equal pay claims

52. In our *Equal Pay in Scottish councils* report, we identified that all employers have a legal responsibility to ensure that women and men receive equal pay for equal work. In 1999, Scottish councils and trade unions reached the Single Status Agreement to harmonise local government pay and employment terms and conditions and eliminate pay inequality. Implementing the Single Status Agreement was a complex process that required all councils to undertake a large-scale job evaluation exercise. Councils underestimated the risks in this process and legal challenges continue to identify further issues.

53. Glasgow City Council has identified a new contingent liability[3] disclosure in 2017/18 for equal pay claims, which it is unable to estimate. This is based on a May 2017 ruling by the Court of Session on pay protection claims, affecting around 8,000 claimants and an August 2017 ruling on the council's Job Evaluation Scheme. This will take time to resolve and the potential scale is likely to be significant and impact on the council's financial planning.

Financial management, governance and transparency

Management commentaries could do more to explain council outturns in the accounts

54. Auditors' reviews of accounts are increasingly concerned with the transparency and clarity of the narrative contained within the management commentary that accompanies the financial statements. There are a few key aspects to an assessment of whether financial reporting is transparent in the narrative:

- Is the outturn against budget position for the year clearly shown with the reasons for significant variances obvious?
- Is the outturn reported in the narrative reconciled to the movement in General Fund contained in the financial statements and major differences explained?
- Some councils do not specifically report on progress against agreed savings in their accounts. Therefore, it is difficult to demonstrate if planned savings were achieved. Councils that did report this said they achieved 105 per cent of their planned savings.

55. We identified Comhairle Nan Eilean Siar's management commentary as an example of good practice. Financial performance in 2017/18 was clearly identified in the management commentary. This included the income, expenditure and surplus/deficit positions for significant elements of the council's budget that was consistent with overall movements on the General Fund.

56. There were improvements in this area in 2017/18. However, there are still circumstances where these basic expectations of transparency are not met and the financial outturn in the management commentary does not help the reader understand clearly how the council has performed against budget and how this is reconciled to the accounts.

?

Do budget monitoring reports clearly explain financial performance against plans and any changes to plans, including the reasons for change?

Does the management commentary clearly explain the council's financial performance and the changes to plans and reasons for those changes?

What additional training would you like to receive to develop your knowledge and skills for financial scrutiny?

Part 3

Integration Joint Boards' overview 2017/18

Key messages

1 Funding to the IJBs increased in 2017/18 by three per cent in cash terms. Most of this additional funding came from the NHS and includes additional Scottish Government funding to the NHS for IJBs of £107 million.

2 The majority of IJBs have underlying financial sustainability issues, with 11 out of 30 incurring deficits in 2017/18. A further eight would have incurred deficits without additional ('deficit') funding from their partners.

3 Reserve positions vary enormously between IJBs.

4 Medium-term financial planning is not used by most IJBs and further improvements to financial management should be introduced.

57. Funding to the IJBs increased in 2017/18 by three per cent in cash terms. Including additional Scottish Government funding to the NHS for IJBs of £107 million. IJBs were established as a result of the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act). They are partnerships between NHS boards and councils and are responsible for the delivery of adult health and social care, and in some council areas, for other services, such as children's services. We reported on progress in November 2018 in our report, *Health and social care integration – update on progress*.

58. In 2017/18, IJBs were responsible for directing £8.3 billion of health and social care resources, money that was previously separately managed by councils and NHS boards. In total, 29 per cent or £2.4 billion of IJB funding was allocated from councils, and £5.9 billion or 71 per cent from the NHS (Exhibit 13, page 28).

59. The total resources available to IJBs has increased by three per cent, in cash terms, from £8.1 billion in 2016/17. The majority of this £240 million was allocated from the NHS:

- £107 million was provided by Scottish Government to the NHS to direct towards social care services delivered by councils.
- In some cases, NHS boards directed additional funding to address overspends in prescribing.

the majority of IJBs have underlying financial sustainability issues

?

What is the IJB's financial position? Is it financially sustainable?

What are the levels of reserve held by the IJB?

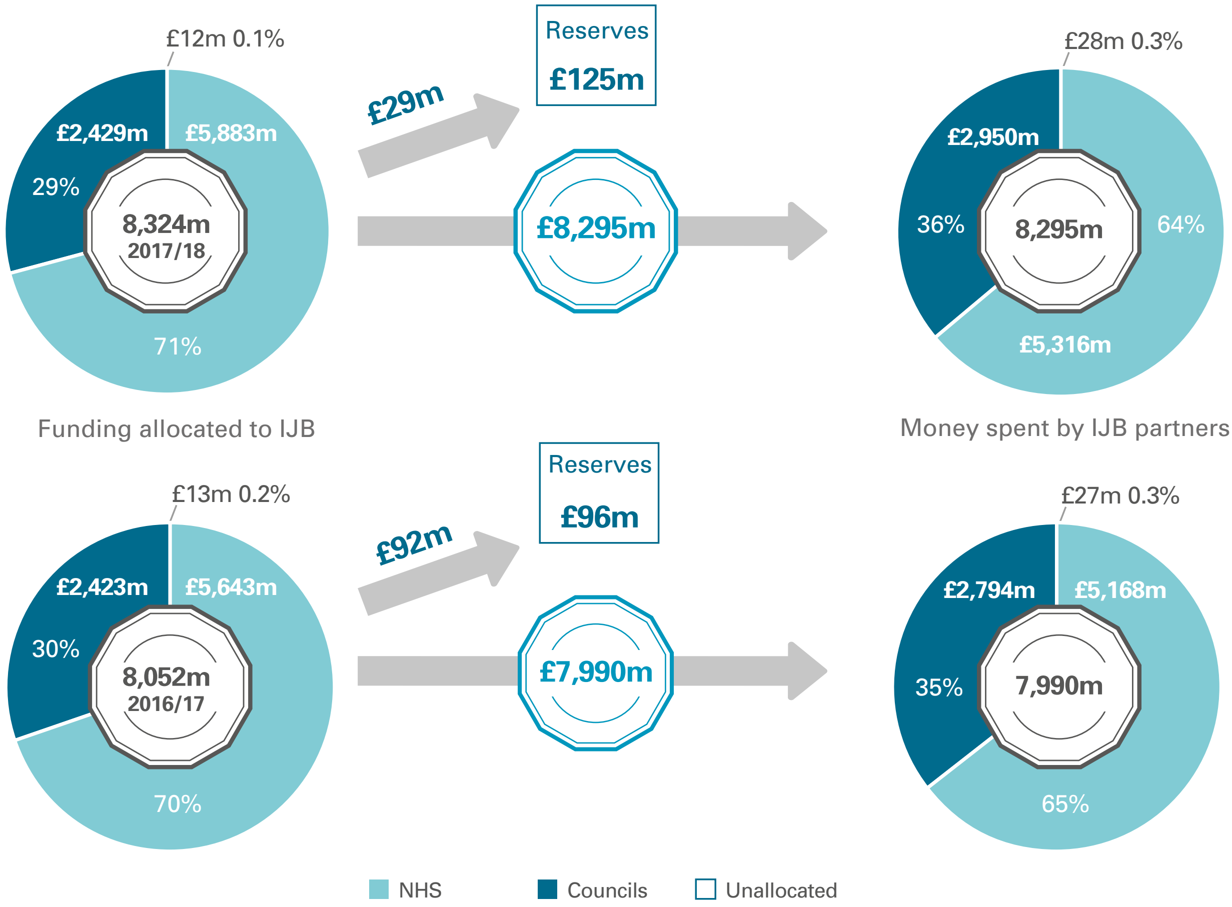
Are these in line with the IJB's reserve policy?

What does the IJB's financial position mean for the council and for the delivery of services?

Exhibit 13

Income and expenditure of Integration Joint Boards in 2016/17 and 2017/18

IJBs spent £8.3 billion on delivering health and social care services in 2017/18, 3.8 per cent (£305 million) more than in 2016/17. Of this 36 per cent was spent by councils and 64 per cent by the NHS.



Note: Some aspects of funding and expenditure is not attributed to either NHS or councils in a few audits. This represents about £15m and £12m of income in 2016/17 and 2017/18 respectively and around £28m of expenditure in both years.

Source: IJB audited accounts

60. IJBs spent £8.3 billion on delivering health and social care services in 2017/18, 3.8 per cent (£305 million) more than in 2016/17. Of this, 36 per cent was spent by councils and 64 per cent by the NHS.

61. The aim of the reform is to meet the challenges of Scotland's ageing population by shifting resources to community-based and preventative care at home, or in a homely setting. Therefore, it would be reasonable to expect the difference between what the NHS allocates to IJBs and what it receives for acute services to increase. In 2017/18, the difference was 6.6 percentage points compared to 5.1 percentage points in 2016/17, but this does not necessarily represent any operational shift in how services are provided.

The majority of IJBs have underlying financial sustainability issues and without year-end support from partners, 20 out of 30 would have reported deficits

62. Fourteen IJBs had a surplus in 2017/18 compared to 23 in 2016/17. Those with a surplus added a further £42 million to their reserves (£95 million in 2016/17). This does not properly identify the underlying position, as 19 IJBs had additional funding from their partners, which improved their outturn position by £51 million. Without additional funding, a further eight IJBs would have reported a loss in 2017/18, rather than the 11 that did. Eight of the IJBs drew on reserves from previous years to meet in-year deficits.

63. Auditors report that prescribing costs and adult social care costs appear to be the main reasons for overspends. Auditors noted that in NHS Greater Glasgow and Clyde a 'risk-share' agreement on prescribing pressures with the health board has ended in 2017/18 and this will present IJBs in that area with greater financial risk in 2018/19.

Reserve positions vary enormously

64. The total of reserves held by IJBs has grown from £96 million in 2016/17 to £125 million over 2017/18, and now represents 1.5 per cent of total income (compared to 1.2 per cent in 2016/17).

65. IJBs hold reserves for two main purposes that assist strategic financial management and risk management:

- to earmark, or build up, funds which are to be used for specific purposes in the future
- to provide a contingency fund to cushion the impact of unexpected events or emergencies.

66. Forty per cent of the total reserves are held by two IJBs: £31 million in Glasgow and £18 million in North Lanarkshire. Comhairle nan Eilean Siar has the highest reserve relative to its income at ten per cent (Exhibit 14, page 30). North Ayrshire is unusual in having a negative reserve of £5.8 million.

67. The auditor for North Ayrshire IJB highlighted concerns that ‘in the medium term, the IJB is faced with an extremely challenging financial position’. In line with many other IJBs, it has not achieved short-term financial balance, but it has not been deficit funded by its partners.

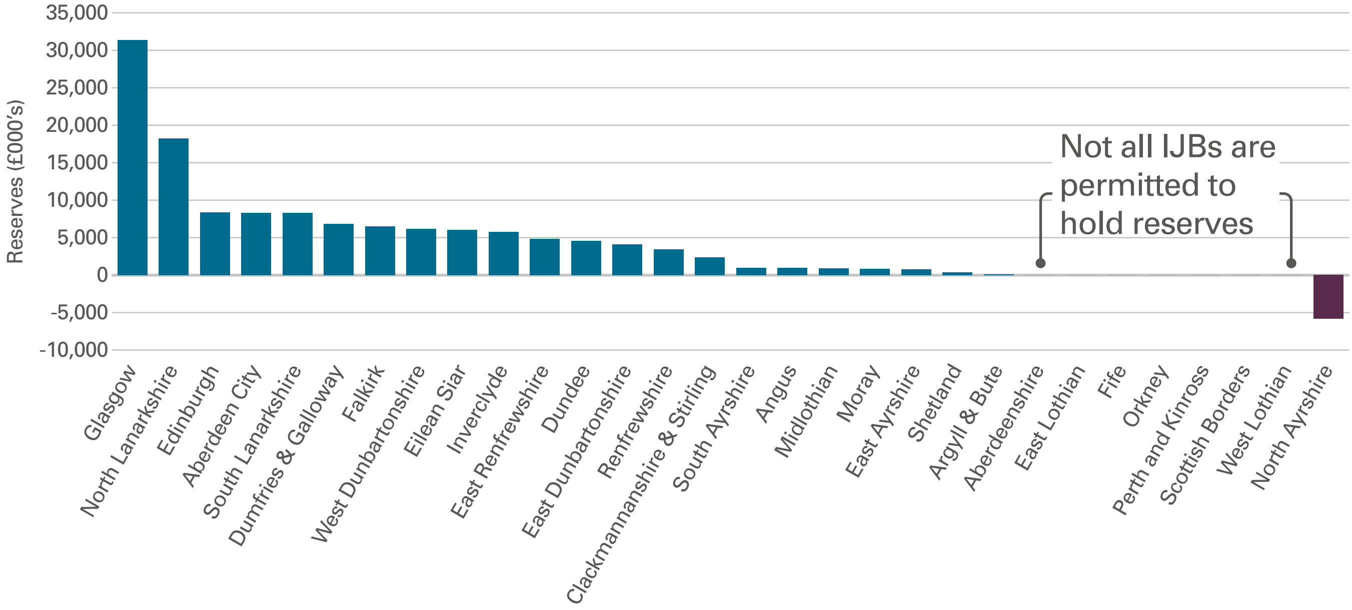
Funding gaps in 2018/19 are significant in IJBs and many do not have balanced budgets

68. Most auditors identified significant financial pressures in 2018/19 in their 2017/18 annual audit reports. The estimated funding gap for IJBs in 2018/19 was £248 million (three per cent of total income). Which is greater than identified in councils. Twelve of the IJBs still do not have balanced budgets for 2018/19 and a further four plan to incur deficits which will be met by accumulated reserves. We reported in November 2018, that these financial pressures make it difficult for IJBs to improve services.

Exhibit 14

Integration Joint Board reserves

Forty per cent of the total reserves are held by Glasgow and North Lanarkshire. North Ayrshire is unusual in having a negative reserve of £5.8 million.



Source: Audited financial statements 2017/18

IJB financial planning and financial management should be further improved

69. Only a third of IJBs have a medium-term financial plan, typically covering three years, and there is no evidence of longer term-financial planning.

70. Auditor's identified issues with financial management in the IJBs including:

- a lack of agreement or a late agreement of budgets
- poor financial monitoring due to delays and inaccuracies during the year
- instances where the projected outturns forecasts during the last quarter of 2017/18 were very different from those actually achieved.

71. As we reported in our *Health and social care report* these are fundamental issue which will limit the ability of Integration Authorities to improve the health and social care system.

Part 4

Councils' financial outlook

Key messages

1. In 2018/19, Scottish Government revenue funding to local government increased by 0.2 per cent after two years of real-terms reductions.

2. The Scottish Government published a five-year financial strategy in May 2018, but multi-year budgets are not yet being developed. The financial strategy identifies greater future uncertainty and likely further reductions of nine per cent in real terms over the next five years in 'other non-protected' council funding.

3. Many councils are in the early stages of delivering transformational change.

4. Medium-term financial planning has been adopted by almost all councils, but less than half have significant long-term plans over five years.

5. Councils expect to manage smaller funding gaps in 2018/19 of £0.3 billion (two per cent), with all 32 councils raising council tax rates by three per cent in 2018/19. There are no councils where the budgeted use of reserves is a critical issue over the next three years.

6. The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks, as far as possible.

councils expect to manage smaller funding gaps in 2018/19 of £0.3 billion (two per cent)

Council future funding

Scottish Government revenue funding to local government increased by 0.2 per cent

72. The Local Government Settlement in 2018/19 increased by 1.7 per cent (cash terms) from 2017/18 to £9.8 billion. This was a real-terms increase of 0.2 per cent (Exhibit 15, page 32).

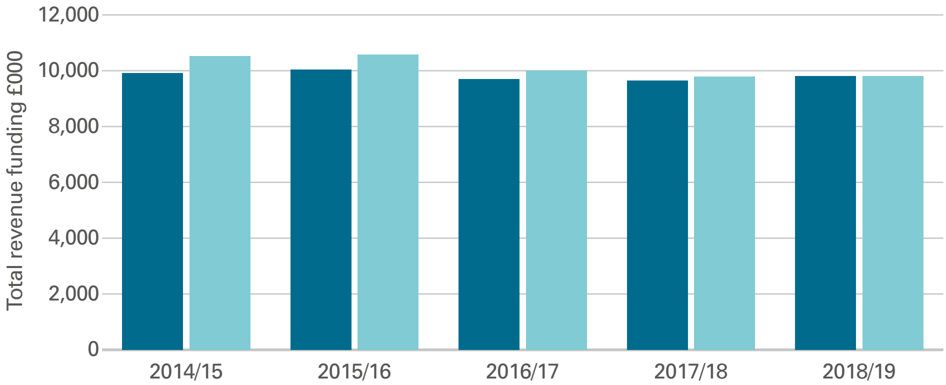
An increase in the 2018/19 settlement was late and the early payment of £35 million in 2017/18 reduced transparency in the funding available between the two years

73. On 31 January 2018, the Scottish Government announced an additional £160 million of general revenue grant funding for local authorities as part of the 2018/19 budget-setting process. Although welcomed by councils, this

Exhibit 15

Scottish Government funding to councils in real and cash terms

Scottish Government total revenue funding to councils increased in 2018/19 after two years of reduction.



	2014/15	2015/16	2016/17	2017/18	2018/19
SG total revenue funding – cash terms	9,920.6	10,039.4	9,707.9	9,650.7	9,814.4
SG funding revenue funding – real terms	10,525.8	10,580.5	10,005.5	9,793.3	9,814.4

Source: Audit Scotland; and Scottish Government financial circulars 2014/15 to 2018/19

announcement was late in the budget planning process (refer to paragraph 9, for comments on late funding allocations). Of the additional £160 million, £35 million was reallocated from projected 2017/18 underspends within the Scottish Government and was paid to councils on 28 March 2018. For accounting purposes, following consultation with auditors, this was treated as 2017/18 income by councils. By paying 2018/19 funding allocations to local authorities in the previous financial year, this reduced transparency in the effective funding for each year to councils and increased the reserves carried by councils at 31 March 2018.

The Scottish Government published a five-year financial strategy in May 2018

74. Funding settlements to councils continue to be provided on an annual basis. This makes it challenging for councils to plan and budget effectively for the medium term, given such a significant proportion of their income comes from Scottish Government funding. On 30 June 2017, the Budget Process Review Group[4] published its final report and this included a recommendation that the Scottish Government should develop a medium-term financial strategy. The Scottish Government's five-year financial strategy was published in May 2018.

Multi-year budgets are not yet being developed by the Scottish Government.

75. The five-year financial strategy identifies that 'in recent years the Scottish Government has delivered a series of annual budgets, an approach which will continue for the 2019-20 budget process', but also identifies 'an expectation that the next UK Spending Review (in 2019) will … provide the Scottish Government with the opportunity to develop a multi-year approach to the development of its budgets'.

76. The five-year financial strategy notes that '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'. Three key determinants are identified:

- changes in UK Government spending
- UK Government fiscal policy
- Scottish tax revenue relative to the rest of the UK.

77. The analysis suggests that, by 2022/23, the Scottish Budget could be around £37.6 billion, but 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). The range of this variability amounts to around ±six per cent of the overall budget.

78. The key resource budget commitments of the Scottish Government's social contract are Health, Police, Early Learning and Childcare, Attainment, Higher Education and Social Security. The financial strategy identifies greater future uncertainty and likely further reductions of nine per cent in real terms over the next five years in 'other non-protected' funding.

79. Two of these areas directly increase future local government funding settlements: early learning and childcare and attainment. Early learning and childcare commitments by the Scottish Government include further (recurring) uplifts in funding to councils of £210 million in 2019/20, £201 million in 2020/21 and £59 million in 2021/22. The Scottish Government has assumed a commitment to allocate additional specific revenue grants of £180 million in each of the three years 2018/19 to 2020/21 through the Pupil Equity Fund. However, other expenditure areas (non-protected areas), which are managed by councils, are not identified as a 'key resource budget commitment'.

80. The SPICe briefing paper in June 2018, identified that 'The Scottish Government's Budget priority choices inevitably mean that other non-protected areas of spend must take up more of the slack from any future spending reductions. Under the range of scenarios provided by the Scottish Government, "other expenditure" will fall by between one and 16 per cent in real terms over the period to 2022/23, with the bulk of reductions occurring in 2019/20 and 2020/21… under the central scenario, other expenditure will fall in real terms by £1 billion (nine per cent). The largest element by far of "other expenditure" is the non-early learning and childcare part of Local Government.'

Financial pressures and planning

Councils continue to recognise significant financial challenges in the medium term

81. Most councils have identified financial challenges over the next few years including:

- decreasing revenue support grant and capital grant
- EU withdrawal and the risk of inflationary effects
- pay award pressures
- demand pressures, particularly the expected population growth in some council areas and the reduction in the relative proportion of working age to non-working age
- legislative changes which are not funded
- the economic performance of Scotland compared to the rest of the UK.

What is your council's financial position?

What particular challenges does the council face?

What new financial pressures are there for 2018/19 and 2019/20 and how much will these cost?

Many councils are in the early stages of delivering transformational change

82. Over half of councils began a new or refreshed transformation or change programme in the past year and one-third within the past three years. A few councils have yet to establish a programme. Because much of the transformation work is relatively recent it is too early to assess the effectiveness of the approaches taken.

83. The majority of work within transformational or change programmes is focused on service review and improvement work. Cross-organisational themes tend to focus on delivering, for example, staff and management restructures, office and property rationalisations, improvements in HR, payroll and finance systems. Some activity will have been more visible to the public such as digital approaches to customer services, increases in fees and charges, and redesign of waste management services. With funding expected to reduce further in the medium term, councils will need to consider more significant redesigns of how they operate and deliver services.

84. Transformation or change is challenging, and councils have highlighted a few common issues that have contributed to this including the effort and focus over recent years on establishing and progressing the health and social care arrangements with the NHS. Another factor is the long lead time and delays associated with ICT projects. With service and management redesign, the capacity of staff and management has been impacted. Over a third of councils have established training programmes to support transformation and change and over a third of councils have, or have recently agreed, to establish dedicated teams to support their programme.

85. The Accounts Commission recognises that with the financial pressures, councillors need to make difficult decisions. This requires effective political leadership and communications. It is essential that all councillors, not just the administration, work effectively with officers and other stakeholders to identify and deliver necessary savings. It is important that councils engage effectively with their communities about plans for savings and service redesign. We published a report *Roles and working relationships in councils – are you still getting it right?*, to support councillors in their role.

Does your council have a transformation plan?

Does it set out the aims and objectives and how and when these will be achieved?

Are projects within the transformation programme achieving their aims in terms of service quality, performance and cost?

How effectively are you engaged and informed about the council's transformation programme and kept informed about progress?

Are detailed options appraisals or business cases set out for changes to services planned within transformation activity?

Medium-term financial planning has been adopted by almost all councils, but less than half have significant long-term plans over five years

86. In previous reports we have emphasised the importance of medium and long-term planning to effective financial management. Councils have made good progress: 30 councils now have a medium-term financial plan. Councils' long-term financial planning is not as well developed. Sixteen councils do not yet demonstrate any long-term financial planning, some councils have elements of long-term financial plans evident such as long-term forecasting. Five councils have long-term financial plans that cover ten years or more. Only five of the plans that exceed five years appear to have considered the financial impact of population/demographic/demand changes over the longer term.

87. In the *Best Value Assurance Report on Fife Council* this year, we identified that the ten-year long-term financial model, based on demand forecasts, is an example of good practice among Scottish councils.

88. Around a third of councils use scenario planning within their medium or long-term financial planning. It is important that councils continue to consider potential funding scenarios and the implications for and options for services in the medium and longer term. Transformational change plans are likely to cover a number of years and should be consistent with financial planning. Financial plans should also consider the impact of demand changes over the longer term.

Does the transformation programme of work aim to make positive change to improve outcomes for communities?

Is it about seeking opportunities to do things differently to maintain or improve performance or is the focus only on make savings?

Councils' budgets 2018/19

Councils expect to manage smaller funding gaps in 2018/19 of £0.3 billion (two per cent)

89. Council's 2018/19 budgets identified total net expenditure budgets of £12.2 billion. These were not fully met by the remaining income from core Scottish Government and council tax. The shortfall or 'funding gap' was £0.3 billion (two per cent). The extent of funding gaps and savings plans is less in 2018/19 than 2017/18 and councils did not plan to use unearmarked reserves to support revenue budgets as they did in 2017/18.

90. All 32 councils raised council tax rates by three per cent in 2018/19, providing budgeted income of £2.5 billion.

91. In the 2018/19 budgets, all 32 councils increased council tax by the maximum three per cent, making the highest Band D rate, in Glasgow, at £1,286 and the lowest, in Eilean Siar, at £1,086.

Funding gaps are to be managed by planned savings, temporary use of reserves and additional fees and charges.

92. Councils presented balanced budgets with proposals to bridge the expected funding gap through:

- planned budget savings of £75 million (0.6 per cent of revenue funding)
- planned use of around £71 million of unearmarked reserves (0.9 per cent of net expenditure)
- increased fees and charges
- council tax increases.

Does your council have a long-term financial strategy (ten years or more) that reflects the anticipated changes in demographics and demands on services?

Do medium and long-term financial plans include a range of potential funding and financial scenarios?

Funding gaps vary between councils, there are no councils where the budgeted use of reserves would deplete them within three years

93. The number of councils budgeting to use unearmarked reserves in 2018/19 has reduced from 23 (in 2017/18) to 18. Last year we reported that three councils would run out of General Fund reserves within two to three years if they continued to use them at the levels planned in 2017/18. We are pleased to note that there are no councils in this position in 2018/19, with councils generally reducing their planned reliance on unearmarked General Fund reserves.

What is the likely use of unearmarked reserves for 2018/19?

How does the remaining unearmarked reserve compare to forecast funding gaps?

What are the plans for using different reserve funds in 2019/20 and beyond?

Are these plans appropriate and reasonable?

Withdrawal from the EU

94. The UK will leave the European Union (EU) on 29 March 2019. If the UK Government and EU agree the terms of the UK's withdrawal before this date, there will be a transition period to the end of 2020. Preparations for EU withdrawal across councils vary. Approaches commonly include monitoring and inclusion in risk registers as well as briefings and report to councillors. Some councils also reflect the risk in corporate and financial plans. Several councils have established working groups to focus on this issue.

95. If the UK Government and EU fail to agree arrangements for the UK's exit from the EU, there will be no transition period and organisations will need to respond immediately. There is an urgent need for all councils to identify the associated risks. It is critical they have contingency plans in place to allow them to manage these risks and respond rapidly in the event of the UK leaving the EU with no transition period.

96. The Scottish Government and COSLA are working with NHS boards, councils and other public bodies to draw together information on their workforces. This will be used to assess the potential impact of EU withdrawal on the delivery of services.

97. Audit Scotland produced a paper *Withdrawal from the European Union, Key audit issues for the Scottish public sector*, October 2018. We will consider further the implication of EU withdrawal for Scottish local government in our overview report *Local government in Scotland: Challenges and performance*, in March 2019. We have included questions from this key issues paper in *Supplement 1: Scrutiny tool for councillors* accompanying this report.

What planning and measures has your council undertaken in preparation for EU withdrawal?

What are the risks and potential impacts of EU withdrawal for the functions of your council and for the wider communities of your council area, in terms of workforce, regulation and funding?

Endnotes

1 PFI/PPP/NPD/HuB - PFI is an approach financing public infrastructure where the private partner finances, designs, builds, and operates the infrastructure asset. PPPs, on the other hand, may refer to a wider range of public-private collaboration, and include several business structures and partnership arrangements such as joint ventures, concessions, outsourcing, and PFI. PFI and PPP generally involve a long-term contractual agreement between the public and private sectors with financing and risk sharing by the private partner. Scotland's Non-Profit Distributing (NPD) model is a type of PPP agreement. It differs from the PFI model in that that private sector returns are capped and any excess profit goes back to the public sector. NPDs also promote enhanced governance and transparency through the appointment of a public interest director to the project company.

2 An increase in the underlying need to borrow could be funded by a council over the short/medium term from working capital including reduced cash and investments. It may not result in external borrowing in year. In fact, many councils chose not to borrow as they did not consider current borrowing rates to be favourable.

3 Contingent Liability – a possible obligation that arises from past events and will be confirmed only by the occurrence or nonoccurrence of one-or more uncertain future events not wholly within the control of the council.

4 The remit of the group was 'to carry out a fundamental review of the Scottish Parliament's budget process following the devolution of further powers in the Scotland Act 2012 and Scotland Act 2016'.

Local government in Scotland

Financial overview 2017/18

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500
or **info@audit-scotland.gov.uk**

For the latest news, reports and updates, follow us on:

AUDIT SCOTLAND

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk

ISBN 978 1 911494 79 9

Inverclyde council

AGENDA ITEM NO: 11

Report To:	**Policy & Resources Committee**	**Date:**	**5 February, 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/18/19/AP**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**2019/20 Budget Update**		

1.0 PURPOSE

1.1 The purpose of this report is to update the Committee on the latest position of the 2019/20 budget and to obtain a number of approvals which will assist the Council in setting a legally balanced budget for 2019/20.

2.0 SUMMARY

2.1 On 12 December the Scottish Government released details of the Draft Local Government Budget Settlement to Councils. Total revenue funding was reported to have increased by £193million (2%) however this included £400million new funding for new initiatives viz:

- Early Years 1140hrs £234 million
- Health & Social Care £160 million
- Free Sanitary Products £3 million
- Barclay Review £3 million

2.2 Inverclyde Council received a like for like cash cut of £4.24million compared to previous estimates by the Chief Financial Officer of £1.8million. When the latest pay award offer from Cosla and the impact of increases in teachers' superannuation are factored in then the 2019/20 estimated funding gap is now £6.79 million (3.6%) prior to any increase in Council Tax. See Appendix 1.

2.3 The Draft Budget is now proceeding through the various stages within the Scottish Parliament with the first reading due on 31 January, the second on 7 February and approval of the Budget expected on 21 February. At any point during this process the settlement for Local Government could change as has been the case in recent years where extra funding has been allocated to Local Government.

2.4 As agreed the Council Leader has been seeking clarity on the implications were the Council to increase Council Tax beyond 3%. Appendix 2 provides Members with the correspondence to date.

2.5 Following initial feedback on the savings options prepared by the CMT, the Members' Budget Working Group (MBWG) has agreed a list of 31 savings options which currently give full year savings of £4.465 million. To date no engagement has taken place with those employees potentially impacted by the savings proposals and the Committee is asked to agree that the CMT progress engagement with employees after discussions and agreement on the process with the MBWG and the Joint Budget Group (JBG).

2.6 Appendix 3 gives a note of further proposed adjustments to the 2019/20 budget. These total £1,671,000 in 2019/20 and officers will continue to identify further adjustments to close the funding gap.

2.7 A report elsewhere on the agenda recommends increasing the Long Term Empty Council Tax levy to 100% in line with the vast majority of other mainland Councils in Scotland whilst a further report seeks approval for a 3% uplift in all discretionary fees and charges in 2019/20. Taken together, if approved, these matters would reduce the estimated funding gap by £1,846,000 to £4.944 million.

2.8 Due to the potential for the Grant Settlement to Local Government to change as the Budget Bill passes through Parliament then it is proposed by the MBWG that the Council Tax setting and Budget Setting days should be separated.

2.9 Each year the Council requires to approve the Common Good Budget for the forthcoming year. There are no material changes to the budget proposed from that agreed for 2018/19. The Committee is asked to approve the 2019/20 Common Good Budget as set out in Appendix 4.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the Draft Local Government Settlement announced in December, 2018 and the resultant impact of this and the latest pay offer to Council employees on the estimated 2019/20 funding gap.

3.2 It is recommended that the Committee agrees that the CMT and MBWG continue to review savings options as part of the development of proposals to deliver a legally balanced 2019/20 Budget and progress engagement with potentially impacted employees in consultation with Trades Unions via the Joint Budget Group.

3.3 It is recommended that the Committee agrees the proposed adjustments set out in Appendix 3.

3.4 It is recommended that the Committee notes the proposals elsewhere on the Agenda in relation to increasing the Long Term Empty Levy on Council Tax and for a 3% increase in all fees and charges from 2019/20.

3.5 It is recommended that the Committee approves the proposed 2019/20 Common Good Budget in Appendix 4.

3.6 It is recommended that the Committee notes the intention to approve the Council Tax for 2019/20 on 21 February, 2019 and requests that the Provost agrees to a special meeting of the Inverclyde Council on 21 March, 2019 to approve the 2019/20 Revenue Budget.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Committee has previously agreed a Budget Strategy on the basis of setting a one year budget for 2019/20 unless the Scottish Government announced multi-year funding for Local Authorities in December, 2018.

4.2 The Committee also agreed that a general consultation with the public and employees be undertaken prior to Christmas seeking ideas on where the Council could save money.

4.3 The CMT issued a list of potential savings to all Members on a private and confidential basis in November and based on feedback from the various political groupings, a sub-set of these savings is being reviewed in more detail by the MBWG.

5.0 CURRENT POSITION

5.1 On 12 December the Scottish Government released details of the Draft Local Government Budget Settlement to Councils. Total revenue funding was reported to have increased by £193million (2%) however this included £400million new funding for new initiatives viz:

- Early Years 1140hrs £234million
- Health & Social Care £160million
- Free Sanitary Products £3million
- Barclay Review £3million

This plus other adjustments in respect of one off funding meant that Local Government is due to receive a £237 million (2.5%) cash cut compared to 2018/19.

5.2 Inverclyde Council received a like for like cash cut of £4.24million compared to previous estimates by the Chief Financial Officer of £1.8million. This position is after the Council received £404,000 protection from “The Floor” mechanism which caps Councils’ funding reductions.

5.3 When the latest pay award offer from Cosla and the impact of increases in teachers’ superannuation are factored in then the 2019/20 estimated funding gap is now £6.79 million (3.6%) prior to any increase in Council Tax. This is approximately double the funding gap reported to the November Policy & Resources Committee and represents arguably the single biggest financial challenge yet faced by Inverclyde Council. Appendix 1 provides more detail on both the 2019/20 and the estimated 2020/21 position.

5.4 The Draft Budget is now proceeding through the various stages within the Scottish Parliament with the first reading due on 31 January, the second on 7 February and approval of the Budget expected on 21 February. At any point during this process the settlement for Local Government could change as has been the case in recent years where extra funding has been allocated to Local Government. An update will be given to the Committee if this situation arises again this year.

5.5 The Draft Settlement set out some conditions many of which were the same as previous years:

- Council Tax increases to be capped at 3%
- National Pupil/Teacher Ratio to be maintained
- Budget allocations to IJBs in 2019/20 must be £160m higher than in 2018/19
- All probationer teachers to be offered a place

It is unclear what the penalties would be either locally or nationally were these conditions breached and as previously agreed the Council Leader has been seeking clarity on the implications were the Council to increase Council Tax beyond 3%. Appendix 2 provides Members with the correspondence to date.

5.6 Following initial feedback on the savings options prepared by the CMT, the Members’ Budget Working Group (MBWG) has agreed a list of 31 savings options which currently give full year savings of £4.465 million. Based on the current projected funding gap it can be seen that, even after factoring increases in Council Tax and Charges plus ongoing adjustments outlined later in this report, the vast majority of these savings may have to be taken to balance the 2019/20 budget. To date no engagement has taken place with those employees potentially impacted by the savings proposals and the Committee is asked to agree that the CMT progress engagement with employees after discussions and agreement on the process with the MBWG and the Joint Budget Group (JBG).

5.7 Other areas being reviewed by the MBWG are the 2019/23 Capital Programme, a review of the available Reserves plus potential uses and the Council's proposed contribution to the IJB in 2019/20.

6.0 PROPOSALS

6.1 Elsewhere on the agenda is the Council's revised Charging Policy for those areas where the Council has discretion to set its own charges. The MBWG has reviewed the Policy and support this plus the view that the Council should apply a standard uplift to all charges in 2019/20. In light of the financial position faced by the Council the MBWG would recommend a 3% uplift raising approximately £130,000 in 2019/20.

6.2 Appendix 3 gives a note of further proposed adjustments to the 2019/20 budget. These total £1,671,000 in 2019/20 and officers will continue to identify further adjustments to close the funding gap.

6.3 A further report on the agenda recommends increasing the Long Term Empty Council Tax levy to 100% in line with the vast majority of other mainland Councils in Scotland. It is estimated that net of extra administration costs this will raise £45,000 in 2019/20. This proposal is supported by the MBWG.

6.4 Taken together, if approved, these matters would reduce the estimated funding gap by £1,846,000 to £4.944 million.

7.0 OTHER MATTERS

7.1 Due to the potential for the Grant Settlement to Local Government to change as the Budget Bill passes through Parliament then it is proposed by the MBWG that the Council Tax setting and Budget Setting days should be separated as has been the case on two previous occasions in recent years. It would be proposed that Council Tax is set at the standing Council meeting on 21 February whilst the Budget date is set for a special Council meeting on 21 March, 2019.

7.2 Each year the Council requires to approve the Common Good Budget for the forthcoming year. There are no material changes to the budget proposed from that agreed for 2018/19. The Committee is asked to approve the 2019/20 Common Good Budget as set out in Appendix 4.

8.0 IMPLICATIONS

8.1 **Finance**

The Council is facing a significant challenge to balance the 2019/20 Revenue Budget on the basis of the Draft Local Government Settlement. The proposals in this report and elsewhere on the agenda will reduce the estimated funding gap to £4.944 million prior to any increase in Council Tax.

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
Various	Various	2019/20	(1671)		Adjustments per Appendix 3 £1.708k full year effect
Various	Fees & Charges	2019/20	(130)		£138k income over a full year
Council Tax	LTE Income	2019/20	(45)		Net of £15k administration costs.

8.2 **Legal**

The legal basis for the separation of Council Tax and Budget setting dates has been previously set out to the Council by the Head of Legal & Property Services and the assessment remains unchanged for 2019/20. The Council report will provide the necessary assurances/detail.

8.3 **Human Resources**

All HR implications arising from the budget are being progressed in consultation with the MBWG and JBG. A communications strategy with potentially affected employees will commence following the meeting of this Committee.

8.4 **Equalities**

Has an Equality Impact Assessment been carried out?

☐	Yes	See attached appendix
X	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.

8.5 **Repopulation**

There are no specific repopulation issues arising from this report.

9.0 CONSULTATIONS

9.1 The report has been agreed by the MBWG and discussed with the Trades Unions via the JBG.

10.0 LIST OF BACKGROUND PAPERS

10.1 LG Finance Circular 8/2018

Appendix 1

REVENUE BUDGET 2019/20

Committee: All

Corporate Director: All

Service: All

Division: All

OBJECTIVE SUMMARY	2018/19 Base Budget		2019/20 Adjustment	2019/20 Inflation	2019/20 Base Est.	2020/21 Adjustment	2020/21 Inflation	Budget 2020/21
Chief Executive Services	339,410		(31,840)	-	307,570	-	-	307,570
Environment, Regeneration & Resources Directorate	33,129,620		(1,896,870)	130,800	31,363,550	(103,000)	-	31,260,550
Education, Communities & Organisational Development Directorate	88,892,160		(455,810)	90,940	88,527,290	(116,220)	-	88,411,070
Health & Social Care Partnership Directorate	47,794,260		1,101,460	341,650	49,237,370	-	-	49,237,370
Directorate Sub-Total	170,155,450		(1,283,060)	563,390	169,435,780	(219,220)	-	169,216,560
Miscellaneous	7,968,160		5,710,840	(563,390)	13,115,610	4,900,000	-	18,015,610
Loan Charges	12,400,390		(295,000)		12,105,390	(230,000)		11,875,390
Contribution to / (from) Statutory Funds	(240,000)				(240,000)			(240,000)
Identified Savings	95,000		(223,000)		(128,000)			(128,000)
Total Expenditure	190,379,000		3,909,780	-	194,288,780	4,450,780	-	198,739,560
Financed By:								
General Revenue Grant/ Non Domestic Rates	(160,030,000)		2,357,000		(157,673,000)	1,000,000		(156,673,000)
General Revenue Grant Redetermination	(523,000)		523,000		-			-
Council Tax	(29,826,000)				(29,826,000)			(29,826,000)
Net Expenditure	-	a)	6,789,780	-	6,789,780	5,450,780	-	12,240,560

Notes:

Previously Approved Savings - 2019/20 Impacts (Loans Charges)		(30,000)
Grant Cut - Settlement 12/12/18		2,880,000
Pay Inflation Allowance - Approved Council March 2018		2,700,000
Further Pay Inflation Allowance - 2018/19 Shortfall (Net of Scottish Government Contribution)		264,000
2019/20 Additional Allowance (3% for all Groups)		1,383,000
Teachers Employers Superannuation Increase		550,000
Non Pay Inflation Allowance - Per Finance Strategy		1,000,000
General Pressures Allowance - Per Finance Strategy		400,000
Savings Approved P&R September 2017		(300,000)
Savings Approved P&R November 2017		(197,000)
Adjustments Approved Council December 2017		(241,000)
Service Committee Reports		(1,456,000)
Public Consultation Savings		(413,000)
Adjustments Approved P&R September 2018		(331,000)
Adjustments Approved P&R November 2018		(772,000)
Over Recovery of VER/Vacancy savings Approved		(12,440)
Difference in Turnover saving		3,220
New Ringfenced Monies: Sanitary Products in Public Bodies	73,000	
School Clothing Grants	120,000	
Whole Systems Approach	25,000	
Child Burials	4,000	
Carers Act	172,000	
Early Years Funding 2019/20	56,000	
HSCP	1,859,000	2,309,000
Funding Heldback: Discretionary Housing Payments		(905,000)
1+2 Languages		(42,000)
Budget 2019/20		**6,789,780**
Previously Approved Savings - 2019/20 Impacts (Loans Charges)		(30,000)
Anticipated Grant Cut - Per Finance Strategy		1,000,000
Pay Inflation Allowance - Per Finance Strategy		2,400,000
Non Pay Inflation Allowance - Per Finance Strategy		1,500,000
General Pressures Allowance - Per Finance Strategy		1,000,000
Savings Approved P&R September 2017		(300,000)
Service Committee Reports		(103,000)
Over Recovery of VER/Vacancy savings Approved		(16,220)
Budget 2020/21		**12,240,560**

Budget Gap 2019/20		3,150,780
Revised GRG		80,000
Add GRG for DHP		(905,000)
Add GRG for 1+2 Languages		(42,000)
Pay Inflation Shortfall 2018/19		264,000
Additional Pay Inflation Allowance 2019/20		1,383,000
Teachers Employers Superannuation Increas		550,000
New Monies:	ELC	56,000
	Sanitary Products	73,000
	School Clothing Grant	120,000
	Whole system approach	25,000
	Free Child Burials	4,000
	Carers Act	172,000
	Health & Social Care	1,859,000
Revised Budget Gap 2019/20		6,789,780

APPENDIX 2

Cabinet Secretary for Finance, Economy and Fair Work
Derek Mackay MSP

T: 0300 244 4000
E: scottish.ministers@gov.scot

Scottish Government
Riaghaltas na h-Alba
gov.scot

RECEIVED
24 JAN 2019
10.

Councillor Stephen McCabe
Council Leader
Inverclyde Council,
Municipal Buildings
24 Clyde Square
GREENOCK
PA15 1LX

Your ref: SMcC/sc
Our ref: 2019/0001581
23 January 2019

Dear Stephen,

Thank you for your letter of 10 January regarding your Council's potential council tax increase in 2019-20.

For 2017-18 and 2018-19, we secured the agreement of all Councils in Scotland for locally determined Council Tax increases to be capped at 3 per cent. This reflects the commitment in the 2016 manifesto for the Scottish Parliamentary elections. The Scottish Government does not underestimate the impact changes to taxation can have and will always take decisions in a careful, considered and responsible way, with the interests of households, businesses and the wider economy at heart.

The flexibility to increase council tax by up to a maximum of 3 per cent is again one of the key elements of the 2019-20 local government funding package.

I hope you find this information helpful.

[redacted]

DEREK MACKAY

Councillor Stephen McCabe
Ward 1 – Inverclyde East
Municipal Buildings
Greenock
PA15 1LX

Leader of the Council

Mr. Derek MacKay, MSP
Cabinet Secretary for Finance, Economy & Fair Work
Scottish Government
St. Andrew's House
Regent Road
EDINBURGH
EH1 3DG

Direct Line:	01475 712727
Email:	stephen.mccabe@inverclyde.gov.uk
Our Ref:	SMcC/sc
Your Ref:	
Date:	10 January 2019

Dear Derek

Council Tax - 2019/20

Thank you for your letter dated 10 December 2018 in response to my enquiry regarding any action which would be taken against Inverclyde Council were it to increase Council Tax by more 3% in 2019/20. I note that the letter was written in advance of the Draft Local Government Settlement, which has now been issued, and would be grateful, therefore, if you could provide further clarification.

Our analysis of the proposed settlement for Inverclyde Council indicates a year on year like for like cash cut of approximately 2.6% or £4.2 million. When you add pay inflation pressures then the Council is currently facing a funding gap of £6.8 million. In this context a 3% Council Tax increase will raise under £900,000, and the choice faced by the Council is either to meet the remaining funding gap from budget cuts or to consider a Council Tax increase in excess of 3% to help mitigate the impact on our local communities.

As the Council is unaware of any legislative basis which prevents a Council Tax increase in excess 3% in 2019/20, I would be grateful if you could clarify what action, if any, the Scottish Government would take were Inverclyde Council to agree a Council Tax increase in excess 3%.

Once again I would emphasise that, in asking this question, this does not indicate that the Council will increase Council Tax beyond 3% but the Council requires to make any decisions in respect of Council Tax in full possession of the facts.

Please do not hesitate to contact me if you wish to discuss this matter.

Yours sincerely

[redacted]

Stephen McCabe
Leader of Inverclyde Council

c.c. Aubrey Fawcett, Chief Executive
Alan Puckrin, Chief Financial Officer

Cabinet Secretary for Finance, Economy and Fair Work
Derek Mackay MSP

Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Councillor Stephen McCabe
Leader of Inverclyde Council,
Municipal Build
24 Clyde Square
GREENOCK
Renfrewshire
PA15 1LX

Your ref: SMcC/sc
Our ref: 2018/0041091
10 December 2018

Dear Stephen,

Thank you for your letter of 14 November regarding your Council's potential council tax increases in 2018-19.

As you know, the Scottish Government has committed to limit council tax increases at 3 per cent per annum for the term of this Parliament to protect household incomes while ensuring additional funding for local services.

I can confirm that the full package of measures and benefits offered to local authorities will be published in the 2019-20 Local Government Finance consultation circular that will be issued on Monday 17 December.

I hope that this information is helpful.

[redacted]

DEREK MACKAY

Councillor Stephen McCabe
Ward 1 – Inverclyde East
Municipal Buildings
Greenock
PA15 1LX

Leader of the Council

Mr. Derek MacKay, MSP
Cabinet Secretary for Finance, Economy & Fair Work
Scottish Government
St. Andrew's House
Regent Road
EDINBURGH
EH1 3DG

Direct Line:	01475 712727
Email:	stephen.mccabe@inverclyde.gov.uk
Our Ref:	SMcC/sc
Your Ref:	
Date:	14 November 2018

Dear Cabinet Secretary

Council Tax Increase 2019/20

At the Inverclyde Policy & Strategy Committee held on 13 November 2018 it was agreed that a letter be sent to you seeking clarification on any impacts on the Council were it to decide to increase Council Tax in 2019/20 beyond 3%.

Whilst the Council is aware of the Scottish Government's manifesto commitment to limit annual Council Tax increases to no more than 3% for this parliamentary term, the Council is also aware that there is no statutory barrier to the Council agreeing to increase Council Tax beyond this level. Therefore, as the Council continues to develop options for balancing its 2019/20 Revenue Budget it requires to clearly understand any implications were Council Tax to increase beyond 3%.

In writing this letter I would clarify that asking the question does not indicate at this point that it is the intention of the Council to increase Council Tax beyond 3%, but rather it seeks to have full information in order that it can make the best decisions for its citizens.

Should you wish to discuss this matter further please do not hesitate to contact me.

Yours sincerely

[redacted]

Stephen McCabe
Leader of Inverclyde Council

c.c. Aubrey Fawcett, Chief Executive
Alan Puckrin, Chief Financial Officer

Inverclyde council

Appendix 3

2019/20 Budget
Adjustments as at 17.1.19

ERR	Savings 2019/20	Full Year Savings 2020/21	Comments	FTE
1/ SPT Requisition Review	150	150	Saving following updating of population statistics	-
2/ Street Lighting Maintenance	30	30	There has been a noticeable drop in maintenance due to the Street Lighting capital investment. Officers believe this trend will continue for the forseeable future.	
3/				
ECOD	**Savings 2019/20**	**Full Year Savings 2020/21**	**Comments**	
1/ Teachers Staffing Exercise	100	137	Represents a 3.5 FTE Reduction	3.5
2/				
HSCP	**Savings 2019/20**	**Full Year Savings 2020/21**	**Comments**	
1/ Pay inflation for 2019/20 to be contained in increased Scottish Government Funding.	805	805	Government have stipulated a minimum increase in the 2019/20 contribution to the IJB, therefore it is proposed that the 3% pay award for 2019/20 be contained within this increase rather than from the Pay Inflation allowance.	
2/ Physical Disability Home Care	19	19	Meet from new FPC Under 65 monies.	
3/				
Corporate	**Savings 2019/20**	**Full Year Savings 2020/21**	**Comments**	
1/ Non-Pay Inflation Allowance	497	497	Reduce 2019/20 Provision to £1.0 million on the basis of the HSCP containing non-pay inflation in 2019/20.	
2/ Treasury Management Savings	70	70	One off repayment of old premia.	
Total	1671	1708		3.5

AP/CM
17/1/19

Appendix 4

COMMON GOOD FUND

REVENUE BUDGET 2019/20

	Projected 2018/19	Budget 2018/19		Adjustment 2019/20	Budget 2019/20
PROPERTY COSTS	**22,000**	**22,000**	**A**	**3,000**	**25,000**
Repairs & Maintenance	9,000	9,000			9,000
Rates	13,000	12,000		3,000	15,000
Property Insurance	0	1,000			1,000
ADMINISTRATION COSTS	**17,700**	**7,700**		**0**	**7,700**
Sundries	11,500	1,500			1,500
Commercial Rent Management Charge	2,200	2,200			2,200
Recharge for Accountancy	4,000	4,000			4,000
OTHER EXPENDITURE	**66,500**	**79,100**	**B**	**(5,000)**	**74,100**
Christmas Lights Switch On	10,500	10,500			10,500
Gourock Highland Games	29,400	29,400			29,400
Armistice Service	8,300	8,300			8,300
Comet Festival	13,300	13,300			13,300
Fireworks	0	12,600			12,600
Rent Relief (Society of the Innocents)	5,000	5,000		(5,000)	0
INCOME	**(125,440)**	**(135,440)**	**C**	**(30,290)**	**(165,730)**
Gross Rent	(168,950)	(168,950)		2,700	(166,250)
Void Rents	44,010	34,010		2,010	36,020
Internal Resources Interest	(500)	(500)			(500)
Disposal of Land				(35,000)	(35,000)
NET EXPENDITURE	**(19,240)**	**(26,640)**		**(32,290)**	**(58,930)**

Projected Fund Balance as at 31st March 2019 **£26,640**

Projected Fund Balance as at 31st March 2020 **£85,570**

Notes:

A Property Costs

Adjust Rates budget based on current level of voids	3,000
	3,000

It is proposed any underspends in the annual Repairs & Maintenance budget would be added to the Repairs & Renewals fund.

B Other Expenditure

Cessation of Rent Relief (Society of the Innocents), property being vacated	(5,000)
	(5,000)

C Income

Adjust rental on review of occupancy	(290)
Removal of rental income, Port Glasgow Road	5,000
Disposal of Land, Port Glasgow Road	(35,000)
	(30,290)

D Occupancy assumptions;

Projected Income (& Rates) assumes full occupancy with the exception of:

10 Bay St (assumed 85% occupancy on short term charity leases)
12 Bay Street (vacant)
10 John Wood St (vacant, assumes let during year)
15 John Wood St (vacant, assumes no let during year)
17 John Wood St (vacant, assumes let during year)
74 Port Glasgow Road (removed from portfolio, disposal pending)

E Recommended Fund Level

The recommended minimum overall fund level is £100,000.

Total Adjustments **(32,290)**

Inverclyde council

AGENDA ITEM NO: 12

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/08/19/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Capital Strategy 2019/30**		

1.0 PURPOSE

1.1 The purpose of this report is to present to the Committee the Council's first Capital Strategy which from 2019/20 is a requirement of the Prudential Code.

2.0 SUMMARY

2.1 The Council currently receives various reports in respect of the Treasury and Investment Strategy throughout the year and each cycle receives updates in respect of the Capital Programme. Additionally every 6 months the Council considers the Financial Strategy which incorporates updates in respect of Capital, Treasury and Loans Charges.

2.2 It is now a requirement of the Prudential Code that from 2019 Councils must receive a long term Capital Strategy for consideration. There is no specific format or template for this document and as such it is highly likely that the format of the Capital Strategy presented to the Committee will evolve in future years as best practice amongst Councils is identified and shared.

2.3 The areas of capital finance, funding and balance sheets can be a complex area and the Strategy seeks to explain these in lay persons terms. The key purpose of the Capital Strategy is to explain how different facets of the Council's Treasury Strategy and Capital Programme interact and to allow Members to consider the affordability and sustainability of Capital investment decisions in the longer term.

2.4 Many of the decisions taken by the current Council will impact long after most current Members and Officers have left the Council but it is important that the Council takes a long term view when considering the sustainability of investment decisions. For the purposes of this initial Strategy, the longer term is viewed as being a period of 10-20 years.

2.5 Overall the Council is in a good position in respect of the development and delivery of Asset Management Plans and has sound governance processes in place. It has been highlighted in Audit reports at a local and national level that the Council has a higher than average expenditure on loans charges and a higher than average level of capital debt however this is a function of the significant investment in the improved school estate, leisure estate, ongoing investment in roads infrastructure plus investment in other assets within the HSCP and open spaces.

2.6 The Capital Strategy demonstrates that loan debt is expected to peak in the next 2 years and thereafter will reduce for the foreseeable future. The challenge that Members have to consider is whether to set aside any of the loans charge savings in the medium term for reinvestment in assets or to use this reduction in cost to close budget gaps.

2.7 The Strategy confirms that the Council will need to have a modicum of prudential borrowing in order to maintain its asset investment in the medium to longer term and that by the mid 2020's the Council will need to start developing funding plans for major reinvestment or replacement of many of the assets built or comprehensively refurbished since local government reorganisation in 1996. This is something that will be developed over coming years.

2.8 Overall the Capital Strategy demonstrates that current plans and requirements can be contained within the overall Financial Strategy and that the Council has a long term plan to maintain investment in assets within the Council’s projected medium/long term funding envelope.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee considers the contents of the Capital Strategy and approves the Council’s first Capital Strategy covering the period 2019/30.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 It is now a requirement of the Prudential Code that from 2019 Councils must receive a long term Capital Strategy for consideration. There is no specific format or template for this document and as such it is highly likely that the format of the Capital Strategy presented to the Committee will evolve in future years as best practice amongst Councils is identified and shared.

4.2 The Council currently receives various reports in respect of the Treasury and Investment Strategy throughout the year and each cycle receives updates in respect of the Capital Programme. Additionally every 6 months the Council considers the Financial Strategy which incorporates updates in respect of Capital, Treasury and Loans Charges.

4.3 The Council maintains detailed Loans Charge records which record capital spend against specific asset types and also holds detailed records of all external borrowing. From this officers are able to carry out long term projections of internal and external debt.

4.4 The Council has a contract with external treasury advisers who provide technical support and advice to the Chief Financial Officer and the Treasury team. This provides a necessary check and balance to ensure that officers are acting in the best long term interests of the Council when providing advice to Members.

5.0 CONTENTS OF THE STRATEGY

5.1 The Capital Strategy highlights the links between the Council's policy priorities, investment plans and Financial Strategy. Much of this is captured within the Corporate Directorate Improvement Plans which are reported to Committee every second reporting cycle.

5.2 The link between Corporate Priorities and longer term investment plans is made via the preparation and delivery of Asset Management Plans. Therefore the summarised update of the current position of the various AMPs is a key aspect of the Capital Strategy and forms section 3 of the Strategy.

5.3 The relationship between the Council's Annual Accounts, External Borrowing and Loans Charges can be confusing and the Strategy explains the make up and inter-relationships between them. Critically the Strategy provides long term projections and raises matters for Members to consider. The Strategy highlights the need for current Members to take the longer term view when making investment decisions which will impact on the Council's finances for several decades into the future.

5.4 The management of risk and provision of appropriate governance arrangements are vital when dealing with large sums of money and making decisions which will impact on future generations and as such the Strategy sets out the current governance arrangements including the Council's approach to managing risk. These matters are kept under regular review and this is even more pertinent in these uncertain times.

6.0 PROPOSALS

6.1 The Strategy confirms the need for the Council to have a small level of continued prudential borrowing in the medium term based on current AMPs and estimated Government Grants/Receipts. This is sustainable as the level of Loans Charges will begin to drop from 2021/22 onwards as historic debt drops out.

6.2 The above proposal does not allow for the replacement of existing assets which in the longer term will need either significant investment or full replacement eg schools, leisure facilities or major new physical infrastructure projects. To fund this the next Council will require to consider setting aside a significant part of on going loans charge savings to create a "sinking fund" for future investment needs. This matter will be captured in the Financial Strategy and will be kept under review.

7.0 IMPLICATIONS

7.1 **Finance**

The Strategy demonstrates that both the Council's loans charges and debt are due to reduce considerably over the period to 2029/30. One decision the Council will need to take is how much of this saving to set aside for future investment in new/replacement assets to address those assets which by 2030 will be due for renewal.

<u>Financial Implications:</u>

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
Loans Charges		2023/24	100		Proposed Prudential Borrowing cost increasing annually to maintain current approved asset investment levels.

7.2 **Legal**

There are no legal implications arising from this report

7.3 **Human Resources**

There are no HR implications arising from this report

7.4 **Equalities**

Has an Equality Impact Assessment been carried out?

X	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**

Capital investment can have a positive impact on the local community from an asset and employment perspective. Maintaining core infrastructure and Council facilities makes Inverclyde more attractive to current and future potential residents.

8.0 CONSULTATIONS

8.1 The Strategy has been prepared in consultation with relevant officers and the Strategy is supported by the Corporate Management Team.

9.0 LIST OF BACKGROUND PAPERS

9.1 Treasury Management & Investment Strategy 2019/24
Financial Strategy 2018/26

Inverclyde council

Capital Strategy

2019 – 2030

Index

1.0 EXECUTIVE SUMMARY

1.1 The Capital Strategy 2019/30 represents Inverclyde Councils first Capital Strategy which is now a requirement of the CIPFA Prudential Code. The document requires to be considered and thereafter approved by the Inverclyde Council and is viewed as being one of the key strategic financial documents along with the Councils Financial Strategy which help govern the strategic direction for the Councils financial planning.

1.2 The traditional focus of Local Government budgeting tends to be on the Revenue Budget with the annual cycle of Grant settlements from the Scottish Government, the identification of savings and investment plans and the approval of the budget along with Council Tax in February/March. As part of this the Council will generally approve a three year Capital Programme. In recent years the capital budget has been a less contentious issue for Elected Members with the Council approving significant amounts of prudential borrowing in order to deliver an ambitious Capital Programme.

1.3 The Inverclyde Outcomes Improvement Plan (IOIP) has 3 Partnership Priorities namely, Repopulation, Environment & Cultural Heritage and Reduced Inequalities all of which can be linked to the Council's Capital Programme and Asset Plans.

1.4 Within the Council's 2018/22 Corporate Plan there are 10 Organisational Priorities which support the delivery of the IOIP of which the main ones which influence the formulation of the Council's Capital Strategy are:

- To promote Inverclyde, to both residents and visitors alike, as a great place to live, work and visit
- To grow the local economy in a way that creates opportunities for all our residents, including access to good quality jobs
- To improve the health and wellbeing of residents so that people live well, and 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.

1.5 Over the last ten years the Council has undertaken a significant amount of work on Asset Management Planning. The first Asset Management Plan related to the School Estate (the SEMP) which resulted in an ambitious and comprehensive new build and upgrade programme for the full School Estate. Thereafter asset plans were created in respect of the main leisure facilities, the roads assets, office and depot assets, ICT assets and most recently, open spaces. All Asset Management Plans are linked to The Council's Organisational Priorities via the Corporate Directorate Improvement Plans (CDIPs) with delivery reported throughout the year both as part of the CDIPs but also via cyclical Capital Programme updates.

1.6 The purpose of Asset Management Plans are to not only document and quantify all the assets held and their assessed condition but also create a sustainable investment plan which can then be factored into future years Capital Programmes. The creation of the Asset Management Plan will require in many cases decisions from Members regarding a whole estate investment approach which will potentially identify assets which the Council should no longer retain. This can lead to investment in fewer assets but to a higher quality. This has certainly been the case in respect of schools, offices and depots where the Councils property footprint has reduced considerably with the sums saved from buildings no longer existence reinvested in the remaining buildings and resulted in a greatly improved estate

1.7 A significant benefit of having long term Asset Management Plans is that it allows longer term Capital Planning and the Capital Strategy includes Investment Plans for the next 10 years. This allows the Council to identify whether it's longer term Capital Investment Plans are affordable and sustainable and provides time for corrective action to be taken.

1.8 Details of the Councils asset base, borrowing and debt are included within the audited financial accounts considered by Members and attracts far less attention than the Revenue Budget and

Reserve position. At the 31st March 2018 the Council owned property plant and equipment assets valued at £380 million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £483 million. Much of the investment in this Asset Base has been funded by borrowing over preceding decades. The Council's external borrowing as at 30th September 2018 was:-

PWLB Debt	£94.3 million
Market Debt	£102.6 million
	£196.9 million

The bulk of this debt is due to be repaid at the point that the loan matures with some £46.7 million of the PWLB Debt due to be repaid by 31st March 2030.

1.9 Allied to this the Council maintains a Loans Charges record which is an internal record of investment and which is currently written down on annuity basis using the expected life span of the asset created/work carried out. For example a new school will generally be written off over 40 years whereas a roads resurfacing contract will be written off over 25 years. As at the 31st March 2019 the expected value of the Council's internal loan debt is £243 million. The repayment costs in 2018/19 are projected to be £20.6 million and these repayments include both Capital and Interest and are referred to as Loans Charges. It is Loans Charges which are funded by the Councils Revenues Budget.

1.10 The Council is coming to the end of a period of ambitious investment. This has seen a significant increase in the Councils Loan Debt over the last ten years and projections indicate that the Loan Debt will peak at approximately £250 million in 2019/20 but on the basis of limited prudential borrowing in future years the loan debt will reduce to under £180 million by 2029/30. Therefore it can be seen that there is a correlation between the reduction in the Councils internal loan debt and the repayment of the Council external borrowing to the PWLB over the next 10-15 years.

1.11 One issue which the Capital Strategy and Treasury Strategy require to demonstrate is the affordability and sustainability of the Councils Asset Management Plans, to enable Members to see the longer term financial implications of policy and investment decisions.

1.12 Much of the affordability assessment depends on the Councils Treasury Strategy. The period of the Treasury Strategy is currently four years and one product of the creation of a Capital Strategy will be to align the timescales for the Treasury Strategy, Investment Strategy and Capital Programme. Based on the projected trajectory of the Councils loans fund and external borrowing then the overall Treasury Strategy is currently to borrow on a short to medium term basis. This approach is largely influenced by the significant value of market debt held by the Council much of which was borrowed at the time of the transfer of the housing stock in 2007. The latest possible maturity date for the market loans varies from 2066-2077.

1.13 The Chief Financial Officer is supported in monitoring the Councils Capital, Treasury and Investment position by both internal officers and also the Councils Treasury Advisor with whom he meets approximately three times per year. This external support is a vital check and balance in ensuring the Council is receiving the best possible advice and support in managing the Councils considerable asset base, borrowings and future investment plans. This enables the Chief Financial Officer to provide regular reports to the Policy & Resources Committee and the Inverclyde Council on the Councils Treasury Strategy, Treasury Annual Report and Mid-Year Report as well as frequent updates on the Capital Programme.

1.14 This first Capital Strategy pulls all these aspects together and will provide a valuable addition to Elected Members overall understanding of the Council's finances and the wider impacts on policy choices in coming years.

2.0 GOVERNANCE AND REGULATORY FRAMEWORK

Legal and Regulatory Framework

2.1 The legal framework under which treasury management operates mainly involves:
- the Local Government (Scotland) Act 1973
- the Local Government (Scotland) Act 1975
- the Local Government etc. (Scotland) Act 1994
- the Local Government in Scotland Act 2003

and
- regulations and statutory guidance issued under powers in the above Acts.

2.2 In addition, CIPFA issued the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, both of which were last revised in December 2017.

The Prudential Code requires Councils to ensure that capital expenditure and investment plans are affordable, that borrowing and other long-term liabilities are prudent and at sustainable levels, and that treasury management and investment decisions are taken in accordance with professional good practice. The Code requires the production and monitoring of Prudential Indicators.

The Treasury Management Code includes requirements for Councils to consider the objectives of their treasury management activities and the effective risk management of those activities. The Code requires the production of a Treasury Management Practices document which sets out how the Council will seek to achieve its treasury management policies and objectives and how it will manage and control its treasury management activities. The Code also requires that, as a minimum, the following reports be submitted to the Council each year: a treasury management strategy, a mid-year review, and an annual report after the year-end.

2.3 The main regulations and statutory guidance that apply are:

a) Local Government Capital Expenditure Limits (Scotland) Regulations 2004
These require that Councils “have regard” to the Prudential Code when determining “the maximum amount which a local authority can afford to allocate to capital expenditure”.

b) Local Government Investments (Scotland) Regulations 2010
Scottish Government Finance Circular 5/2010 was issued under these Regulations and requires the approval of annual Investment Strategies and Permitted Investments by Members as well as an Annual Report on Investments to Members within 6 months of the financial year-end.

c) The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016
Scottish Government Local Government Finance Circular 7/2016 was issued under these Regulations and replaced provisions for local authority borrowing, lending and loans funds that were in the Local Government (Scotland) Act 1975. The Circular includes requirements in relation to the prudent annual charging against the Revenue Budget for the cost of capital projects (Loan Charges) and permitted methods of calculating those charges (largely replacing the annuity method with equal instalments for new capital expenditure from 2021/22).

d) Scottish Government Local Government Finance Circular 7/2018
This Guidance replaces a Finance Circular issued in 2007 that was issued under powers in the Local Government in Scotland Act 2003. The Guidance permits accounting adjustments for some types of treasury management activities, including where Councils have incurred premiums or received discounts when refinancing PWLB loans taken out by

the Council.

Governance

2.4 For Capital Expenditure, the budgets are set and monitored by the Policy & Resources Committee with oversight of individual projects by the Service Committees.

2.5 For Treasury Management, officers prepare an Annual Treasury Management and Investment Strategy for each year (including Permitted Investments for the year, the Authorised Limit for External Debt, and the Treasury Management Policy Statement), a Mid-Year Report, and an Annual Report. These reports are submitted to the Policy & Resources Committee for review and for remission to the Full Council for formal approval, in line with the regulatory requirements above. Where the Council undertakes debt rescheduling, this is reported to the Policy & Resources Committee and the Full Council in line with agreed policy.

2.6 The cost of Treasury Management activity is included in the Revenue Budget and Budget reports to Committee as Loan Charges. The Loan Charges are comprised of the annual charges for the write-off of the cost of capital projects over an appropriate period along with the interest and expenses costs from borrowing and the treasury management activities.

2.7 The Chief Financial Officer has delegated authority to make the necessary arrangements for authorised borrowing, the temporary investment of funds, and specified changes to the Treasury Management Practices. This authority is also delegated to each of the 3 Finance Managers where the Chief Financial Officer is absent (as approved by the Council on 30 November 2017). Treasury Management requirements are also included in the Council's Financial Regulations.

2.8 The Treasury Management Practices ("TMPs") is an operational document that is updated at least every 3 years and that set-out the main principles under the Treasury Management Code and how the Council will comply with those principles. The TMPs were last updated in March 2018.

Investments

2.9 The Council's treasury management investments levels, which were previously significant, have been reducing as capital expenditure has taken place. The level, which varies day-to-day due to cash flows, is currently normally between £20m to £30m but is expected to fall to between £10m to £20m during 2019/20.

2.10 In addition to treasury management investments, the Investment Regulations applying to Scottish Councils include some items that must also be treated as investments. These include loans to third parties/external bodies and investments in property. It should be noted that the Council does not normally undertake investments in property and would not invest in property just to make a return on its investment.

2.11 The Council's creditworthiness policy uses a service provided by its treasury advisers and is used on a daily basis to assess those that the Council has funds with and would place funds with (the "counterparties") using colour categories. The service uses a sophisticated modelling approach using credit ratings from the three main rating agencies, supplemented with other information including on credit watches and credit outlooks (indicating the likelihood of ratings changes or direction of changes for a counterparty).

2.12 The Council does not place sole reliance on the use of this service from the treasury advisers. The Council also uses (where available) market data and market information, information on government support for banks and the credit ratings of that government support.

2.13 The maximum period and limits for investments with individual counterparties are as set through the Council's Treasury Management Practices (TMPs). The TMPs set out the operational policies and procedures in place to implement the treasury management and investment strategy and the principles set out in the treasury management policy statement. They are intended to minimise the risk to the capital sum of investments and for optimising the return on the funds consistent with those risks.

2.14 It should be noted that the periods set under the TMPs are the maximum periods for investments. Any investment with a counterparty is subject to the Council's policy on Permitted Investments and instruments and requires authorisation by the Chief Financial Officer or one of the 3 Finance Managers (in the absence of the Chief Financial Officer).

2.15 As indicated above, the Council have appointed treasury advisers to assist with treasury management issues, decisions and provide information. Responsibility for treasury management decisions (including investments) remains with the Council at all times and the Council must (and does) continually ensure that undue reliance is not placed upon external service providers.

3.0 ASSET MANAGEMENT PLANS

3.1 A number of years ago the Council identified the need to align capital investment against the policy priorities of the Council. This resulted in the creation of a number of comprehensive Asset Management Plans (AMPs). The first Asset Management Plan related to the School Estate (the SEMP) which resulted in an ambitious and comprehensive new build and upgrade programme for the full School Estate. Thereafter asset plans were created in respect of the main leisure facilities, the roads assets, office and depot assets, ICT assets and most recently, open spaces.

3.2 Over the last ten years the Council has undertaken a significant amount of work on Asset Management Planning and has used a combination of internal expertise and external peer review in their development. Once created the AMPs are embedded within the Councils Corporate Directorate Improvement Plans and Capital Programme formulation process to ensure that there is a strong alignment between the Council's overarching Priorities and capital investment decisions.

3.3 The Asset Management Plans not only document and quantify all the assets held and their assessed condition but also create a sustainable investment plan which can then be factored into future years Capital Programmes. In addition the creation of the Asset Management Plan will lead to Members considering a whole estate investment approach which will potentially identify assets which the Council should no longer retain.

3.4 A significant benefit of having long term Asset Management Plans is that it allows longer term Capital Investment Plans for a minimum of the next five years but the capability to project this forward for a further period of time. This allows the Council to identify whether it's longer term Capital Investment Plans are affordable and sustainable and provides time for corrective action to be taken. The next part of this section provides an overview of the current position of the Asset Management Plans being progressed by the Council.

3.5 **School Estate Management Plan**

The Council has invested in excess of £270m on its school estate over the last 14 years. The rationalisation of the estate was completed by the end of 2013. Over the period of the programme to date there have been a net reduction of 12 primary schools (from 32 to 20) and a net reduction of 2 secondary schools (from 8 to 6) with 2 of the remaining 6 secondary schools co-located within a shared community campus.

Significant progress has been made since 2004, particularly in addressing the number of Condition category C (Poor) and D (Bad) rated schools from 7 Secondary Schools and 21 Primary Schools at the start of the programme to all schools across all sectors rated A (Good) or B (Satisfactory) by 2016. In terms of Suitability there has also been significant progress made in ratings through the programme of comprehensive refurbishment and new build.

The School Estate funding model is reviewed and reported annually to the Education & Communities Committee. The current plan will see all major projects completed by 2020 which reflects the approval of the acceleration of the School Estate Management Plan agreed as part of the budget setting process in March 2016.

The plan has progressed to an advanced stage with 3 major primary school projects completed in summer 2018 (combined value £19m) and the final 2 primary school projects at an advanced stage of procurement and projected to complete by 2020. The Council decant facilities retained to facilitate the programme are also being addressed with demolition of the leased former St Stephen's HS substantially completed and the demolition of the former Sacred Heart PS planned upon completion of the final use by St Mary's PS in 2019/20.

Additional expenditure was also approved in March 2016 to address works required across the Early Years estate. A number of projects were also taken forward and completed in 2014/15 to facilitate the Scottish Government commitment to the provision of 600 hours of Early Learning and Childcare. The Scottish Government plan to increase the entitlement of early learning and childcare from 600 hours to 1140 hours by 2020 requires substantial levels of investment in workforce and infrastructure phased from 2017/18 onwards to ensure that required expanded capacity is in place by 2020. Inverclyde Council submitted its initial expansion plan to the Scottish Government in September 2017 on how it intended to deliver this expansion and this was reported to the October 2017 Education & Communities Committee. A full re-working of the plan was undertaken with submission of a revised financial template in March 2018 and the revised plan was reported to the special Education & Communities Committee in June 2018. The Scottish Government confirmed a total Capital grant of £5.98m to Inverclyde Council as part of the overall 1140 hours funding for the infrastructure and capital funded elements of the expansion plan to be delivered between 2017/21.

The Council funded elements of the Early Years estate plan have progressed to an advanced stage with 1 project completed in October 2017 and 2 further projects completed in summer 2018 (combined value of £5.8m). The final Council funded Early Years project is at design stage and is projected to be completed in line with the remaining SEMP projects and completion for 2020.

The School Estate funding model also includes a lifecycle fund designed to address maintaining the condition and suitability of the revitalised estate. The fund allocations are profiled such that the initial allocation of circa £400K in 2014/15 increases to just below £2m in 20/21 with further projected increases over time (subject to capital funding constraints and budget setting process). This funding will be vital in the years following the completion of the major capital projects and end of the SEMP programme to address the necessary elemental renewal required to maintain a good standard of asset condition and suitability across the estate.

3.6 **Office AMP**

The Council's Office rationalisation proposals were originally presented and approved in September 2010. Linked with this was the prior approval in March 2010 for the development of a Customer Service Centre within Greenock Municipal Buildings designed to transform the way the Council communicates with its customers. The programme is part of a wider programme to modernise the Council's operations and working practices which includes initiatives such as mobile and flexible working, electronic document management (EDRMS) and greater use of technology. The Offices Asset Management Plan (AMP) was taken forward on the premise that fewer desks than Employees would be provided. At September 2010 the Council had 1,014 occupied desks. It was proposed that by the end of the process of rationalisation 725 desks would be required with a notional 730 desks approved. The final projects within the Offices AMP were completed in Autumn/Winter 2017. To date the Office Rationalisation programme has resulted in a reduction of circa 40% of occupied floor space with an increased potential desk space ratio through more efficient use of space across the same number of retained properties. The future maintenance and lifecycle requirements of this element of the Council's estate strategy will now be contained / addressed within the Operational Properties portfolio and the allowances for statutory and planned maintenance / lifecycle works funded from the annual £2m General Property Service capital allocation monitored through the Environment & Regeneration Committee.

3.7 **Depot AMP**

The Council's Depot rationalisation will centralise Grounds, Waste and Transport at Pottery Street with a Gourock Civic Amenity site and the Building Service Unit (BSU) currently remaining at Devol Depot whilst an options appraisal is undertaken. The plan has been progressed to an advanced stage with the completion of the salt barn, civic amenity site and the new £5m vehicle maintenance facility / offices within Pottery Street. Work is also nearing completion on the fuel and vehicle wash facilities at Pottery Street with the refurbishment of the corner depot building and offices commenced on site in late 2018. The original Depot Asset Management Plan budget was £13m however the development of the masterplan led to refinement of the strategy and proposals with reviews of phasing and scope (last major review carried out in 1st quarter 2015 realising a further £1m saving). The current outturn cost for the Depot AMP is projected at £10.2m. The Depot AMP is due to conclude in 2020 with the final phase of the Pottery Street development and the refurbishment of the Kirn Drive Civic Amenity Site.

3.8 Leisure AMP

The Council undertook a review of its key Leisure Sites prior to 2009 and brought reports forward covering a review of strategic sites and a pitches strategy, with a view to modernisation and reconfiguration of leisure provision within Inverclyde. A planned investment profile was presented to Committee in September 2009 with an initial implementation timescale of August 2012. Consultation was also undertaken with Sportscotland who allocated £1m in facilities grants, part funding specific projects at Parklea and Ravenscraig. The Leisure Strategy has now been fully implemented.

The Leisure Strategy has now been fully implemented with a number of further projects completed (Ravenscraig Activity Centre / Inverclyde Indoor Bowling) and planned (Lady Octavia Sports Centre / Boglestone Community Centre) through joint Council / Inverclyde Leisure funded projects. Plans for an indoor tennis facility at Rankin Park are also being explored through Inverclyde Leisure with a Council capital funding contribution of £500K committed.

The major maintenance and lifecycle replacement requirements of the buildings for the Leisure Estate remains with the Council and this element of the Council's estate strategy is addressed within the Operational Properties portfolio and the allowances for statutory and planned maintenance / lifecycle works funded from the annual £2m General Property Service capital allocation monitored through the Environment & Regeneration Committee. Minor day to day maintenance and 'consumables' are the responsibility of Inverclyde Leisure in accordance with the Service Level Agreement which regulates access, standards of maintenance and division of responsibilities. The allocations through this fund will be vital in the coming years to address significant elemental renewal of ageing assets.

In 2018 the Council agreed to allocate £120,000 annually to supplement the funding in the Leisure Repairs and Renewals Fund to meet the life cycle costs associated with the large 3G Pitch estate. The on-going requirements for major maintenance and lifecycle replacement of sports pitches across the Leisure Estate are addressed through the Leisure Pitches Strategy Asset Management Plan and capital allocations monitored through the Education & Communities Committee.

3.9 Roads AMP

The Council approved a comprehensive Roads Asset Management Plan (RAMP) and funding model in August 2012. The original budget allocation was £17m based on a three year budget set in February 2013. This was increased to £29m to be invested over the five year period 1 April 2013 to 31 March 2018. A further investment in line with an updated RAMP was agreed in 2018 for the period to 31 March 2021 and proposals are included in the 2019/23 Capital Budget to extend the increased investment to March, 2023.

The RAMP has been ongoing since 2013, some 48% of carriageways have been treated; this gives rise to a continued reduction in the Road Condition Indictor (RCI) for carriageways, as follows:

	SRMCS Survey Results			
Year	**Red**	**Amber**	**Green**	**RCI**
2011/13	13.55	35.42	51.0	**49.0**
2012/14	12.69	36.55	50.8	**49.2**
2013/15	10.80	35.47	53.7	**46.3**
2014/16	10.11	33.18	56.7	**43.1**
2015/17	8.57	31.96	59.5	**40.5**
2016/18	7.09	30.80	62.1	**37.9**
2017/19	7.44	30.02	62.5	**37.5**

Inverclyde Council was named the UK's most-improved performer for roads, highways and winter maintenance as part of the 2015 Association for Public Service Excellence (APSE) Performance

Networks Awards.

3.10 Vehicle AMP

The purpose of the Vehicle AMP is to provide the Council with an efficient, flexible method of procuring and operating fleet items that reflects good fleet management practice plus a cyclical replacement of fleet assets over a 5 or 7 year cycle dependant on fleet category taking advantage of public sector collaborative procurement frameworks.
In addition it led to the introduction of a dedicated Fleet Management System and Fleet Tracking System. Without a fleet asset management plan the Council would experience a return to inefficient practices including increased fleet downtime, an increase in expensive 'spot' hire vehicles, a requirement to increase workshop staff levels and an increase in both material and sub-contractor costs.

Looking to the future the Vehicle AMP will continue taking advantage of the latest technological advances both in terms of vehicle and management/telematics systems driving forward efficiencies within the fleet asset management plan. The introduction of more Electric Vehicles within the light vehicle fleet over the next 12 months will provide both financial benefits and environmental benefits in addition to helping the Council to work towards the Scottish Government target of ending the sale of new petrol or diesel cars and light vans in Scotland by 2032.

3.11 Open Spaces AMP

The Council has also developed an initial Open Space AMP which incorporates Burial Grounds and the Crematorium. Given the wide range and nature of the assets covered and the piecemeal nature of some of the investment, the preparation of a detailed AMP has proven to be challenging. Based on the information to date an annual capital sum of £200,000 is allocated for general lifecycle maintenance.

In addition the Council has agreed to allocate over £3.0 million over the next 2 years to expand Burial Grounds provision and replace the Council's cremators. The identification of appropriate ground for burials will present challenges for the Council in the medium/longer term.

3.12 ICT Asset Plan

The ICT Asset Management Programme delivers a modern ICT infrastructure providing the most appropriate level of equipment, at best value to the Council across all of Inverclyde Council's Offices and Schools. It aims to allow staff to undertake their roles and responsibilities in as efficient a manner as possible and provide teachers and pupils with modern and sustainable learning technologies. The ICT AMP has a budget of £0.4m.
In line with the best practices for ICT Asset Management, the physical lifecycle of an ICT Asset has two distinct phases:

- Planning & Procurement
- Lifecycle & Disposal

ICT implements a six year desktop and laptop refresh strategy. The 2018/19 refresh programme has targeted laptop devices within the school estate, replacing over 830 laptop devices across all areas of the Primary, Secondary and ASN sectors.

.
The total number of devices in the programme is 5729

	Desktop PCs	Notebook PCs	Tablet PCs	Total
Schools	2893	1131	42	4066
Corporate	936	610	117	1663
Total	3829	1741	159	5729

3.13 **Scheme of Assistance**

Section 72 of the Housing (Scotland) Act 2006 requires Local Authorities to prepare and make publicly available a statement which sets out the Council's approach to providing householders with advice and/or assistance on how to repair, improve, maintain or adapt their home.
The 2006 Act paves the way for applications for assistance with adaptations to be treated separately from applications for assistance with repairs and includes a general duty to provide financial assistance to make a house suitable for a disabled person.
All eligible adaptation works will receive a minimum of 80% grant assistance or, at the discretion of the Council, 100% grant can be awarded.

The provision of a Care and Repair/Small Repairs Service who assist eligible applicants with the grant process and progression of adaptation works. Care and Repair operate a small repairs service for plumbing, electrical, joinery and general household jobs. The services are available to homeowners and tenants in the private sector who are either disabled or are over 60 years of age.

Year	Number of Homes Adapted	Small Repairs Provided
15/16	174	1705
16/17	181	1587
17/18	171	1701

3.14 **HSCP Asset Management**

A review of HSCP properties including opportunities for reconfiguration of services to support co-location is currently underway as part of the formulation of a HSCP Property Asset Management Plan. A number of shared service offices have been addressed as part of the Offices Assets Management plan and consolidation within the Hector McNeil House building completed in 2014

Significant further asset areas are already being addressed via proposals agreed in respect of the phased re-provisioning of Inverclyde's Children's Residential Services with one new unit (Kylemore) completed in March 2013, a further unit (Cardross) completed in January 2018 and the final unit (Crosshill) commenced on site in October 2018 to complete in summer 2019.

Two further significant HSCP projects secured Scottish Government funding support with a new Adult and Older People Complex Care Beds facility (Orchard View) completed in summer 2017 and the new Greenock Health and Care Centre project targeting financial close by November/December 2018 and construction completion by August 2020. The completion of the new Health and Care Centre will facilitate further shared service / joint working with the business case predicated on the basis that the existing NHS owned Greenock Health Centre, Boglestone Clinic, Larkfield Child & Family Centre (CAMHS) Building, and Cathcart Centre, which are not fit for purpose, will be disposed of once the new facility becomes available.

The Strategic Review of Services for Adults with Learning Disabilities in Inverclyde was signed off by the Integration Joint Board in December 2016. As part of the Service redesign, a number of properties historically used by the service have been decommissioned with flats at Lynedoch Street and Hope Street vacated and released back to the relevant RSL's. Golf Road was vacated in June 2018 and the McPherson Centre decommissioned in September 2018 with full integration into the Fitzgerald Centre following work within the Fitzgerald Centre to upgrade personal care facilities, storage and sensory areas undertaken over summer 2018. The longer term plan remains for a new build or refurbishment of an existing building to design a bespoke Day & Social Community Hub with work currently being undertaken on proposals to develop a business case by May 2019.

Two other specific property issues remain for Health & Social Care around the future of the Centre for Independent Living store and the continued lease of the Unpaid Work Unit at Kingston Industrial Estate.

Day to day investment in the HSCP buildings is funded from the general Property AMP but the funding for transformational change in service delivery requires to be funded elsewhere. For the Children's Houses , funding came from a combination of prudential borrowing funded by service savings , reserves and core capital grant. Funding arising from the Learning Disability review will be identified once proposals are crystalised but is likely to again involve a cocktail of funding sources.

3.15 **City Deal**

Although not a specific Asset Management Plan the Council does have major investment plans in relation to the Glasgow Region City Deal which has a £1.13 billion Capital Infrastructure investment programme covering the 8 Local Authorities in the Glasgow City region. Inverclyde Council currently has 3 projects in various stages of development with an estimated Capital cost of £22.4 million.

It is currently anticipated that £21.1 million of this investment will be funded by grant from the Scottish and UK Governments which is due to be paid over a 20 year period ending in 2035. Due to the timing difference between the Council incurring expenditure by 2023 and the receipt of grant, the Council will require to finance the cashflow implications as well as loans charges in relation to the Councils projected £1.3 million contribution.

The funding for this has been allowed for in the Councils recurring Revenue Budget and forms a specific appendix within the Financial Strategy.

4.0 THE CAPITAL PROGRAMME

4.1 The Council has traditionally approved a rolling three year Capital Programme each budget cycle. For the March 2019 budget cycle however it is proposed to extend this to a 4 year approved programme This brings the current Capital Programme up to 2022/23 and ties in with the production of a 4 year Treasury Strategy.

4.2 Annual capital budget allocations are provided for investment in the core assets identified via the Asset Management Plans with these allocations intended to maintain the existing assets to acceptable standards. The allowances do not generally allow for expansion or replacement of existing assets which would normally be addressed through specific investment proposals.

4.3 Current annual allocations amount to £9.243m (see table below) This amount includes the increased allocation to Roads to deliver the RAMP as well as an ongoing Life Cycle Maintenance allowance for School Estate.

Recurring annual Grant Allocations:

ICT	£0.363m
Roads (RAMP)	£3.000m
Zero Waste Fund	£0.060m
Parks & Open Spaces	£0.200m
Property	£2.000m
Scheme of Assistance	£0.500m
Leisure Pitches	£0.120m
School Estate	£3.000m
Total Annual allocations	£9.243m
Estimated General Capital Grant	£8.100m

When a small contingency is added then the estimated General Capital Grant is approximately £1.5million short of the on going Asset Maintenance requirement. This would require to be funded from either capital receipts, revenue reserves and prudential borrowing.

4.4 Other investment includes the Vehicle Replacement Programme however this is funded via the specific funding models and is not reliant on the General Capital Grant. In addition specific investment proposals are considered either as part of the budget setting process or via reports to Service Committees. Any such proposals would require to be funded by way of prudential borrowing and/or one off allocations from reserves.

4.5 Specific capital grant awards are also included in the programme, currently there is significant Specific Grant funded investment in Early Learning & Child Care. In addition, grants are received on an annual basis from Strathclyde Partnership for Transport, Sustrans and Cycling, Walking & Safer Streets.

4.6 In recognition of potential increase in resources or cost reductions the Council will overprovide by up to 5% against available resources. It needs to be borne in mind that if extra resources or cost reductions do not occur then savings will be required.

4.7 A summary of the proposed 2019/23 Capital Programme is shown below. This will be formally approved by the Council in March 2019.

Proposed Capital Programme 2019/2023

Expenditure/Projects by Committee	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Totals £m
Policy & Resources	0.468	0.417	0.363	0.363	1.611
Environment & Regeneration	18.018	11.168	6.796	6.593	42.575
Education & Communities	2.394	0.420	0.120	0.120	3.054
School Estate	12.378	5.376	2.314	2.900	22.968
CHCP	0.968	0.244	0.000	0.000	1.212
	34.226	17.625	9.593	9.976	71.420
Financed By					
General Capital Grant	9.390	8.100	8.100	8.100	33.69
Sales/Contributions	0.247	0.543	0.148	0.095	1.033
Other Income	2.493	1.500	0.019	0.000	4.012
Revenue	0.448	1.006	0.406	0.406	2.266
Prudential Borrowing	5.345	2.621	0.913	0.332	9.211
Resources Carried Forward	17.859				17.859
	35.782	13.77	9.586	8.933	68.071
Shortfall in Resources					3.349
Recommended maximum overcommitment (5% of Resources)					3.404
Flexibility					-0.055

5.0 DEBT AND FIXED ASSETS

5.1 One objective of the Capital Strategy is to demonstrate the sustainability and affordability of its capital expenditure and investment plans. Much of the affordability assessment depends on the Council's Treasury Strategy. The period of the Treasury Strategy is currently four years and one product of the creation of a Capital Strategy will be to align the timescales for the Treasury Strategy, Investment Strategy and Capital Programme from 2019.

5.2 A key requirement of the Treasury Strategy is to set the Prudential Indicators which will determine limits around borrowing, investment and affordability and thereafter feeds directly into the Revenue Budget process. The Treasury Strategy is due to be considered by the Policy & Resources Committee in February and the Council later that month.

5.3 There are 3 distinct areas where it is important that the inter relationships are highlighted as these are at the heart of understanding the Councils overall approach to capital investment and long term financial planning.

Loans Charges/Loan Fund Debt – Loans Charges records are the Councils internal record of capital investment. Sums incurred are currently written down on annuity basis using the expected life span of the asset created/work carried out. The Loans Charge records allocate the capital incurred against the asset created/improved.
Loans Charges are an internal calculation and no money leaves the Council but it is Loans Charges which form the charge to the Revenue Budget as a proxy for depreciation.

External Debt- To fund capital works the Council will in many cases have to borrow funds. The traditional route for local government remains to borrow from the Public Works Loans Board (PWLB) but a significant amount of borrowing has also been carried out from other lenders and this is referred to as Market Debt. Interest is paid on these loans throughout the year and these costs form the basis of the calculation of the loans charges interest rate.

Balance Sheet Fixed Assets - As part of the statutory Annual Accounts the Council prepares a Balance Sheet and the largest sum within this is the value of assets held by the Council. Assets are revalued on a rolling basis every 5 years although adjustments can be made in the interim in the event of a material impact on the assets value. Depreciation is applied to the assets prior to inclusion on the Balance Sheet. Depreciation does not form part of the revenue budget and is reversed out of the accounts when calculating the Council's available Usable Reserves.

The financial position of these three areas is explained further in the following paragraphs.

5.4 Loan Fund Debt

The Council is coming to the end of a significant period of ambitious investment in the School Estate, Leisure Estate and the Office and Depot Estate. This has seen a significant increase in the Councils Loan Debt over the last ten years and projections indicate that the Loan debt will peak at approximately £250 million in 2019/20 but on the basis of limited prudential borrowing in future years the loan debt will reduce to under £180 million by 2029/30. Thereafter the debt gradually reduces and by 2050 there is only £12million of the current debt outstanding.

5.5 External Debt

The Council's external borrowing as at 30th September 2018 was:-

PWLB Debt	£94.3 million
Market Debt	£102.6 million
	£196.9 million

The bulk of these loans are Maturity Loans ie: principal is due to be repaid at the point that the loan matures, with some £46.7 million of the PWLB Debt due to be repaid by 31st March 2030. Thereafter however there is a 25 year period where under £10million is due to mature unless called in by the market lenders or the Council restructures its PWLB debt.

Taking 5.4 and 5.5 together then by 2032, on the basis of no further net capital expenditure, the External Debt will exceed Loans Fund Debt. By 2050 the amount of External Debt would exceed Loans Charge Debt by £120million if nothing else changes.

5.6 **Balance Sheet Fixed Assets**

At the 31st March 2018 the Council owned property plant and equipment assets valued at £380 million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £483 million. This figure is significantly larger than the previous two figures as the Asset Value represents the fair value of the asset with assets revalued on a 5 yearly basis.

The average Asset Life Outstanding as at 31.3.18 for the different category of assets is shown the undernoted table. From this it can be seen that for the 3 main non-PPP asset categories, the average remaining life is approximately 22 years. At a high level this shows a correlation between the remaining life of the main assets in the balance sheet and the Loans Fund Debt.

	Average	
	Asset Life	Asset Life Outstanding
Community Asset	31.16	23.01
Infrastructure	29.74	19.43
Other Land & Buildings	28.70	23.34
PPP	37.29	34.29
Vehicles/Plant & Equipment	5.66	1.68

It should be noted that the Asset Life Outstanding is reviewed at each valuation and provided the Council is undertaking appropriate maintenance and investment then the life will be extended thus ensuring that Asset values continue to exceed Long Term Borrowing in the Balance Sheet.

5.7 In summary therefore, in order for the Council to maintain its considerable asset base, it will need to undertake capital investment over and above the projected Scottish Government Grant/Capital Receipts. As such the Council will always carry Loans Fund Debt and External Debt . In order to ensure that the Council achieves a closer correlation between Loan Debt and External Debt in the longer term, the majority of new borrowing will be carried out for short to medium term periods i.e. up to 10 years.

6.0 LONGER TERM INVESTMENT PLANS

6.1 It can be seen from Section 4 of the Capital Strategy that it is unlikely that Government Grant and estimated Capital receipts will be sufficient to meet the required investment levels for the Council to maintain its current asset base. The current Financial Strategy assumes that the Council will not undertake any material prudential borrowing unless this is funded from savings delivered by the investment. This assumption will require to be modified unless the Council takes a conscious decision to both disinvest in certain assets and reduce the number of assets it holds.

6.2 Without the Council opting to disinvest in part of its current asset base then the Council will require to prudentially borrow £1.5 million per year for the period covered by this Capital Strategy i.e. to 2029/30. Based on current interest rates then this will require an extra £100,000 per year in loans charges spend which will require to be funded as part of the Revenue budget. It should be noted that this level of investment takes no account of any one off Capital investment requirements not included in the core life cycle maintenance allocations. Any such investment requirements will be flagged up in the relevant Asset Management Plans and following consideration as part of the normal governance processes would be factored into future Capital Strategy reports.

6.3 Appendices 1 and 2 show the impact of this level of capital investment on the Loans Charges earmarked reserve, loans charges and loan debt for the period to 2038/39. From Appendix 2 it can be seen that projected Loans Charges would drop by £3.6 million between 2019/20 and 2029/30 whilst over the same period the Loan Debt will drop by £75 million.

6.4 Despite this on going need for prudential borrowing the Council will see a significant reduction in the proportion of its Revenue Budget which is spent on servicing loans charges and also a significant reduction in the ratio of loan debt to revenue budget. From Appendix 2 it can be seen that the Loan Debt as a percentage of Revenue Budget drops by almost 45% over the 2019/30 period , whilst the % of the Revenue Budget spent on Loans Charges drops by 2.4% to 9.1%

6.5 Looking beyond 2030 involves a significant amount of uncertainty around both the funding of Local Government, the services which it will be expected to deliver and the nature of those services. However based on past investment and current service delivery then many of the assets built or significantly refurbished since local government re-organisation will become due replacement/refurbishment. The Council will therefore require to consider how this massive investment would be funded as part of future Capital Strategies.

7.0 CONCLUSIONS

7.1 The Capital Strategy provides an opportunity for a number of related aspects of the Council's overall finances to be pulled together into a summarised document. From this it can be seen that:

a) The Council is well advanced in its Asset Management Plan preparation and delivery with major investment in all aspects of its asset estate over the last 10 years or more.
b) The Council keeps a long term view of its long term borrowing and funding and this informs the current Treasury Strategy.
c) The Council has a robust governance process via the Financial Regulations, Prudential Code, Risk Management and Budget Process to ensure that Asset Management Plans and the Capital Strategy are affordable in the medium to longer term.

The current proposals within the Capital Strategy are affordable and can be met from the current Loans Charge allocation without further cost to the Council Tax payer.

7.2 The Capital Strategy emphasizes the need for the Council to take a long term view when taking decisions around Capital investment and specifically to ensure that investment plans are appropriate and financially sustainable in the longer term. The annual production and updating of the Capital Strategy allied to the Treasury Strategy, Capital Programme approval and Financial Strategy will all ensure that the Council are able to take Capital investment decisions in the knowledge of the long term implications.

Appendix 1

Managing Risks

The area of Treasury and Capital investment requires risks to be continually managed and monitored. Part of this is covered in the Governance Section (Section 2), however the following paragraphs list other risks and how the Council manages these. The risks are shown in bold with the mitigation in normal typeface.

1/ **The Capital Strategy does not reflect the objectives set out in other strategic plans of the Council.**

The Capital Strategy provides a high level overview of the various Asset Management Plans, Financial Strategy and Treasury Strategy all of which closely link to the plans the Council has signed up to. It is acknowledged that there will inevitably be other financial investment requirements over the next 20 years not quantified at this point in time however the Capital Strategy will be updated as further information becomes available regarding these strategic plans.

2/ **The directorate planning process will identify a range of additional budget pressures over and above those currently considered in this Financial Strategy.**

The Directorate Planning Guidance identifies that Corporate Directorate Improvement Plans (CDIP) should reflect the resources allocated – the need for additional resources to achieve a particular priority should be specifically identified via the Council's approved governance processes prior to the preparation of the CDIP.

3/ **Forecasts within the Capital Strategy are not accurately determined or reviewed on a regular basis**.

The Capital Strategy will set out the expected levels of expenditure and income for the future. The forecasts are arrived at through careful consideration of historic trends and current AMP investment levels plus advice on interest rates and borrowing costs from the Council's Treasury Advisors.

Throughout the financial year, the Council regularly monitors its financial performance against its capital and treasury budgets and will revise projections them where necessary.

.

4/ **The Council has insufficient capital resources to sustain capital commitments**.

The combination of reduced funding and the economic position mean that the Council has to focus on maintaining key infrastructure whilst utilising prudential borrowing for specific capital projects.

Regular review of existing Asset Management Plans and Policy Priorities ensures that the Council's investment plans remain affordable. The Council is in regular contact with its Treasury Advisors to identify opportunities to reduce Treasury costs within the parameters of the Prudential Indicators.

5/ **Given the major Global Economic uncertainty the Council is exposed to major fluctuations in the financial markets**

The Council' Treasury and Investment Strategy supported by the associated Treasury Management Policies and Prudential Indicators provides a robust framework within which officers operate to ensure that the Council is not materially exposed to short term fluctuations in the financial markets.

Appendix 2

Capital Strategy
Loan Charges

		2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Balance B/fwd		6,496	6,012	4,856	2,284	1,839	1,341	1,150	1,055	958	936	943	823
Projected Loan Charges	a	13,919	14,261	15,447	11,400	11,153	10,796	10,650	10,602	10,477	10,398	10,475	10,184
Available Budget	b	12,435	12,105	11,875	10,955	10,655	10,605	10,555	10,505	10,455	10,405	10,355	10,305
Loan Charge Surplus/(Deficit)		(1,484)	(2,156)	(3,572)	(445)	(498)	(191)	(95)	(97)	(22)	7	(120)	121
Additional Funding:													
Contribution from Capital Fund	c	1,000	1,000	1,000									
Balance at Year End		**6,012**	**4,856**	**2,284**	**1,839**	**1,341**	**1,150**	**1,055**	**958**	**936**	**943**	**823**	**944**
Interest Rate (Assumed):		3.55%	3.65%	3.80%	3.90%	3.95%	3.95%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%

Notes

a Revised projections as at December 2018 and excludes Loan Charges relating to funded models (SEMP, AMP, VRP, City Deal, Birkmyre Trust).
Includes the effect of decisions on SEMP acceleration taken in March 2016 including the £650k annual budget transferred to SEMP from 2021/22.
From 2018/19 onwards, general capital grant is applied to core allocations only and not to individually funded models (e.g. VRP).

Loan Charges for 2018/19 includes £294k write-off of existing premiums.
Loan Charges from 2019/20 to 2021/22 reduced by £70k due to use of reserves for premiums write-off in 2018/19.

b Adjustments to Available Budget:
<u>For 2018/19</u>
£30k removed for ICT saving agreed February 2015 (additional sum removed each year until last year 2020/21).
£12k removed for ICT saving agreed February 2013 (additional sum removed each year until last year 2018/19).
Budget from 2018/19 onwards reduced by £300k annually to 2022/23 and by £150k from 2023/24 to 2029/30 to reflect reduction in Scottish Government grant support resulting from repayment of historic debt.
£54k removed from ongoing budget due to Cremator Replacement being funded from reserves (agreed March 2018).
£35k transferred from Vehicle Replacement Programme budget from 2018/19 due to lower funding requirement.
£100k removed in 2018/19 and 2019/20 due to increased CFCR and then replaced by increased Prudential Borrowing 2020/21 onwards funded from income.
<u>For 2021/22</u>
£650k removed from ongoing budget and transferred to SEMP relating to SEMP acceleration, as agreed in March 2016.
£30k added to ongoing budget for Prudential Borrowing in 2021/22 to fund 2019/23 Capital Programme.
<u>For 2023/24</u>
Budget from 2023/24 onwards increased by £100k annually for annual Prudential Borrowing.

c Allocation from Capital Fund. It should be noted that this contribution is dependent on receipts from property disposals and as such cannot be guaranteed.

LONG TERM LOANS FUND PROJECTIONS BASED ON CAPITAL STRATEGY **Appendix 3**

	Loans Fund Debt End of Year £000	Total Loan Charges £000	Assumed Interest Rate	Revenue Stream £000	% of Loans Fund Debt to Revenue Stream	% of Loan Charges to Revenue Stream
2018/19	243,417	20,630	3.55%	190,379	127.86%	10.84%
2019/20	252,820	21,525	3.65%	188,379	134.21%	11.43%
2020/21	246,071	22,956	3.80%	189,260	130.02%	12.13%
2021/22	237,608	18,998	3.90%	190,150	124.96%	9.99%
2022/23	229,641	18,755	3.95%	191,040	120.21%	9.82%
2023/24	222,442	18,350	3.95%	191,940	115.89%	9.56%
2024/25	215,722	18,450	4.10%	192,840	111.87%	9.57%
2025/26	210,142	18,455	4.10%	193,840	108.41%	9.52%
2026/27	202,735	18,361	4.10%	194,840	104.05%	9.42%
2027/28	194,731	18,299	4.10%	195,840	99.43%	9.34%
2028/29	186,288	18,357	4.10%	196,940	94.59%	9.32%
2029/30	178,038	18,033	4.10%	198,040	89.90%	9.11%
2030/31	170,888	17,828	4.10%	199,140	85.81%	8.95%
2031/32	162,554	17,702	4.10%	200,340	81.14%	8.84%
2032/33	154,489	17,341	4.10%	201,540	76.65%	8.60%
2033/34	146,061	17,088	4.10%	202,740	72.04%	8.43%
2034/35	137,203	17,212	4.10%	204,040	67.24%	8.44%
2035/36	128,913	17,142	4.10%	205,340	62.78%	8.35%
2036/37	120,545	15,552	4.10%	206,640	58.34%	7.53%
2037/38	112,696	14,752	4.10%	208,040	54.17%	7.09%
2038/39	105,087	14,578	4.10%	209,440	50.18%	6.96%

Note: Revenue Stream is estimate of GRG/NDRI plus Council Tax.

Inverclyde council

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

Essential Information
Name of Officer(s) completing this Template: Alan Puckrin
Designation: CFO
Directorate/Service: Finance Services
Date of Impact Assessment: 15.1.19
Name of new Strategy : Capital Strategy 2019/30

1. Does the proposed Strategy impact on:

	Yes	No
a. Protected characteristics under The Equality Act 2010: Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion and Belief; Sex; Sexual Orientation **(see Section 3)**	X	
b. Reducing inequalities of outcome caused by socio-economic disadvantage – Fairer Scotland Duty[1] **(see Section 6)**	X	
c. Local Outcomes Improvement Plan (LOIP) 2017/22[2] **(see Section 7)**	X	
d. Corporate Plan 2018/22[3] **(see Section 8)**	X	

2. If "**yes**" is selected for **any part** of Section 1, **please populate the other relevant Sections of this Template**.

If "**no**" is selected for **every part** of Section 1, **please sign below and email** a copy of this Template to Karen Barclay, Corporate Policy

---

1 Fairer Scotland Duty: interim guidance for public bodies
2 Local Outcomes Improvement Plan 2017/22
3 Corporate Plan 2018/22 (agenda item 5)

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

Officer: **karen.barclay@inverclyde.gov.uk.**	
	15.1.19
Signature	Date

3. Impact – Protected characteristics

Which of the protected characteristics will the proposed strategy have an impact upon? (See guidance for examples of key considerations under each characteristic – this is on ICON.)

Equality Target Group	**Positive impact +**	**Neutral impact =**	**Negative impact -**
Age	X		
Disability	X		
Gender Reassignment			
Pregnancy and maternity			
Race			
Religion and belief			
Sex			
Sexual orientation			
Other groups to consider			

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

4. Which parts of the Equality Duty will the proposed strategy impact on?	
☐	Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by The Equality Act 2010
X	Advance equality of opportunity between people of different groups
☐	Foster good relations between from different groups

5. Impact - groups

From the information you have highlighted above, describe the positive and negative impacts and the groups affected under The Equality Act 2010.

Positive impacts +	**Negative impacts** - *(Describe groups affected.)*
Age & Disability *Capital investment will have a positive aspects in improving the built environment by improving existing buildings and building new facilities whilst investment in the RAMP will improve pavements, lighting and roads .* *Support through the scheme of Assistance will make specific modifications to domestic properties for the groups identified.*	

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

6. Impact – Fairer Scotland Duty

What impact will this strategy have on reducing inequalities of outcome caused by socio-economic disadvantage? *Please tick.*

Positive Impact +	Neutral Impact =	Negative Impact -
X		

Briefly describe how the strategy will impact on reducing inequalities of outcome.

The Strategy confirms the longer term affordability of capital investment whilst allowing for continued capital investment in improving the Council's estate. This will include fit for purpose schools, community, leisure and social care assets all of which are accessed by those experiencing socio-economic disadvantage.

7. Impact – LOIP 2017/22

Which Priority/Priorities from the LOIP 2017/22 will this strategy impact on?

X	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 between the richest and poorest members of our communities will be reduced (This may already have been highlighted during section 6)
X	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

Briefly describe how the budget saving proposal will impact on the LOIP Priority/Priorities.

Improving the built environment and investing in physical regeneration has a positive impact in delivering the LOIP priorities

8. Impact – Corporate Plan 2018/22 Which Priority/Priorities from the Corporate Plan 2018/22 will this Strategy impact on?	
X	1. To promote Inverclyde, to both residents and visitors alike, as a great place to live, work and visit
☐	2. 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
X	3. To grow the local economy in a way that creates opportunities for all our residents, including access to good quality jobs
☐	4. To reduce the prevalence of poverty and in particular, child poverty in our communities
☐	5. To safeguard, support and meet the needs of our most vulnerable families and residents
X	6. To improve the health and wellbeing of residents so that people live well, and for longer
X	7. To protect and enhance our natural and built environment
X	8. To preserve, nurture and promote Inverclyde's unique culture and heritage
X	9. To deliver services that are responsive to community needs and are underpinned by a culture of innovation, continuous improvement and effective management of resources
☐	10. To develop motivated, trained and qualified employees who deliver quality services that meet current and anticipated service needs

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

Briefly describe how the Strategy will impact on the Corporate Plan Priority/Priorities.

Capital investment will have a positive aspects in improving the built environment by improving existing buildings and building new facilities whilst investment in the RAMP will improve pavements, lighting and roads.

This will make Inverclyde a more attractive destination for investment and will assist in growing the economy and retaining people within the area.

The Capital Strategy will continue to include investment in the Leisure & Cultural estate and assist in the improvement of health outcomes and preservation of the area's cultural heritage.

9. Evidence

What evidence do you have to help identify any potential impacts of the proposed Strategy?

Note: Evidence could include consultations, surveys, focus groups, interviews, projects, user feedback, complaints, officer knowledge and experience, equalities monitoring data, publications, research, reports, local, national groups.

Evidence	Details
Consultation/Engagement	Budget Consultation 2018 and 2017: 16% and 12% of respondents respectively supported the proposal to reduce roads maintenance. Additionally, in 2017, roads and lighting maintenance was the top service (at 86%) that respondents told us should continue to be provided at the enhanced level. Budget Consultation 2018: 46% of respondents supported the proposal to

	reduce Inverclyde Leisure funding.
Research	Derived from AMPs and CDIPs
Officer's knowledge and experience (including feedback from frontline staff)	Links back to individual Asset Management Plans and CDIPs
Equalities monitoring data	
User feedback (including complaints)	
Stakeholders Other	
Are there information gaps and, if so, what are these?	

10. Please use the space below to detail any other matters arising from the Equality Impact Assessment process.

Details of the Person(s) who completed the Assessment:	Name: Alan Puckrin
	Position: CFO
	Date: 15.1.19
Authorised by:	Name:
	Position:
	Date:

Thank you for your assistance with the completion of this task.

Please send a copy of the completed Template to Karen Barclay, Corporate Policy Officer: karen.barclay@inverclyde.gov.uk.

21 November 2018

Inverclyde council

AGENDA ITEM NO. 13

Report To:	**Policy & Resources Committee**	**Date**:	**5 February 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/16/19/AP/KJ**
Contact Officer:	**Alan Puckrin**	**Contact No**:	**01475 712223**
Subject:	**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – 2019/20-2022/23**		

1.0 PURPOSE

1.1 The purpose of this report is to seek approval for the Treasury Management Strategy Statement and Annual Investment Strategy for 2019/23, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, the Council's Prudential and Treasury Management Indicators for the next 4 years and the List of Permitted Investments.

2.0 SUMMARY

2.1 The report sets out the Council's proposed Treasury Management Strategy and Annual Investment Strategy for 2019/23, Treasury Policy Limits, and Prudential and Treasury Management Indicators for the next 4 years including the proposed Authorised Limits.

2.2 The report also proposes a List of Permitted Investments listing the types of investments and limits for those investments. The only change in proposed Permitted Investments from that agreed in 2018 relates to specifying the categories of Money Market Funds following changes to Money Market Funds regulations.

2.3 The Treasury Management Strategy, Annual Investment Strategy, Treasury Policy Limits, Prudential Indicators, and Treasury Management Indicators have been set based on the Council's current and projected financial position (including the proposed 2019/23 Capital Programme) and the latest estimated interest rate levels.

2.4 The report also requests the annual approval of the Council's Treasury Management Policy Statement and approval of the Council's policy on the repayment of Loans Fund advances.

2.5 The Council's contracts for banking services and for treasury management advisers both end in 2019. Officers are progressing the issuing of tenders for these services and are seeking delegated authority to accept the bank tender.

2.6 In line with the Council's Financial Regulations, the proposals in this report require approval by the Full Council.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee remits to the Inverclyde Council, for their approval, the following, as outlined in this report:

a. Treasury Management Strategy and Annual Investment Strategy
b. Authorised Limits for 2019/23
c. Treasury Management Policy Statement set out in paragraph 5.2
d. Policy on repayment of Loans Fund advances set out in paragraph 8.2
e. Treasury Policy Limits
f. Prudential Indicators and Treasury Management Indicators
g. List of Permitted Investments (including those for the Common Good Fund).

3.2 It is recommended that the Committee grants delegated authority to the Head of Legal & Property Services and the Chief Financial Officer to accept the successful bank tender for the period from 1 April 2019 to 31 March 2024 and with an option to extend for a further three 1 year periods until 31 March 2027.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 This report presents, for approval, a Treasury Management Strategy Statement and Annual Investment Strategy, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, and Prudential and Treasury Management Indicators for 2019/23.

4.2 CIPFA produced the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management and revised both documents in December 2017. Inverclyde Council has adopted the Code of Practice on Treasury Management and complies with the Prudential Code.

4.3 The Local Government in Scotland Act 2003 and supporting regulations (the Act) require the Council to 'have regard to' the CIPFA Prudential Code (the Prudential Code) and the CIPFA Code of Practice on Treasury Management (the Code) to set Prudential and Treasury Indicators for at least the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

4.4 The Act and supporting regulations require the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

4.5 It is a statutory requirement for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue are affordable within the projected income of the Council for the foreseeable future. The projected revenue impact of the 2019/23 Capital Programme is built into the Revenue Budget for which approval is being sought.

4.6 A glossary of treasury management terms is attached as Appendix 4.

5.0 SUMMARY OF ISSUES

5.1 The main issues from this report are:

a. The Capital/Treasury Management position, Prudential Indicators, Treasury Management Indicators and Policy Limits are shown in Section 6 below.
b. The proposed Treasury Strategy and Investment Strategy are shown in Section 7 below.
c. The Full Council is requested to approve the Authorised Limits for 2019/23 as shown in paragraph 6.5.
d. The Full Council is requested to approve the policy on the repayment of Loans Fund advances as shown in paragraph 8.2.
e. There remains considerable economic uncertainty affecting forecasts for interest rates and inflation, including in relation to the Brexit arrangements. This will have implications for UK interest rates, new borrowing rates (due to the impact of market sentiments on UK gilt prices), investment rates, and inflation. The Council will continue to monitor the situation and take advice from its treasury advisers.
f. The only change in proposed Permitted Investments (in Appendix 2) from that agreed in 2018 relates to specifying the categories of Money Market Funds that are permitted following changes to Money Market Funds regulations.
g. The Council's current contract with its treasury advisers ends on 30 June 2019. 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.
h. The Council's contract with the Bank of Scotland for banking services ends on 31 March 2019. The Council has issued tenders for a new contract 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 three 1 year periods until 31 March 2027.

5.2 The Council has a formal Treasury Management Policy Statement as follows that is required to be approved by the Full Council:

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

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

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

Current Treasury Management Position

6.1 The Council’s treasury management position at 8 January 2019 comprised:

		Principal		Average Rate
		£000	£000	
Fixed rate funding	PWLB	94,286		
	Market	56,000	150,286	3.97%
Variable rate funding	PWLB	0		
	Market	46,670	46,670	4.94%
			196,956	4.20%
Other long term liabilities			62,734	---
TOTAL DEBT			**259,690**	
TOTAL INVESTMENTS			**31,795**	**0.83%**

Capital Expenditure and Borrowing

6.2 The Council’s Gross Capital Expenditure is estimated as:

	2018/19	2019/20	2020/21	2021/22	2022/23
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
Capital Programme	26,876	34,226	17,625	9,593	9,976

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
New borrowing	5,000	5,000	0	0	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	25,000	5,000	10,000	5,000
TOTAL	5,000	30,000	5,000	10,000	5,000

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
External Debt (Including PPP)	264,309	277,456	275,659	273,997	269,378
Capital Financing Requirement (CFR)	304,127	311,820	303,326	293,238	283,269
Under/(Over) Against CFR	39,818	34,364	27,667	19,241	13,891

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

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	Limit	**Limit**	**Limit**	**Limit**	**Limit**
Authorised limit for external debt	£000	£000	£000	£000	£000
Borrowing	250,000	249,000	243,000	235,000	226,000
Other long term liabilities	64,000	63,000	61,000	59,000	58,000
TOTAL	314,000	312,000	304,000	294,000	284,000
Operational boundary for external debt	£000	£000	£000	£000	£000
Borrowing	230,000	239,000	233,000	225,000	216,000
Other long term liabilities	64,000	63,000	61,000	59,000	58,000
TOTAL	294,000	302,000	294,000	284,000	274,000

Approval is being sought for the Authorised Limits for 2019/20 to 2022/23.

6.6 The Council sets limits on the maturity of fixed rate and variable rate borrowing for the coming financial year. The limits proposed for 2019/20 are:

Maturity Structure	Fixed Rate		Variable Rate	
	Upper Limit	Lower Limit	Upper Limit	Lower Limit
Under 12 months	45%	0%	35%	0%
12 months and within 24 months	45%	0%	35%	0%
24 months and within 5 years	45%	0%	35%	0%
5 years and within 10 years	45%	0%	35%	0%
10 years and within 30 years	45%	0%	35%	0%
30 years and within 50 years	45%	0%	35%	0%
50 years and within 70 years	45%	0%	35%	0%

These limits are the same as set in 2018. They reflect the requirement that the Council's Market debt is treated based not on when the debt is due to actually mature but on when the lender could request an increase in the interest rate (when the Council could accept the increase or repay the debt).

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

	2019/20	2020/21	2021/22	2022/23	2018/19
	Limit	**Limit**	**Limit**	**Limit**	**Projected Outturn at Year-End**
Maximum percentage of debt repayable in any year	25%	25%	25%	25%	19.81%
Maximum proportion of debt at variable rates	45%	45%	45%	45%	23.11%
Maximum percentage of debt restructured in any year	30%	30%	30%	30%	1.49%

The proposed limits are the same as set in 2018.

6.8 The Prudential Code requires that the Council states how interest rate exposure is managed and monitored:

All of the Council's PWLB debt is currently at fixed rates. The Market debt contains some debt at fixed rates, some small elements at variable rates and some where the rates can change (subject to the terms of the debt contract). The Council's investments, which are all for less than 1 year, are all variable or regarded as variable under the treasury management rules.

These interest rate exposures are managed and monitored by the Council through management reports on treasury management that are received and reviewed by the Chief Financial Officer.

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Ratio of financing costs (including PPP) to net revenue stream	14.20%	14.75%	15.45%	12.36%	12.25%

The estimated fall in the ratio in 2021/22 is largely due to the final charges for former Strathclyde Regional Council debt being made in 2020/21.

6.10 The ratio of net debt to the Council's net revenue stream is estimated as:

	2018/19	2019/20	2020/21	2021/22	2022/23
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Ratio of net debt (debt and PPP less investments) to net revenue stream	125.7%	137.0%	135.7%	134.9%	133.6%

Capital Strategy

6.11 The Prudential Code revised in 2017 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".

Investments

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

	2019/20	2020/21	2021/22	2022/23
	Estimate	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000
Cash balances managed in house				
1 April	25,000	19,426	18,771	17,483
31 March	19,426	18,771	17,483	14,164
Change in year	(5,574)	(655)	(1,288)	(3,319)

6.13 The Council sets upper limits for the total investments invested for over 365 days. The proposed limits are as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23
	Limit	**Limit**	**Limit**	**Limit**	**Limit**
Upper limit for total principal	£000	£000	£000	£000	£000
sums invested for over 365 days	10,000	10,000	10,000	10,000	10,000

The Council has not entered into any investments of more than 365 days during 2018/19 to date and does not expect to do so during the remainder of the year.

7.0 PROPOSED TREASURY STRATEGY AND INVESTMENT STRATEGY

Economic Background

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

7.2 The Council has appointed Link Treasury Services Limited as treasury advisers with part of their service being to assist the Council to formulate a view on interest rates. Link's latest interest rate forecasts (as at 6 November 2018) are:

As At	Bank Rate	Investment (LIBID) Rates			PWLB Borrowing Rates			
		3 month	6 month	1 year	5 year	10 Year	25 year	50 year
	%	%	%	%	%	%	%	%
March 2019	0.75	0.90	1.00	1.20	2.10	2.50	2.90	2.70
June 2019	1.00	1.00	1.20	1.30	2.20	2.60	3.00	2.80
Sept 2019	1.00	1.10	1.30	1.40	2.20	2.60	3.10	2.90
Dec 2019	1.00	1.20	1.40	1.50	2.30	2.70	3.10	2.90
March 2020	1.25	1.30	1.50	1.60	2.30	2.80	3.20	3.00
June 2020	1.25	1.40	1.60	1.70	2.40	2.90	3.30	3.10
Sept 2020	1.25	1.50	1.70	1.80	2.50	2.90	3.30	3.10
Dec 2020	1.50	1.50	1.70	1.90	2.50	3.00	3.40	3.20
March 2021	1.50	1.60	1.80	2.00	2.60	3.00	3.40	3.20
June 2021	1.75	1.70	1.90	2.10	2.60	3.10	3.50	3.30
Sept 2021	1.75	1.80	2.00	2.20	2.70	3.10	3.50	3.30
Dec 2021	1.75	1.90	2.10	2.30	2.80	3.20	3.60	3.40
March 2022	2.00	2.00	2.20	2.40	2.80	3.20	3.60	3.40

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

Treasury Strategy – Borrowing

7.4 The proposed borrowing is as shown in paragraph 6.3 whilst the proposed authorised limit for 2019/20 is shown in paragraph 6.5.

7.5 Any borrowing will depend on an assessment by the Chief Financial Officer based on the Council's requirements and financial position, adopting a cautious but pragmatic approach and after seeking advice and interest rate/economic forecasts from the Council's treasury advisers.

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

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

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

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

The maximum extent to which borrowing in advance would be undertaken by this Council is the borrowing requirement identified in paragraph 6.3 above for 2019/2022.

Treasury Strategy - Debt Rescheduling

7.7 PWLB-to-PWLB debt restructuring, whilst an option and having been done in the past before changes to PWLB rules in 2007 and 2010, would give rise to large premiums that would be incurred by prematurely repaying existing PWLB loans. It remains possible but very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

7.8 As short term borrowing rates are expected to be considerably cheaper than longer term rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

7.9 The Council is more likely to look at making savings by running down investment balances as short term rates on investments are expected to continue to be lower than the rates paid on the debt currently held.

7.10 The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings but at minimum risk;
- Helping to fulfil the strategy outlined above; and
- Enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).

7.11 Any debt rescheduling will be reported to the Policy & Resources Committee and the Full Council and will be within the Treasury Policy Limits.

Investments – Policies/Strategy

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

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

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

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

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

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

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

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

The only change in proposed Permitted Investments from that agreed in 2018 relates to specifying the categories of Money Market Funds that are permitted and that follows changes to Money Market Funds regulations.

7.17 Creditworthiness Policy
The Council’s proposed Creditworthiness Policy for 2019/20, as follows, is unchanged from that agreed in 2018.

7.18 The Council uses the creditworthiness service provided by Link Treasury Services Limited. This service uses a sophisticated modelling approach using credit ratings from the three main rating agencies - Fitch, Moody’s, and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:
- Credit watches and credit outlooks from credit rating agencies (indicating the likelihood of ratings changes for a counterparty or the expected direction of ratings for a counterparty)
- Credit Default Swap (“CDS”) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

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

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

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

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

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

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

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

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

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

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

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

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

7.24 Investment Strategy

Appendix 3 includes forecasts of investment balances.

7.25 The Bank Rate was increased to 0.75% in August 2018. It is forecast to increase in quarter 2 of 2019, quarter 1 and quarter 4 of 2020, quarter 2 of 2021 and in quarter 1 of 2022. Bank Rate forecasts for financial year ends (March) are as follows:

- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%.

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

7.26 Link advise that, for 2019/20, clients should budget for an investment return of 1.00% on investments placed during the financial year for periods of up to 100 days.

7.27 The Council uses an investment benchmark to assess the performance of its investments. The benchmark used is the 3 month LIBID (uncompounded) interest rate.

7.28 The Council will avoid locking into longer term deals unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Council.

Policy on Use of External Service Providers

7.29 The Council uses Link Treasury Services Limited as its external treasury management advisers and uses the services of brokers for investment deals as required. The Council's current contract with Link finishes on 30 June 2019. It is proposed to undertake a tendering exercise for these services.

7.30 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

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

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

7.32 The Treasury Management Practices (TMPs) of the Council set out the operational policies and procedures in place to implement the treasury management strategy and the principles set out in the treasury management policy statement. They are intended to minimise the risk to the capital sum of investments and for optimising the return on the funds consistent with those risks.

7.33 The TMPs are kept under review, with a full revision every 3 years, with the latest review having taken place in 2018 to reflect changes required by the revised Prudential Code and the Treasury Management in the Public Services – Code of Practice.

7.34 A copy of the TMPs may be obtained from Finance Services.

Training for Members

7.35 The last training session on Treasury Management was held for Members on 4 August 2017.

Other Issues

7.36 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 has issued tenders 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 three 1 year periods until 31 March 2027. Delegated authority is being sought to allow the successful tender to be accepted.

7.37 This Strategy has been prepared on the basis of the counterparty limits and methodology proposed by the Council's current treasury advisers and for the Council's current bank. If there are changes following the tendering exercises then appropriate changes will be made to the counterparty limits and methodology without increasing risk to the Council and these changes will be reported to the Committee.

8.0 LOANS FUND ADVANCES

8.1 Where capital expenditure is funded by borrowing (referred to as loans fund advances), the debt financing costs are paid from the Revenue Budget as loan charges comprised of the repayment of debt and interest and expenses costs on the borrowing.

8.2 The Council is required to set out its policy for the repayment of loans fund advances from options set by the Scottish Government.

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 with annual principal repayments being calculated using the annuity method.

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

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

	2017/18	2018/19	2019/20
	Actual	Projected	Estimated
	£000	£000	£000
Balance As At 1 April	243,438	246,043	243,417
Add: Advances For The Year	13,987	9,095	21,648
Less: Repayments For The Year	11,382	11,721	12,245
Balance As At 31 March	246,043	243,417	252,820

8.4 For the projected loans fund advances outstanding as at 31 March 2019, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	12,245
Years 2-5	37,983
Years 5-10	41,527
Years 10-15	41,598
Years 15-20	37,119
Years 20-25	31,975
Years 25-30	24,839
Years 30-35	11,458
Years 35-40	3,997
Years 40-45	560
Years 45-50	116
TOTAL	243,417

9.0 IMPLICATIONS

Finance

9.1 Adopting the Treasury Strategy and the Investment Strategy for 2019/20 and the following three years will allow a balance to be maintained between opportunities to continue to generate savings for the Council and minimising the risks involved.

Legal

9.2 There are no Legal implications arising from this report.

Human Resources

9.3 There are no HR implications arising from this report.

Equalities

9.4 There are no equalities implications arising from this report

Repopulation

9.5 There are no repopulation implications arising from this report.

10.0 CONSULTATIONS

10.1 This report has drawn on advice from the Council's treasury advisers (Link Treasury Services Limited).

11.0 LIST OF BACKGROUND PAPERS

11.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition
CIPFA – The Prudential Code for Capital Finance in Local Authorities – 2017 Edition
Scottish Parliament – The Local Government Investments (Scotland) Regulations 2010 (Scottish Statutory Instrument 2010 No. 122)
Scottish Government - Finance Circular 5/2010 - Investment of Money by Scottish local authorities 1.4.10
Scottish Parliament – The Local Government (Capital Finance and Accounting) (Scotland) Regulations 2016 (Scottish Statutory Instrument 2016 No. 123)
Scottish Government - Finance Circular 7/2016 - The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 – Loans Fund Accounting

Appendix 1

ECONOMIC BACKGROUND

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

There remains continued and significant global economic uncertainty and volatility arising from a number of economic and political factors including Brexit.

In the UK, the flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the Monetary Policy Committee repeated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the 2008 crash; indeed they gave a figure for this of around 2.5% in ten years but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is thought unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel is expected to take well into Spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.00% in February 2022.

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

The balance of risks to the UK

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

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

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

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England monetary policy takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Eurozone factors including a resurgence of the Eurozone sovereign debt crisis, weak capitalisation of some European banks, and political uncertainties.
- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- Brexit – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- The US Federal Reserve causing a sudden shock in financial markets through misjudging the pace and strength of increases in US interest rates and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Appendix 2

PERMITTED INVESTMENTS
AND RISKS/CONTROLS/OBJECTIVES FOR EACH TYPE OF PERMITTED INVESTMENT

The Council approves the following forms of investment instrument for use as Permitted Investments:

	Minimum Credit Criteria	Liquidity Risk	Market Risk	Max % of Total Investments	Max. Maturity Period
Deposits					
Debt Management Agency Deposit Facility (DMADF)	---	Term	No	Unlimited	6 Months
Term Deposits – Local Authorities	---	Term	No	80%	2 Years
Call Accounts – Banks and Building Societies	Link Colour Category GREEN	Instant	No	Unlimited	Call Facility
Notice Accounts – Banks and Building Societies	Link Colour Category GREEN	Notice Period	No	80%	6 Months
Term Deposits – Banks and Building Societies	Link Colour Category GREEN	Term	No	95%	2 Years
Deposits With Counterparties Currently In Receipt of Government Support / Ownership					
Call Accounts – UK Nationalised/ Part-Nationalised Banks	Link Colour Category BLUE	Instant	No	Unlimited	Call Facility
Notice Accounts – UK Nationalised/ Part-Nationalised Banks	Link Colour Category BLUE	Notice Period	No	80%	6 Months
Term Deposits – UK Nationalised/ Part-Nationalised Banks	Link Colour Category BLUE	Term	No	95%	1 Year
Securities					
Certificates of Deposit – Banks and Building Societies	Link Colour Category GREEN	See Note 1 Below	See Note 1 Below	80%	2 Years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds (CNAV or LVNAV)	AAAmmf with Fitch or equivalent with Moody's/Standard & Poors	See Note 2 Below	See Note 2 Below	50%	Call Facility

Notes:
1. The Liquidity Risk on a Certificate of Deposit is for the Term of the Deposit (if the Certificate is held to maturity) or the Next Banking Day (if sold prior to maturity). There is no Market Risk if the Certificate is held to maturity, only if the Certificate is sold prior to maturity (with an implied assumption that markets will not freeze up and so there will be a ready buyer).
2. The objective of Money Market Funds is to maintain the value of assets but such Funds hold assets that can vary in value. The credit ratings agencies, however, require the unit values to vary by almost zero. Following EU Money Market reforms that came into effect in 2018/19 and include new Money Market Fund categories, the table above specifies CNAV or LVNAV funds. CNAV funds are Public Debt Constant Net Asset Value funds whilst LVNAV funds are Low Volatility Net Asset Value funds. There are also Variable Net Asset Value funds (VNAV) but these are not to be included as Permitted Investments.

Investments will only be made with banks/building societies that do not have a credit rating in their own right where the Council's treasury advisers have confirmed that any obligations of that bank/building society are guaranteed by another bank/building society with suitable ratings.

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

Non-Treasury Investments
In addition to the table of treasury investments above, the definition of "investments" under the Investment Regulations includes the following items:
"(a) All share holding, unit holding and bond holding, including those in a local authority owned company, is an investment.
(b) Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment.
(c) Loans made to third parties are investments.
(d) Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975 are not investments.
(e) Investment property is an investment."

The Council approves items in categories (a), (b), (c), and (e) above as Permitted Investments as set-out below:

	Minimum Credit Criteria	**Liquidity Risk**	**Market Risk**	**Max % of Total Investments**	**Max. Maturity Period**
Non-Treasury Investments					
(a) Share holding, unit holding and bond holding, including those in a local authority owned company	Assessment would be made of company in which any holding was to be made	Period of holding	Yes	10%	Unlimited
(b) Loans to a local authority company or other entity formed by a local authority to deliver services	Assessment would be made of company or entity to which any loan was to be made	Period of loan	No	20%	Unlimited
(c) Loans made to third parties	Assessment would be made of third party to which any loan was to be made	Period of loan	No	25%	Unlimited
(e) Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	10%	Unlimited

In relation to the above, Members should note that the Council is unlikely to become involved with category (a), has a loan under category (b) (to Inverclyde Leisure), will have loans to third parties under category (c) arising from decisions on such loans made by the Council, and may have investment property under category (e) should there be a reclassification, due to accounting rules, of individual properties held by the Council.

Permitted Investments – Common Good
The Common Good Fund's permitted investments are approved as follows:

	Minimum Credit Criteria	**Liquidity Risk**	**Market Risk**	**Max % of Total Investments**	**Max. Maturity Period**
Funds deposited with Inverclyde Council	---	Instant	No	Unlimited	Unlimited
Share holding, unit holding and bond holding, including those in a local authority owned company	Assessment would be made of company in which any holding was to be made	Period of holding	Yes	10%	Unlimited
Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	95%	Unlimited

Treasury Risks Arising From Permitted Instruments
All of the investment instruments in the above tables are subject to the following risks:

1. **Credit and counter-party risk**
   This is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the Council particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA-rated organisations have a very high level of creditworthiness.

2. **Liquidity risk**
   This is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. The column in the above tables headed as 'market risk' show each investment instrument as being instant access, notice period i.e. money is available after the notice period (although it may also be available without notice but with a loss of interest), or term i.e. money is locked in until an agreed maturity date.

3. **Market risk**
   This is the risk that, through adverse market fluctuations in the value of the principal sums that the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long term increase in value.

4. **Interest rate risk**
   This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Prudential Indicators and Treasury Management Indicators in this report.

5. **Legal and regulatory risk**
   This is the risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

   The risk exposure of various types of investment instrument can be summarised as:
   - low risk = low rate of return
   - higher risk = higher rate of return.

   For liquidity, the position can be summarised as:
   - high liquidity = low return
   - low liquidity = higher returns.

Controls on Treasury Risks

1. **Credit and counter-party risk**
   This Council has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes.

2. **Liquidity risk**
   This Council undertakes cash flow forecasting to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk**
   The only investment instruments that the Council has agreed as Permitted Investments and that can have market risk are Certificates of Deposit. Although they have a market value that fluctuates, the market risk does not arise if the Certificates are retained until maturity - only if they were traded prior to maturity if the need arose.

4. **Interest rate risk**
   This Council manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or, alternatively, seeks to minimise expenditure on interest costs on borrowing.

5. **Legal and regulatory risk**
   This Council will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations.

Unlimited Investments
Investment Regulation 24 states that an investment can be shown in the above Permitted Investments tables as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category:

1. Debt Management Agency Deposit Facility (DMADF)
   This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's credit rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government-issued treasury bills or gilts.

2. High Credit Worthiness Banks and Building Societies
   See paragraphs 7.17 to 7.23 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will seek to ensure diversification of its portfolio with the following limits:
   - Limit for any single institution (except Council's bankers): £15m
   - Limit for Council's bankers: £50m (or as approved by the Council or Committee)
   - Limit for any one group of counterparties: £30m (£50m or as approved by the Council or Committee for the group including the Council's bankers).

3. Funds Deposited with Inverclyde Council (for Common Good funds)
   This has been included so that, under the Permitted Investments, all funds belonging to the Common Good can be deposited with Inverclyde Council (and receive interest from the Council) rather than requiring the Common Good funds to be invested under separate Treasury Management arrangements.

Objectives of Each Type of Investment Instrument
Investment Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted':

1. Deposits
   The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date, or until the end of an agreed notice period, or is held at call.

   a) Debt Management Agency Deposit Facility (DMADF)
      This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. It is, however, very useful for authorities whose overriding priority is the avoidance of risk. The longest term deposit that can be made with the DMADF is 6 months.

b) Term deposits with high credit worthiness banks and building societies
   See paragraphs 7.17 to 7.23 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Council will seek to ensure diversification of its portfolio of deposits as practicable and as explained above. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

c) Notice accounts with high credit worthiness banks and building societies
   The objectives are as for 1.b) above but there is access to cash after the agreed notice period (and sometimes access without giving notice but with loss of interest). This can mean accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit.

d) Call accounts with high credit worthiness banks and building societies
   The objectives are as for 1.b) above but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

2. Deposits With Counterparties Currently In Receipt of Government Support/Ownership
   These institutions offer another dimension of creditworthiness in terms of Government backing through either direct (partial or full) ownership or the banking support package. The view of this Council is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view even if the UK sovereign rating were to be downgraded in the coming year.

   a) Term deposits, notice accounts and call accounts with high credit worthiness banks which are fully or semi nationalised
      As for 1.b), 1.c) and1.d) above but Government ownership implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This Council considers that this indicates a low and acceptable level of residual risk.

3. Securities
   a) Certificates of Deposit
      These are shorter term investments issued by deposit taking institutions (mainly banks) so they can be sold if the need arises. However, that liquidity (and flexibility) comes at a price so the interest rate on a Certificate of Deposit is less than placing a Fixed Term Deposit with the same bank.

4. Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)
   a) Money Market Funds (MMFs)
      By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.

5. Non-Treasury Investments
   b) Share holding, unit holding and bond holding, including those in a local authority owned company
      The objectives for the holding of shares, units, or bonds (including those in a local authority owned company) will vary depending on whether the Council wishes to undertake actual investments in the market or has the holding as a result of a previous decision relating to the management or provision of Council services. This Council will not undertake investments in the market in shares, units, or bonds but may, if required, hold shares, units, or bonds arising from any decisions taken by the Council in relation to the management or provision of Council services.

   c) Loans to a local authority company or other entity formed by a local authority to deliver services
      Having established a company or other entity to deliver services, a local authority may wish to provide loan funding to assist the company or entity. Any such loan funding would be provided only after consideration of the reasons for the loan, the repayment period for the loan, and the likelihood that the loan would be able to be repaid by the company or entity. Such loan funding would be provided from Council Revenue Reserves rather than from borrowing.

   d) Loans made to third parties
      Such loans could be provided for a variety of reasons such as economic development or to assist local voluntary groups. Any such loan funding would be provided only after consideration of the reasons for the loan, the repayment period for the loan, and the likelihood that the loan would be able to be repaid by the third party concerned.

   e) Investment property
      An investment in property would give the Council exposure to risks such as market risk (movements in property prices), maintenance costs, tenants not paying their rent, leasing issues, etc. This Council does not currently undertake investments involving property but may have investment property should there be a reclassification, due to accounting rules, of individual properties held by the Council.

Appendix 3

FORECASTS OF INVESTMENT BALANCES

Investment Regulation 31 requires the Council to provide forecasts for the level of investments for the next three years, in line with the time frame of the Council's capital investment programme. The following forecasts are for the next four years:

INVESTMENT FORECASTS	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	Estimate	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000
Cash balances managed in house				
1 April	25,000	19,426	18,771	17,483
31 March	19,426	18,771	17,483	14,164
Change in year	(5,574)	(655)	(1,288)	(3,319)
Average daily cash balances	22,213	19,099	18,127	15,824
Holdings of shares, bonds, units (includes authority owned company)				
1 April	2	2	2	2
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	2	2	2	2
Loans to local authority company or other entity to deliver services (Inverclyde Leisure)				
1 April	483	441	398	353
Advances	0	0	0	0
Repayments	42	43	45	46
31 March	441	398	353	307
Loans made to third parties (Largely BPRA)				
1 April	2,128	2,106	818	104
Advances	0	0	0	0
Repayments	22	1,288	714	14
31 March	2,106	818	104	90
Investment properties				
1 April	0	0	0	0
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	0	0	0	0
TOTAL OF ALL INVESTMENTS				
1 April	27,613	21,975	19,989	17,942
31 March	21,975	19,989	17,942	14,563
Change in year	(5,638)	(1,986)	(2,047)	(3,379)

The movements in the forecast investment balances shown above are due largely to ongoing treasury management activity in accordance with the Council's treasury management strategy or, for loans made to third parties, in accordance with Council decisions made in respect of such loans.

All of the Council's cash balances are managed in-house with no funds managed by external fund managers.

The "holdings of shares, bonds, units (includes authority owned company)" relate to the Common Good.

Appendix 4

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 legal separation of those parts of a bank that undertake riskier activities (such as investment banking) 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.

Finance Services
Inverclyde Council
January 2019.

Inverclyde council

AGENDA ITEM NO: 14

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/11/19/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Proposed Increase to the Long Term Empty Council Tax Levy**		

1.0 PURPOSE

1.1 The purpose of this report is to seek Committee approval to increase the Long Term Empty Property Council Tax Levy to the maximum allowed of 100%.

2.0 SUMMARY

2.1 In 2013 the Scottish Government gave Local Authorities the option to apply a levy of up to 100% on the Council Tax chargeable to empty properties. The policy intention being to encourage a reduction in the number of long term empty properties.

2.2 The Scottish Government gave flexibility to Councils to develop their own policies in this regard along with associated exemptions. Over the last 6 years Councils have generally been progressively increasing the levy due to the financial constraints placed on Councils and as part of the 2018/19 Revenue Budget the Council agreed to increase the levy from 30% to 50%.

2.3 Given the pressure that is on the Council's budget for 2019/20 Officers have been reviewing the long term empty policy and would highlight the option for the Council to increase the levy to the maximum of 100% in line with many other Councils in Scotland.

2.4 At the same time the Officers have also reviewed in what circumstances exemptions to the Long Term Empty Property Levy would apply and have attached a revised policy at Appendix 1. Within this at section 7 of the appendix Officers have proposed new exemptions based on actual situations which have arisen over the last few years.

2.5 It is difficult to estimate with any degree of accuracy the behavioural change that an increase in the long term empty levy to 100% will cause however it is inevitable that the number of houses classed as long term empty will reduce over the short to medium term. From a housing policy perspective this is a good thing and it is therefore important that Officers do not overestimate the potential recurring extra income which could be generated. With this in mind it is estimated that the gross Council Tax income which could be generated by this change would be £60,000. Furthermore it is proposed that £15,000 of this sum is used to create an additional part time resource within the Revenues Team to manage the increased administrative work generated from this and other Council Tax exemption/levy enquiries.

2.6 If approved it is proposed that the increased levy be implemented from 1 April 2019.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee considers the contents of this report, considers the proposed additional change to the Policy set out in 7.2 and thereafter agrees to increase the LTE levy to 100% from 2019/20.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 In 2013 the Scottish Government gave Local Authorities the flexibility to apply a levy of up to 100% to Council Tax charges where a property had been vacant for at least 12 months. This was referred to as the Long Term Empty (LTE) Property Levy.

4.2 Inverclyde Council has applied an incremental approach to implementing the levy with a 30% charge applied from April 2016 and a 50% charge applied from April 2018. A recent Freedom of Information request from the BBC highlighted that many Councils in Scotland now apply 100% levy and the fact Inverclyde not charging the 100% levy has been highlighted by Trades Unions during recent budget discussions.

5.0 PROPOSALS

5.1 Given the pressure that is on the Council's budget for 2019/20 Officers have been reviewing the long term empty policy and would propose that given the considerable financial pressures on the Council that consideration should be given to increase the levy to the maximum of 100% in line with many other Councils in Scotland. (Appendix 2).

5.2 At the same time the Officers have also reviewed in what circumstances exemptions to the Long Term Empty Property Levy would apply. Much of this has been informed by actual situations highlighted by Council Tax payers. A revised policy is attached at Appendix 1 with section 7 highlighting the proposed changes.

5.3 Officers believe that the proposal strikes the balance between incentivising a reduction in the number of Long Term Empty properties whilst providing some time limited protection for those who are in the process of ensuring the property is occupied or disposed of.

5.4 The proposal will increase the LTE income budget to £180,000.

6.0 IMPLICATIONS

6.1 **Finance**

The policy objective generated by the Long Term Empty Levy should mean that this is not a sustainable revenue source in the longer term. Officers have therefore taken a prudent view of the amount which it believes can be generated in the medium term.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Council Tax	Income	2019/20	(60)		
Revenues	Employee Costs	2019/20	15		Increased resource to address enquiries and administrative costs.

6.2 **Legal**

There are no direct legal implications arising from this report.

6.3 **Human Resources**

It is proposed that a proportion of the increased Council Tax income be utilised to create a part time resource within the Revenues team to manage this and other Council Tax policy enquiries.

6.4 **Equalities**

Has an Equality Impact Assessment been carried out?

[ ]	Yes	See attached appendix
X	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**

By bringing more currently empty properties into active occupation will have a positive impact on the Council stabilising an increase in its population.

7.0 CONSULTATIONS

7.1 The proposals in this report are supported by the MBWG, Corporate Management Team and the Joint Budget Group.

7.2 Notice of this proposal was shared with the local RSLs and responses were received from two including RCH. RCH requested consideration of further exemptions for their properties in “Major Intervention Areas”. Having considered this matter, officers within Social Protection Services would recommend the following change is made to the Policy in Appendix 1:

Exemption for the full implementation of the increased LTE Council Tax levy would be considered for a defined housing area provided an intervention plan led by an RSL has been agreed with the Council. The Plan’s delivery must be resourced and be time limited to a reasonable period which reflects the level of intervention required. The exemption will be for 12 months initially. Intervention plans lasting longer than 12 months will require further application(s) for additional exemption. These further applications will be considered favourably if the interventions are making adequate progress against the agreed plan. Other owners within the defined area will also be eligible for exemption also subject to an agreed intervention plan.

8.0 BACKGROUND PAPERS

8.1 None.

Appendix 1

Council Tax

Long Term Empty Property & Second Homes Policy

Inverclyde Council - Finance
Revenues and Customer Services

Document Control

Prepared by:	**Liz Brown**	**August 2015**
Approved by:	**Policy & Resources Committee**	**September 2015**

Change Control Table

Version	Version Date	Revised By	Reason for Change
2.0	March 2018	L Brown	Levy increased to 50% from 1st April 2018
3.0	December 2018	L Brown	Levy increased to 100% from 1st April 2019
			Additional discretionary exemption categories introduced
			Second Homes Policy added to document

Inverclyde Council - Finance
Revenues and Customer Services

Table of Contents **Page(s)**

1.0 Introduction

This document details Inverclyde Council's Policy on a Council Tax Increase (Levy) on Long Term Empty (LTE) properties.

2.0 Background

2.1 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 provides local authorities with a discretionary power to remove the empty property discount or set a council tax increase of up to 100% on certain properties which have been empty for 1 year or more. Previously, local authorities were only able to vary the level of discounts, with a minimum discount of 10% for empty and second homes.

2.2 The provision only applies to long-term unoccupied properties, not second homes.

2.3 This greater flexibility is intended as an additional tool to help local authorities encourage owners to bring empty properties back into use, both to increase the supply of housing for those who need homes and to reduce the blight on communities caused by houses being left empty and allowed to fall into disrepair. The council tax increase could be used as part of a wider approach to tackle long-term empty homes including support and guidance to owners and provision of loans or grants if available.

2.4 For eligible unoccupied properties, local authorities can set a discount of between 0% and 50% or an increase of up to 100%. The provision also gives local authorities discretion to vary the council tax charged for different circumstances, and to apply discounts or increases in all or part of their areas. This can be done by using postcode boundaries, council wards or data zones. This could include charging different rates for a variety of different reasons as a local authority considers appropriate, and is intended to recognise that different pressures and factors will affect different areas.

2.5 Guidance has been issued by the Scottish Government in relation to the allowable flexibility available to ensure that authorities do not unfairly penalise owners who are justified in leaving their dwelling unoccupied or where there are reasons why the dwelling could not be lived in, sold or let.

3.0 Unoccupied Dwellings

3.1 The council tax increase can be applied to homes which have been unoccupied for 1 year or more. An unoccupied dwelling is any dwelling which is not someone's sole or main residence, but does not fall within the definition of a second home. An unoccupied dwelling may be either furnished or unfurnished but is either not lived in at all or is lived in for less than 25 days in any twelve month period.

3.2 The council tax increase does not apply to water and sewerage charges.

4.0 Second Homes

4.1 The council tax increase will not apply to second-homes. In general, second-homes are maintained well and are occupied for periods of the year when their owners contribute to the local economy.

4.2 Under the new legislation, a second home is defined as being furnished and lived in for at least 25 days in any twelve month period, but not as someone's sole or main residence. This aims to ensure that only homes which are likely to be reasonably well maintained and which the owner is likely to visit regularly (and therefore make some contribution to the local economy) can qualify as a second home.

4.3 The Council will not be able to charge a council tax increase for second homes but will, as was previously the case, have flexibility to set a discount level of between 0% and 50%. The second home discount level set by Inverclyde Council from 1st April 2017 is 0%, prior to 1st April 2017 the level was set at 10%.

4.4 It will be for owners to prove that their property is a genuine second home and need to provide evidence to substantiate their claim. Evidence provided may be in the form of utility bills, TV license and anything else deemed appropriate. Visiting officers may be utilised to follow up on individual properties.

5.0 Exclusions from the Increase

5.1 Existing Mandatory Discounts and Exemptions

The new flexibility will not affect an owner's eligibility to claim council tax exemptions under the Council Tax (Exempt Dwellings) (Scotland) Order 1997.

As long as an owner is eligible for an exemption, they would not be charged any council tax, regardless of how long the dwelling has been unoccupied. However, where a dwelling becomes no longer eligible for the exemption, but remains unoccupied, it will become eligible for the council tax increase after the property has been empty for 1 year.

Properties classed as purpose built holiday homes or occupied as job related dwellings will continue to receive 50% discount.

The legislation defines a purpose built holiday home as a dwelling which is used for holiday purposes and is either, in accordance with any license or planning permission regulating the use of the site, or for any other reason, not allowed to be used for human habitation throughout the whole year or, by reason of its construction or facilities which it does, or does not, provide, is unfit so to be used.

5.2 Homes actively being marketed for sale or let

Homes being marketed for sale or let will be exempt from the council tax increase until they have been unoccupied for 2 years, these homes will continue to attract a discount of 10%. New build properties can also qualify for this exemption from the increase. This exemption is conditional on the home being genuinely marketed for sale or let at a realistic market price. In considering whether a home is genuinely being marketed for sale or let, the council can have regard to any unduly restrictive conditions being attached to the sale or let as well as the sales price/ rent level. In coming to their decision on whether or not the property is being genuinely marketed for sale or let, the council can request and take into account evidence including:

- Home Report - If the property is being marketed for sale, does it have a valid home report? Most houses for sale in Scotland require a home report which also includes a valuation of the property. If the home report valuation is significantly below the advertised price, it may be that the owner is not making a genuine attempt to sell their property.

- Marketing - Is the owner's marketing efforts providing adequate exposure to the market? Is the property being actively marketed by an agent and/or property sale/letting website?

5.3. Additional flexibility to vary discount/increase

Regulation 4 of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 includes provision for local authorities to apply additional exemption from the increase, or to charge a reduced level of increase. This could include charging different rates according to, for example, the area the dwelling is in; the length of time that the dwelling has been unoccupied and other circumstances as a local authority considers appropriate.

This additional flexibility is included so that local authorities can modify provision by

- not charging a council tax increase,
- charging a reduced level of increase,
- offering a higher level of discount.

The legislation provides adequate flexibility to ensure that individual owners are not unfairly penalised. The circumstances of individual owners should be taken into account when applying the increase. This allows a local authority to avoid charging a council tax increase, or to charge a lower level of council tax than for other unoccupied dwellings, where it considers there are reasons why the owner is justified in leaving the dwelling unoccupied and/or reasons why the dwelling could not be lived in, sold or let.

Scottish Government guidance states that the following circumstances would merit flexibility in terms of not charging the council tax increase where the property has been empty for over a year and:

- The owner is finishing renovations prior to moving in/selling/letting and can demonstrate that these works are progressing.
- A long-term second home where the owner was unable to meet the 25 day occupancy criteria in the previous 12 months due to personal circumstances but where a history of 25 day occupancy can be shown in previous years.
- A property that is taking a long time to sell/let in a stagnant market despite being priced appropriately.
- Any other circumstances where the owner has agreed with an Empty Homes Officer to take positive steps to re-occupy their property and it is in the view of the Empty Homes Officer that a time-limited council tax increase "holiday" would encourage the property to be brought back into use sooner.

For all cases, the maximum discount of 50% and a maximum increase of 100% as set in the legislation must not be exceeded. Under the legislation, local authorities are prevented from using their discretion to vary council tax charges in a way that gives more favourable treatment to unoccupied social rented dwellings just because they are owned by a social landlord.

It is important that all owners take steps to bring unoccupied homes back into use as soon as possible, rather than leaving them empty.

6.0 Information Requests

6.1 The Council Tax (Administration and Enforcement) (Scotland) Amendment Regulations 2012 require the council to take reasonable steps to ascertain whether a taxpayer is entitled to a discount or liable to an increased amount before calculating the council tax liability, with the default position being that there is no variation unless a reason for variation is identified. The council is also required to ensure that the taxpayer is notified of assumptions made and of their responsibilities to advise of changes in their circumstances or of an erroneous assumption.

6.2 The regulations also place an obligation on specific persons to provide information which is sought by the council for the purposes of ascertaining whether a discount or increase in council tax liability applies as a result of non-occupation of the dwelling.

7.0 Council Tax Levy Policy

7.1 Under this policy the council tax increase to be applied by Inverclyde Council is:

- From 1st April 2016 the increase is set at 30% of the annual council tax charge for the property.
- From 1st April 2018 the increase is set at 50% of the annual council tax charge for the property.
- From 1st April 2019 the increase is set at 100% of the annual council tax charge for the property.

7.2 There is no council tax increase on the water and sewerage charge.

7.3 The increase applies to all parts of the Council area, there is no variation at ward or post code level.

7.4 In order to ascertain whether a vacant property is eligible for the council tax increase, a review form will be issued once a property has been unoccupied for 12 months.

7.5 Once the review form is returned a decision will be made on whether the property is entitled to a discount or should be subject to an increased amount.

7.6 Any additional information or evidence required will be requested from the owner.

7.7 Visiting officers may also be utilised to follow up on individual properties.

7.8 Officers will carry out checks to verify claims and any decision made is final subject to appeal.

7.9 Once the review form has been processed the owner will be notified in writing of the decision.

7.10 Owners will be advised of the mandatory and discretionary exemptions that can be applied for, their right to appeal any decision and also of their responsibility to advise of any change in circumstances or of any erroneous assumptions by the council.

7.11 An application for a mandatory or discretionary exemption from the council tax increase must be made in writing by completion of an application form.

7.12 It is proposed in this policy that the following discretionary exemptions that can be applied for under this policy are introduced from 1st April 2019. These are in addition to the existing discretionary exemption category noted below which will continue under this policy.

Additional Discretionary Exemptions from 1st April 2019

Discretionary Category	Purpose	Maximum Exemption Period
New Owner or Tenant	The new owner or tenant of a long term empty property requires a short period of time to make the property fit for occupation or to move in.	3 Months
Owner is working with Empty Homes Officer	Owner has agreed with the Empty Homes Officer to take positive steps to re-occupy their property and it is the view of the Empty Homes Officer that a time-limited council tax increase "holiday" would encourage the property to be brought back into use sooner.	6 Months

Property undergoing repair/renovation	Property is undergoing major repair to make it habitable, the liable person can demonstrate work is progressing	12 Months

Existing Discretionary Exemption

Exceptional Circumstances	The owner considers that their property is empty due to exceptional circumstances not covered by the discretionary exemption categories	6 Months

8.0 Second Homes Policy

8.1 Under this policy the council tax discount on second homes to be applied by Inverclyde Council is:

- From 1st April 2017 the discount is set at 0% of the annual council tax charge for the property.
- Prior to 1st April 2017 the discount was set at 10% of the annual council tax charge for the property.

8.2 Although the discount on second homes is set at 0% from 1st April 2017, it is in the interest of owners of second homes to apply to the council for their property to be classed as a second home in order to avoid the council tax increase on unoccupied properties.

8.3 A second home is defined as being furnished and lived in for at least 25 days in any twelve month period, but not as someone's sole or main residence. This aims to ensure that only homes which are likely to be reasonably well maintained and which the owner is likely to visit regularly (and therefore make some contribution to the local economy) can qualify as a second home.

8.4 Under this policy properties that are undergoing renovation or repair will not be considered as second homes.

8.5 It will be for owners to prove that their property is a genuine second home and they need to provide evidence to substantiate their claim. Evidence provided may be in the form of photographs of the interior of the property, utility bills, TV license, second home insurance schedule and anything else deemed appropriate. In addition proof of travel to the property such as train or airline tickets may be requested.

8.6 Visiting officers may be utilised to follow up on individual properties.

8.7 Officers will carry out checks to verify claims and any decision made is final subject to appeal.

8.8 If the owner of a long-term second home was unable to meet the 25 day occupancy criteria in the previous 12 months due to personal circumstances but a history of 25 day occupancy can be shown in previous years, the property can continue to be classed as a second home for a further 12 months.

8.9 A newly purchased property that is intended to be occupied as a second home will not be classed as a second home until it has been occupied for 25 days in a rolling 12 month period.

8.10 Second Homes will be reviewed annually to ensure they continue to meet the 25 days occupancy per rolling 12 month period.

9.0 Appeals

9.1 Appeals can be made in writing to the Revenues and Customer Services Manager; the appellant will be notified of the outcome of their appeal within 2 months.

9.2 If, following the appeal to the Revenues and Customer Services Manager, the customer remains dissatisfied with the decision they have a further right of appeal to the Valuation Appeal Committee. Any appeals to the Valuation Appeal Committee must be within four months of the date of their original appeal.

Appendix 2

Council Tax Increase on Long Term Empty Properties

Aberdeen City	100%
Aberdeenshire	100%
Angus	100%
Argyll and Bute	100%
Clackmannanshire	100%
Dumfries and Galloway	100%
Dundee City	100%
East Ayrshire	100%
East Dunbartonshire	0%
East Lothian	100%
East Renfrewshire	0%
Edinburgh, City of	100%
Eilean Siar	100%
Falkirk	100%
Fife	100%
Glasgow City	100%
Highland	100%
Midlothian	100%
Moray	100%
North Ayrshire	100%
North Lanarkshire	100%
Orkney Islands	0%
Perth & Kinross	100%
Renfrewshire	100%
Scottish Borders	100%
Shetland Islands	0%
South Ayrshire	50%
South Lanarkshire	0%
Stirling	100%
West Dunbartonshire	100%
West Lothian	100%

Inverclyde council

AGENDA ITEM NO: 15

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/01/19/AP/AE**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712143**
Subject:	**Corporate Charging Policy**		

1.0 PURPOSE

1.1 The purpose of this report is to present the updated Corporate Charging Policy to the Committee and seek approval to set a standard inflation uplift for all discretionary charges as part of the 2019/20 Revenue Budget process.

2.0 SUMMARY

2.1 The Corporate Charging Policy was approved by Policy & Resources Committee on 24 March 2015. The policy was developed as a result of an Audit Scotland report, Charging For Services: Are You Getting it Right? At this time, the Council identified the need to develop a corporate policy for fees and charges and the need to develop a protocol for review of the corporate policy and associated charges.

2.2 The revised Corporate Charging Policy is included at Appendix 1. No significant changes are proposed to the Policy approved in 2015.

2.3 Charges for services are reviewed annually as part of the budget process and, where any new charges or any variance to charges are presented to the Council, as budget options. The annual budget process used to include an inflationary uplift for all discretionary charges; however no inflationary uplift was applied as part of the 2018/19 budget process. The last inflationary uplift approved was 2% inflation, applied to 2017/18 revenue budget. Applying a standard inflationary uplift can reduce the need to consider year on year increases on a case by case basis.

2.4 It is proposed that an annual inflationary uplift is applied to all discretionary charges for the 2019/20 Revenue Budget process. Appendix 2 provides the potential income to be achieved by increasing charges by 2% inflationary uplift up to and including 5% uplift. An uplift of 2% to discretionary charges will raise an estimate of £92,000 additional income. 5% uplift will raise approximately £231,000 additional income. In the context of the current 2019/20 Budget position the CMT would propose a 3% increase in all discretionary charges from 1 April 2019. Dependant on on going budget developments Members may decide to apply a supplementary increase as part of the 2019/20 Budget approval in March.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee approves the revised Charging Policy as identified at Appendix 1.

3.2 It is recommended that the Committee approves the proposal to uplift discretionary charges by 3% from 1 April 2019 and notes the opportunity for Members to agree further increases as part of the 2019/20 Revenue Budget.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Policy and Resources Committee approved the Council's Corporate Charging Policy on 24 March 2015. The policy was established as a result of the Audit Scotland publication Charging for Services: Are You Getting it Right?

4.2 This policy is included at Appendix 1 and the key elements are:

- Authority to set a charge
- Policy principles
- Concessions and Waivers
- Level of charge set
- Debt write off
- Guidance on setting and maintaining charges
- Glossary of Concessions and Waivers

4.3 It is important that the Corporate Charging Policy is reviewed regularly to ensure that the Policy continues to be consistent with the Council's corporate objectives. This is the first review undertaken since the policy was approved in March 2015.

4.4 The review has established that the Policy remains relevant and up to date. A minor change has been made at section 7.3 where this has been changed to Services should review all significant or material charges and complete the template within the Charging Policy Appendix B part 1 and part 2.

5.0 PROPOSAL

5.1 Charges for services should be reviewed annually as part of the budget process and should include a standard uplift for corporate inflation for all discretionary charges. No standard inflation uplift was applied as part of the 2018/19 budget process. A 2% uplift was applied in 2017/18.

5.2 A review has been undertaken by Finance Services of all budget lines that incorporate discretionary charges. Appendix 2 provides the potential income that can be raised by applying 2% up to and including 5% inflationary uplift across Directorates.

5.3 It is proposed that an annual inflationary uplift of 3% is applied to all discretionary charges from 1 April 2019. An uplift of 3% to discretionary charges will raise an estimate of £138,000 additional income.

6.0 IMPLICATIONS

Finance

6.1 An inflationary uplift to discretionary charges will potentially raise a further £138,000 income. A revised Charging Booklet will be put on the Council's website reflecting all new charging rates.

<u>Financial Implications:</u>

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**
Various	Income	April 2019	(138)	N/A	Based on a 3% increase.

Legal

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

Human Resources

6.3 There are no human resource implications arising from this report.

Equalities

6.4 Has an Equality Impact Assessment been carried out?

[ ]	Yes	See attached appendix
x	No	This report does not introduce a new policy, function or strategy or recomme a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

Repopulation

6.5 There are no repopulation implications arising from this report.

7.0 CONSULTATION

7.1 The CMT have reviewed the Policy and options for increasing charges and support the proposed 3% increase.

8.0 LIST OF BACKGROUND PAPERS

8.1 None

Appendix 1

CHARGING POLICY

11 October 2018

CHARGING POLICY – INDEX

INVERCLYDE COUNCIL CHARGING POLICY

1.0 PURPOSE

1.1 This document sets out the Council's Corporate Charging Policy which should be applied when setting fees and charges for services provided by Inverclyde Council and provides guidance for determining the level of charges set, recognising corporate objectives, and service demand along with associated legislation.

1.2 All Services should adhere to this Policy when determining charges as part of the budget-setting process in any given financial year, and/or any other ad hoc review or setting of service charges as required.

2.0 AUTHORITY TO SET A CHARGE

2.1 Charges for services should be reviewed annually as part of the budget setting process. This will include consideration of a corporate inflation uplift for all discretionary charges i.e. those not set by statute. The Council will set the level for the inflationary uplift, as part of the budget setting process.

2.2 Where there are proposals to introduce new charges, or to vary charges other than by any annual inflationary uplift, these should be presented to the Council as budget options as part of the budget setting process.

2.3 Any material variation to existing charges or introduction of new charges out with the budget setting process should be considered and approved by the Council's Corporate Management Team in advance of consideration by Members.

3.0 POLICY PRINCIPLES

3.1 The Council has an objective to ensure the delivery of Best Value services to the communities of Inverclyde. One element of ensuring that Best Value is achieved is to set fair and equitable prices for chargeable services, which support the Council's key strategic objectives and Service priorities.

3.2 The Corporate Charging Policy ensures a consistent and transparent approach to charging across all Council Services and each Corporate Director is responsible for ensuring the application of the policy.

3.3 How fees and charges are used can have a positive impact on service delivery and therefore should not be automatically considered detrimental or controversial. Charges can be used to influence behaviour to help meet the Council's objectives and should not be viewed in isolation as an income generator.

3.4 The reason for levying a charge, and the basis on which the charge should be levied, should be transparent and must be considered against the Council's corporate objectives. In some cases charges will be set at a statutory level per relevant legislation.

3.5 The level of discretionary charges should be benchmarked with neighbouring Councils and / or family benchmarking groups to ensure a test of reasonableness and should be incorporated within any proposals to materially amend charging levels.

3.6 Subsidised services relate to those services where there is partial support from public funds, the subsidy would apply across the board. The case for subsided services must be clearly evidenced.

3.7 In addition to subsidised services, charging will not be applicable or will be restricted for those services where:

- charging would not be cost effective to collect
- the Council cannot legally impose a charge for provision of a service
- a charge or the basis of a charge is set in statute
- charging would be counter-productive, e.g. for an infrequently requested service where the cost of charging would be greater than any potential income (depending on charging objective).

3.8 The preferred method for charging is for the payment to be received in advance of the receipt of the service. To reduce administration costs and avoid costs associated with debt recovery, Services should adopt this method wherever possible.

4.0 CONCESSIONS AND WAIVERS

4.1 For the purpose of this policy a concession refers to a discounted charge that could be based upon a variety of factors including, age, employment status, income or disability, charitable status and would be applied for example to promote social inclusion.

4.2 Services must ensure any proposed concessions are in accordance with any relevant legislation or guidance, and that the potential impacts of any proposed concessions are considered.

4.3 For the purpose of this policy a waiver refers to the full or partial waive of the charge i.e. the individual or group will make zero or partial payment of the full charge.

4.4 The detail of Service specific concessions and waivers will be identified as part of the annual charging document published by the Council, however to ensure consistency in approach and application these must conform to the principles set out in Appendix 1 Glossary of Terms.

5.0 LEVEL OF CHARGE SET

5.1 Where discretionary fees or charges are applied, each Service should set charging at a level where the charge will contribute to that Service's strategic and financial objective.

5.2 The most common financial objectives are:

- Recovery of full cost
- Percentage recovery of full cost
- Recovery of the marginal cost (the extra cost of providing each additional unit of service)
- Contribution to costs

5.3 The cost for provision of the service should not necessarily be treated in isolation for that individual Council service alone. It may be appropriate to factor in the costs of other Council services.

5.4 Charging is a legitimate way to ration or manage service usage and to reduce the cost to the Council Tax payer of providing the service. Determining the partial recovery of costs in such circumstances will need careful consideration and the relevant Service should seek committee approval when proposing amendments.

5.5 Services provided on a "commercial basis" must recover as a minimum the marginal cost, plus make a contribution towards fixed costs unless agreed by the Chief Financial Officer and relevant Corporate Director.

5.6 A degree of common sense / tolerance should be applied when setting annual charges e.g. £1.28 rounded up to £1.30 is a sensible rounding up which will reduce administration, similarly £2.26 should be rounded down to £2.25. This will be at the Corporate Director's discretion. Service users will be informed of proposals to amend charges with as much advance notice as possible.

5.7 Where VAT is applicable to a charge the rounding up / down should apply to the total payable (i.e. inclusive of the VAT element). VAT will be calculated on the basis of the rounded figure thereafter.

6.0 DEBT WRITE OFF

6.1 A debt should only be written off once all options for collection have been fully explored and followed, in line with the Council's Sundry Debtors Policy.

6.2 A debt can only be written off by the Council's Chief Financial Officer.

7.0 GUIDANCE ON SETTING and MAINTAINING CHARGES

7.1 As part of a series of improvement reports on how councils work Audit Scotland published the report "Charging for services – are you getting it right?" in October 2013.

The following eight step process is based on the cycle for managing charges included within that report.

Step	**Things to consider**
Identify which charges should be set and reviewed	Service user feedback Financial pressures and opportunities Alignment with corporate objectives
Assess constraints and understand legislation	National guidance Users ability to pay Use of surpluses Target service user groups
Collect and analyse information	Service uptake and user profile Customer satisfaction Other providers Unit costs and cost recovery Impact of previous charging decisions **Impact of multiple charges**
Examine options for charges and concessions	Impact on service users Forecast demand and income **Impact of attrition** Impact on other services and local businesses Consistency with corporate policy
Consult on proposals	Workshops with service users Residents surveys Sessions with councillors Staff feedback

Revisit options as appropriate	Adjust options as required Appraise all options Councillors to approve selected option
Implement the new charge	Timing and phasing Communication of changes Monitoring arrangements
Monitor and review the impact	Were the intended aims met? Impact on uptake and income Unintended consequences

7.3 As part of the annual budget process Services should review all charges and complete Appendix B Templates for new / significant changes to charges.

GLOSSARY OF TERMS

In order to ensure that concessions and waivers are consistently applied the following checklist must be adhered to within any Service policy. The following definitions should be used when establishing criteria for a concession or waiver policy:

A charity: To have charitable status in Scotland, that is to be a Scottish charity or a charity registered in Scotland an organisation must be entered in the Scottish Charity Register.

A voluntary organisation: is a not for profit and non-governmental organisation that carries out social activity or services. This sector is also called the third sector, in contrast to the public sector and the private sector.

Community Associations / Neighbourhood groups are: an organization of people and groups working for the common good of a neighbourhood or community, usually operating under a written constitution registered with the Scottish Charity Register

Uniformed Organisations: will cover a wide spectrum of organisations such as Scouts, Girl Guides, and Boys Brigade as well as benevolent organisations supporting people who belonged to a uniformed group be it military or civil. Examples would be RAF Benevolent Fund or Retired Nurse Group (Royal college of Nursing)

A child is: between 0 and 17 years of age though depending on legislation this can extend beyond 18.

An adult is: someone aged between 18 and 64 years of age. This may be impacted by certain legislation

An older person is: any person aged 65 years or older. In terms of charging we may wish to refer to when an individual is eligible to State pension This is currently 65 years of age but will increase to 67.

A commercial let is: a hire of a property or premises for business purposes.

A carer is: anyone, who provides unpaid care to a relative; partner; family member; neighbour or friend who has a physical or learning disability, mental illness or addiction issue.'

A financial assessment is: when we assess your income to see how much you can pay towards the cost of your service.

A financial assessment will be carried out if you receive a chargeable service. The officer is required to have proof of all income and capital held. You should therefore have available for inspection any Pension or Benefit statements, and bank or savings books relating to your financial affairs.

If your assessable weekly income is less than your income threshold figure you should not be charged for a service.

If your assessable weekly income is more than your income threshold figure you may be charged for a service.

CHARGING TEMPLATE – PART 1

Inverclyde council

1. DIRECTORATE	

2. NAME OF CHARGE	

3. POLICY AIM
Detail the Service policy

4. COST RECOVERY BASIS
Service / Finance to confirm that fundamental principles of charging policy have been adhered to. Any subsidised services or restrictions to charges to be detailed in full.

5. EQUALITY IMPACT / CONSULTATION PROPOSALS

CHARGING WORKSTREAM

Directorate

Name of Charge

Please complete template for either 1a or 1b. Please complete all areas shaded green.
Please note all areas shaded grey contain a formula.

1a POTENTIAL NEW CHARGE

Description of the charge	Proposed £ value per unit	Annual Units	£ annual income	% drop off	£ annual income
			-		-

Highest £ unit	Lowest £ unit

1b REVIEW EXISTING CHARGE

Description of the charge	Current £ value per unit	Annual Units	£ annual income	Proposed £ value per unit	% increase	% drop off	Revised Annual Units	£ annual income	£ increase /(decrease)
			0		0%		0	0	0

Highest £ unit	Lowest £ unit

Benchmark data against agreed group.

		£ unit	Year
1	Renfrewshire		
2	East Renfrewshire		
3	North Ayrshire		
4	East Ayrshire		
5	West Dunbartonshire		
6	Glasgow		
	Other (per any family groups etc.)		
7			
8			
9			
10			
11			
12			

Notes to Benchmarking comparisons

1
2
3
4
5
6
7
8
9
10
11
12

Income Analysis 2018/19 - Potential Income from Inflationary Uplift

Appendix 2

	Exclude	Include	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
Chief Exec	0	0	0	0	0	0	0	0	0
Env & Regen	(47,394,260)	(2,418,850)	(48,380)	(60,470)	(72,570)	(84,660)	(96,750)	(108,850)	(120,940)
Education	(4,593,560)	(1,541,580)	(30,830)	(38,540)	(46,250)	(53,960)	(61,660)	(69,370)	(77,080)
HSCP	(19,518,130)	(667,150)	(13,340)	(16,680)	(20,010)	(23,350)	(26,690)	(30,020)	(33,360)
Misc	(150,440)	0	0	0	0	0	0	0	0
	(71,656,390)	**(4,627,580)**	**(92,550)**	**(115,690)**	**(138,830)**	**(161,970)**	**(185,100)**	**(208,240)**	**(231,380)**

Note: - Income budgets from 2018/19 budget book

Main Fees & Charges	**Potential Impact up to 5%**			
	Env & Regen £,000	**Education £,000**	**HSCP £,000**	**Misc £,000**
Cremations	(34)			
Internment	(12)			
Sale of Lairs	(5)			
Roads Permit/Fees/Consent etc	(7)			
Refuse Transfer	(10)			
Trade Waste	(32)			
Golf Fees		(4)		
Early Years Wrapround		(10)		
School Lets		(6)		
School Meals Income		(50)		
Day Centre Charges to Other Local Authorites			(7)	
Homecare			(9)	
Community Alarms			(8)	
Other Charges to Clients			(9)	
Total	**(100)**	**(70)**	**(33)**	

Inverclyde council

AGENDA ITEM NO: 16

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/127/18/AP/FM**
Contact Officer:	**Fiona Maciver**	**Contact No:**	**01475 712223**
Subject:	**Audit Scotland: Housing Benefit Performance**		

1.0 PURPOSE

1.1 The purpose of this report is to update the Committee regarding the Audit Scotland's Annual Housing Benefit Performance Audit which is attached as appendix 1.

2.0 SUMMARY

2.1 Audit Scotland are responsible for auditing Housing Benefit (HB) performance and risk assess all councils every Autumn by means of assessing a range of factors, the key one being speed of processing. Councils not performing well or where performance has significantly declined are prioritised for an audit. Where Audit Scotland has significant concerns over a council's performance they will carry out a more in-depth focussed audit. In 2018, five Councils were selected for an audit. Inverclyde was not one of the five selected.

2.2 Audit Scotland found that the main risks and weaknesses in the councils audited in 2018 were around the areas of Accuracy, Interventions and Overpayments. Inverclyde's HB Service has robust processes in place to mitigate these risks.

2.3 In their Annual Update report, Audit Scotland comment on the changing landscape across Social Security provision in Scotland, the key changes being the rollout of Universal Credit (UC) Full Service. The report also mentions the new Social Security Scotland Agency (SSSA) which became operational in September 2018 which as it develops will deliver 11 Social Security Benefits that have been devolved to Scotland. Senior officers from Finance and HSCP have met with senior officials from the SSSA and will continue to do so in order to meet as far as possible the needs of the community and internal stakeholders such as HSCP and the Customer Service Centre.

2.4 Audit Scotland report on two new services that the Department for Work and Pensions (DWP) have introduced for councils which should lead to improved processing performance and debt recovery by allowing the matching of Earnings and Pensions of customers and their partners against real-time information from Her Majesty's Revenue and Customers (HMRC). Inverclyde's Housing Benefit Service has gone live with both services and the results are encouraging.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes Inverclyde's strong performance in the areas of risk identified by Audit Scotland.

3.2 It is recommended that the Committee notes that the 5.5 posts lost as part of the 2018/19 budget savings are likely to have an impact on processing performance.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 During 2017/18 approximately 18 per cent of Scottish households received financial support to help pay their rent in the form of means tested Housing Benefit (HB). Scottish Councils paid out £1.63 billion in HB awards in 2017/18 compared to £1.74 billion in 2016/17, a reduction in spend of 6.3%. For Inverclyde HB of £28.78 million was paid out in 2017/18 compared to £34.20 million in 2016/17, a reduction of 16%.

4.2 In 2017/18 Scottish councils received £22.8 million in administrative subsidy compared to £25.2 million in 2016/17 in funding from the Department for Work and Pensions (DWP) to deliver HB Services, this is a reduction in 9.5 percent and is due to DWP assumed efficiency savings. For Inverclyde administrative subsidy of £419,219 was received in 2017/18 compared to £509,691 in 2016/17, a reduction of 17%. The higher reduction is due to an assessed saving in workload due to Universal Credit.

4.3 Audit Scotland are responsible for auditing HB performance and risk assess all councils every Autumn and update this assessment each quarter. The assessment is based on a range of factors such as the DWP's most recent published speed of processing performance statistics which allows them to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well or where performance has significantly declined are prioritised for an audit. Should Audit Scotland have significant concerns over a council's performance they will carry out a more in-depth focussed audit.

4.4 In 2017/18 Audit Scotland issued individual risk assessment reports to Chief Executives of five councils. No focussed audits were carried out as no councils were identified as having any significant concerns, the councils selected for being issued with a report were:

- Stirling
- East Dunbartonshire
- Scottish Borders
- Moray
- Comhairle nan Eilean Star

4.5 Each of the councils identified developed an improvement plan to address the points raised and following subsequent discussion and further evidence being provided, Audit Scotland were satisfied with the improvement made in all councils.

4.6 Audit Scotland acknowledge the changing landscape across Social Security provision in Scotland, the key changes being the rollout of Universal Credit (UC) Full Service and the impact this is having on budget pressures, which in some councils is having an effect on the resources allocated to administer HB processing. They also acknowledge that the new Scottish Social Security Agency (SSSA) became operational in September 2018 which is likely to have an impact on Scottish councils. The Chief Financial Officer and senior Benefits and HSCP officers from Inverclyde have met with senior officials from the SSSA including the newly appointed Inverclyde Lead Officer and will continue to do so in order to meet as far as possible the needs of our community and internal stakeholders such as HSCP and the Customer Service Centre.

4.7 Audit Scotland report that DWP have introduced two new services for councils which should lead to improved processing performance and debt recovery one being the Verify Earnings and Pension Service (VEPS) which allows councils to verify earnings and pensions information from customers using real-time information from Her Majesty's Revenue and Customers (HMRC). The other is the Debt Service which allows councils to match customers with HB overpayments against employment data from HMRC. Audit Scotland comment that it is too early to determine the impact of these services on councils' performance however Inverclyde has had good results from both these services. More detail on these services can be seen at section 6 of this report.

5.0 HOW DOES THE COUNCIL COMPARE TO THE IDENTIFIED RISKS?

5.1 Following detailed analysis, the HB Audit identified outstanding risks relating to:

- Accuracy
- Interventions
- Overpayments

5.2 Councils cited reducing budget due to the year on year reduction in administrative subsidy from the DWP and workforce numbers together with wider pressure on council budgets as reasons why not all agreed actions have been fully implemented. Audit Scotland report that all five councils audited may not have the level of resources in place sufficient to maintain or improve on previous claims processing levels.

5.3 Until the 2018 budget savings, Inverclyde's HB service continued to employ sufficient resources to maintain and often improve on levels of processing performance. Workforce planning is closely monitored together with the reducing caseload as a result of UC roll out. The use of temporary resources when vacancies arise help protect permanent staff as the budgetary pressures increase and the caseload reduces. In the 2018, 5.5 Full Time Equivalents (FTE) ranging from grades H to E were deleted. It is too early to say what the impact of losing not just the number of staff but the years of experience of the staff leaving the service could have on performance and accuracy of processing. A reduction in processing times could result in an audit from Audit Scotland.

5.4 Audit Scotland identified that of the councils audited four of them do not formally report performance to Elected Members meaning there was limited assurance that the service was being challenged where performance was below expectations and likewise not being recognised where performance was good. Inverclyde's HB services report performance monthly to the Chief Financial Officer and speed of processing is reported to Elected Members as part of the Corporate Directorate Improvement Plan.

5.5 The Audit highlighted that in two of the councils audited accuracy levels were in decline and that one council was not routinely analysing the outcomes from its management checks to help identify trends and patterns of error that could help to improve accuracy rates. Inverclyde's HB Services have a robust accuracy process in place and all outcomes are recorded and reported on the monthly performance management framework, any errors found as part of the checking process are fed back to staff to help prevent reoccurrence which is reflected in the performance where accuracy of processing is consistently on or above target. Accuracy of processing is calculated on a quarterly basis and is reported to the CFO and is a KPI.

5.6 One of the roles of HB Services in Councils is to carry out a process of review on its live case load to ensure that changes in circumstances of customers and their household are up to date to ensure that as far as possible the correct level of Benefit is in payment; this process is called Interventions. Audit Scotland found that in 3 of the councils audited when intervention outcomes were being recorded the level of detail was not sufficient to allow them to determine the effectiveness of its approach in financial terms or of each intervention campaign. Inverclyde's HB Services have a robust process in place for performing and recording Interventions and outcomes. The following categories are recorded:

- No. of residency check postal reviews issued in the month
- % of other reviews identifying an increase
- % of other reviews unchanged
- % of other reviews identifying a decrease
- Diary events, significant age reports
- No. of claims reviewed

5.7 Intervention work can be costly in terms of staff time, stationery and postage and it is therefore critical that outcomes are recorded and monitored and that reviews are carried out at appropriate times for example in June to check if students are continuing in full time education or April to check for increase in private pensions. Timeous intervention action can help prevent an overpayment build up preventing the customer getting into debt as well as ensuring that the maximum Benefit entitlement is in payment.

6.0 CHANGES TO HOUSING BENEFIT VERIFICATION AND DEBT RECOVERY

6.1 Audit Scotland advise in their Performance Audit report that the DWP rolled out the Verify Earnings and Pensions (VEP) Service to all councils between April and November 2017 which enables council staff to verify customer or their partner's earnings and pension's information in real time from HMRC's payment system when processing new claims, changes in circumstances and reviews. It has also now developed an alerts service that has been rolled out across the UK since May 2018 which triggers an alert to councils as and when there are certain changes to a customer's earnings or pension information during the life of a HB claim. It will notify councils via a 'start' alert when a customer or their partner has new employment earnings or a non-state pension and will also notify councils by means of a 'fluctuating' alert when a customer or their partner's employment or non-state pension has changed.

6.2 Inverclyde's HB service went live with VEP in September 2017 and took up the offer to participate in the VEP alerts programme which went live in Inverclyde from the end of August 2018. The VEP service is a very efficient way to obtain accurate up to date information that would otherwise require contact with the customer and also results in recovery of overpayments before they become larger meaning the customer is not building up debt. Results are recorded on the benefits monthly performance measurement framework. Since August 2018, 200 VEP alert records have been processed identifying 156 overpayments of housing benefit totalling £43,781 and 44 underpayments amounting to £1,196.

6.3 Audit Scotland also advise of the DWP's HB Debt Service which commenced in April 2018 and is being utilised by 25 councils. This service allows councils to select cases where normal recovery from HB processes have failed or where the employer or pension provider cannot be traced. The case is submitted to the HB Debt Service who will try and trace employer or pension provider details and then return details to the council which allow a Direct Earnings Attachment application to be submitted to the employer or pension provider to recover the debt Inverclyde went live with this service from the start and the success rate has been good and, as a result, the DWP has invited Inverclyde to attend a workshop to help promote the HB Service to other Scottish Councils. As with the VEP service, results are recorded on the monthly performance measurement framework. 224 cases have been referred to the HB Debt Service and since April 2018 £15,492 has been recovered utilising Direct Earnings Attachments.

6.4 Currently councils can also recover HB overpayments for live cases from ongoing DWP Benefits such as Universal Credit (UC), Jobseekers Allowance (JSA) and Employment Support Allowance (ESA). For Inverclyde this is our highest source of overpayment income. As UC rolls out and cases migrate over from live HB to UC councils will no longer have this option. Application for deductions can still be made but the DWP rank HB debt along with other potential debts the customer may have and HB overpayments are is considered to be a low priority debt.

7.0 WIDER WELFARE REFORM

7.1 The Performance Audit includes a section on wider Welfare Reform and talks of the changing landscape of the Scottish Social Security System at a UK level and of the powers being devolved to Scotland. The Social Security (Scotland) Act received Royal Assent in June 2018 and the new Social Security Scotland Agency (SSSA) became operational from the start of September 2018. The size and complexity of the agency will increase significantly as it becomes fully established to deliver the full range of 11 Benefits that have been devolved to Scotland. Paragraph 4.6 of this report advises on the communication that has taken so far with the SSSA. Elected Members will be kept updated as the SSSA rolls out in the Welfare Reform Update report that is presented each cycle to Policy and Resources Committee.

7.2 Audit Scotland also comment on the fact that UC remains the most significant change to the social security landscape. In June 2018 the National Audit Office (NAO) reported on the progress being made by the DWP to implement UC. The NAO concluded that UC is not delivering value for money and it is uncertain that it ever will and that it may cost more to administer than the package of benefits it is replacing. It cites the following as areas of concern:

- Customers and organisations representing them reporting hardship because of moving onto UC.
- Delays in customers being paid in full and/or on time.
- Challenges for customers having difficulties accessing and successfully using the digital application systems.
- UC creating additional costs for councils such as the processing of housing benefit stop notices as UC is awarded.
- Bigger demands on councils due to their role in providing local support services on behalf of the DWP with funding provided by the DWP not always covering the cost of providing these services.

7.3 Inverclyde HB services together with HSCP monitor the impact of UC closely and emerging and ongoing issues are discussed at the Welfare Reform Project Board which is chaired by the CFO. External partners are also communicated with at the Financial Inclusion Partnership and Elected Members are kept updated in the Welfare Reform Update report that is reported to each cycle of the Policy and Resources Committee.

8.0 IMPLICATIONS

8.1 Finance

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					

8.2 **Legal** – there are no legal implications arising from this report.

8.3 **Human Resources** – there are no human resources implications arising from this report.

8.4 **Equalities**

Has an Equality Impact Assessment been carried out?

☐	Yes	See attached appendix
X	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.

8.5 **Repopulation** – There are no repopulation issues arising from this report.

9.0 CONSULTATIONS – The CMT have approved the contents of this report.

10.0 LIST OF BACKGROUND PAPERS - none

Appendix 1

Housing Benefit Performance audit

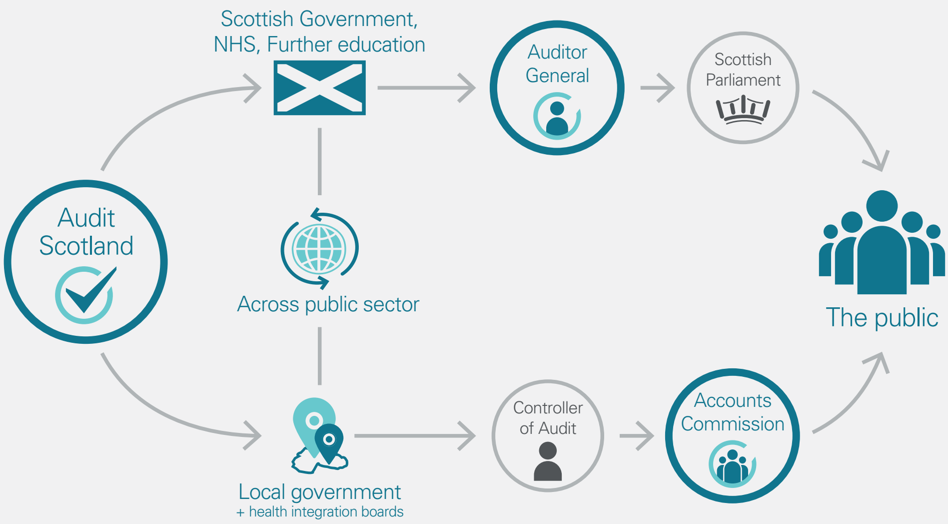
Annual update

AUDIT SCOTLAND

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages

1 During 2017/18, we issued reports to five councils which identified a total of 24 risks to continuous improvement, all of which were accepted. We found that 78 per cent of risks identified during our risk assessments in previous years had been either fully or partially addressed (80 per cent in 2016/17).

2 We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.

3 The roll-out of Universal Credit (UC) Full Service (UCFC) continues across Scotland and is having an impact on council benefit services. Councils are significantly re-structuring benefit services, and the reducing housing benefit caseload and budget pressures are leading to less full-time benefit service employees. In all five councils visited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

4 The DWP has introduced two new services for councils which should lead to improved processing performance and debt recovery. The Verify Earning and Pensions service allows council to verify earnings and pensions information from claimants using real-time information from Her Majesty's Revenue and Customs (HMRC). The Debt Service project allows councils to match housing benefit debtors to employment and pension data from HMRC. It is too early to determine the impact of these services on council performance.

5 The social security landscape across Scotland continues to change. The new Scottish social security agency became operational in September 2018. Significant decisions are still to be made about the local presence of the agency across Scotland.

6 At UK level, the roll out of UCFC remains the most significant change to the social security landscape. In June 2018 the National Audit Office (NAO) concluded that UC is not delivering value for money and it is uncertain that it ever will. The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. The Scottish Government has introduced flexibilities for Scottish UC recipients so that they have a choice about how they can receive their benefit payments.

Background

1. During 2017/18, approximately 18 per cent of Scottish households received financial support to help pay their rent in the form of means tested Housing Benefit (HB). Scottish councils paid out £1.63 billion in HB awards in 2017/18 (£1.74 billion in 2016/17), a reduction in spend of 6.3 per cent.

2. In 2017/18, Scottish councils received £22.8 million (£25.2 million in 2016/17) in funding from the DWP to deliver HB services. This 9.5 per cent reduction in funding in 2017/18 is due to DWP assumed efficiency savings.

3. On 23 March 2016, Musselburgh Job Centre, which serves East Lothian Council, was the first Job Centre in Scotland to deliver UCFS, which provides customers with an online UC account to manage their claim, report changes, send messages to their work coach, and find support. Further rollouts of UCFS have since taken place and the DWP expects a full rollout across the UK to be completed by December 2018 for all new HB claims, with the migration of the remaining working age HB claimants to UCFS to be completed by 2023.

4. The continued rollout of UCFS during 2018/19 will result in reduced HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UCFS with councils typically retaining claimants of pension age, some complex cases, and contribution-based Jobseekers and Employment and Support Allowance claimants.

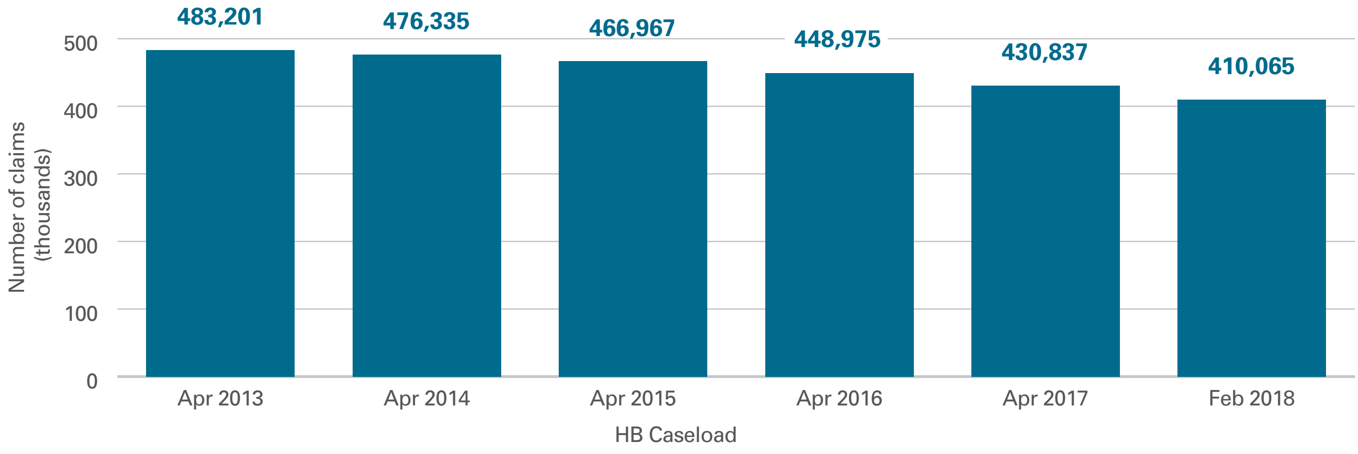
5. The HB caseload has fallen from a high of 483,201 in 2013 to 410,065 at February 2018, as shown in (Exhibit 1, page 7). This represents a 15 per cent decrease in the number of claims during this period. (Exhibit 2, page 7) shows that claim numbers continued to fall during 2017/18 with a reduction of 4.8 per cent between April 2017 and February 2018.

Housing benefit performance audit

6. The main objective of the benefit performance audit is to help councils improve their benefit service, but it also holds councils to account for any failing service. The audit has two phases:

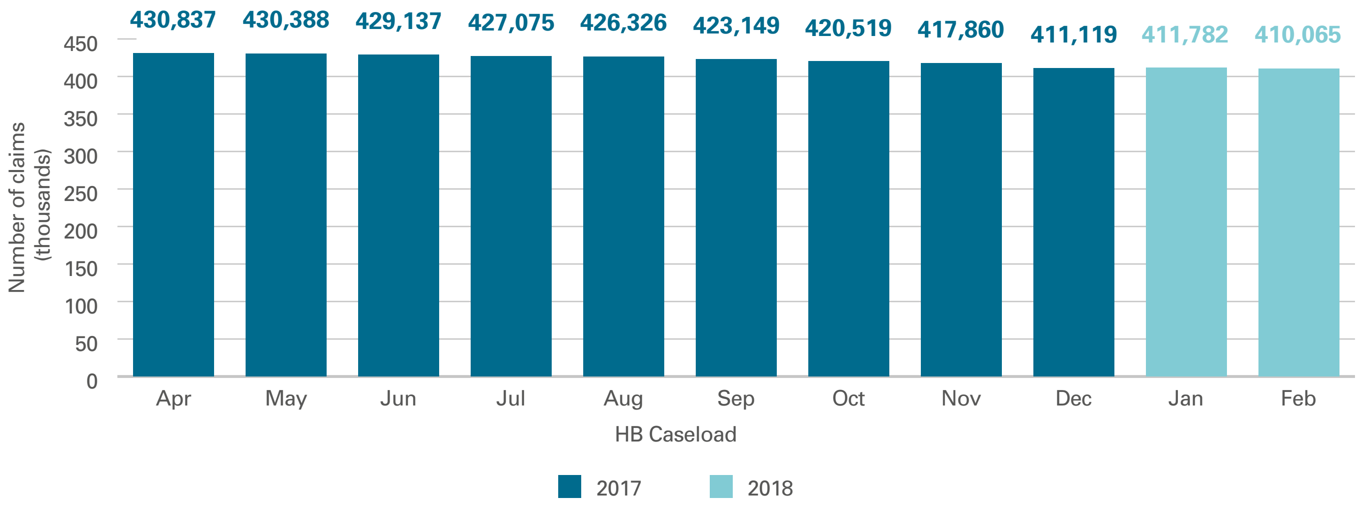
- a risk assessment phase that identifies risks to continuous improvement
- a focused audit phase that examines the service, or parts of it in more detail, if a council is unable or unwilling to address key risks identified in phase one.

Exhibit 1
Changes to Scottish HB caseload 2013 to 2018



Source: DWP

Exhibit 2
Changes to Scottish HB caseload April 2017 to February 2018



Source: DWP

7. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions, responsible persons and associated timescales, to address the identified risks. When a focused audit is required, the Controller of Audit prepares a report for the Accounts Commission. These reports are also copied to the DWP and published on the Audit Scotland website to provide transparency and assurances over how councils are performing.

Work carried out in 2017/18

8. We risk assess all councils every Autumn, and then update this assessment each quarter. The assessment is based on a range of factors, including the DWP's most recent published speed of processing performance statistics, and allows us to select councils for a more individual in-depth risk assessment and report. This approach ensures that councils not performing well, or where performance has significantly declined, are prioritised for an audit.

9. We issued individual risk assessment reports to five council Chief Executives during 2017/18 (eight in 2016/17). No focused audits were carried out as we didn't identify any significant concerns from the initial risk assessments. The five councils were:

- Stirling
- East Dunbartonshire
- Scottish Borders
- Moray
- Comhairle nan Eilean Siar

10. Each of the five councils developed an improvement plan to address the points raised. On receipt and review of council improvement plans, we requested further updates in respect of speed of processing performance from four of the councils (East Dunbartonshire; Scottish Borders; Moray; Comhairle nan Eilean Siar). We received progress reports from all four councils and, based on the updated performance information, we were satisfied with the improvements made in each council.

Outcomes of the 2017/18 risk assessments

11. Audit Scotland identified 24 risks to continuous improvement (18 in 2016/17) in the five risk assessments completed in 2017/18. Our work identified that 78 per cent (18 out of 23) of previously agreed actions had been fully or partially implemented (80 per cent in 2016/17).

12. Improvement actions were received from all councils visited. Analysis of the risks identified shows that:

- 100 per cent (100 per cent in 2016/17) of the identified risks were fully accepted by councils
- 26 per cent (6 out of 23) of agreed risks from previous risk assessments were carried forward (20 per cent in 2016/17).

13. The outstanding risks relate to:

- Accuracy
- Interventions
- Overpayments.

14. Councils have cited workforce numbers and reducing budget as reasons why not all agreed actions have been fully implemented. UCFS continues to roll out across councils, and we found that each of the five councils that we risk assessed had undertaken significant internal restructures to refocus the benefit service as UCFS is implemented. As our risk assessment is completed each quarter we continue to monitor all councils' performance for improvements or significant risks.

15. As UCFS is being implemented, benefit services have been planning for caseload reductions in conjunction with year on year reductions in funding from the DWP, and wider pressures on council budgets. There has been an impact on the level of full-time benefit service employees available to manage the transition, with councils increasing their use of outsourcing and employing temporary staff on fixed-term or rolling contracts. In all five councils audited, we reported that the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

16. During 2017/18 Audit Scotland has identified weaknesses in the following key areas:

- Business planning and performance reporting - in four councils (Stirling/ Moray/East Dunbartonshire/Scottish Borders) we found that the benefit service was not formally reporting its performance to elected members. This means that there was limited assurance that, where performance was below expectations, the service was being challenged to improve. We also considered that an opportunity was being missed to raise the profile of the service, and for elected members to recognise good performance. The Accounts Commission view formal reporting to elected members of the performance of the benefit service as an important part of the assurance and scrutiny of the service.

- Accuracy – the levels of accuracy in two councils (Stirling/Scottish Borders) were in decline. One council (Stirling) was not routinely analysing the outcomes from its management checks to help identify trends and patterns of error that could help improve accuracy rates.

- Interventions – in three councils (East Dunbartonshire/Comhairle Nan Eilean Siar/Scottish Borders) we found that, although interventions outcomes were recorded, the level of detail was not sufficient to allow the council to determine the effectiveness of its approach in financial terms, or the effectiveness of each intervention campaign. This information could help ensure that future activity is informed, risk-based, and cost effective.

Changes to housing benefit verification and debt recovery

DWP Verify Earnings and Pensions (VEP) Service

17. The VEP service was rolled out to all councils between April and November 2017 and enables council staff to verify claimant/partner earnings and pensions information in real-time from HMRC's payment system in respect of new claim assessments, change of circumstances and reviews.

18. The DWP has now developed an alerts service that has been rolling out across the UK since May 2018. This will use HMRC payment data to trigger an alert to councils as and when there are certain changes to a customer's earnings/ pension information during the life of an HB claim. There are two alert categories:

- 'Start' alerts – this will alert a council that a claimant/partner has new employment earnings or non-state pension

- 'Fluctuating' alerts – this will alert a council that a claimant/partner's employment earnings or non-state pension has changed.

19. There are a number of potential benefits to councils and customers from this service. It provides councils with access to up to date and accurate information that might not have been provided by the customer/partner at the time of their new claim. Where the customer/partner has a current claim and has failed to notify the council that their earnings/pension amount has changed, this information will be alerted to councils automatically. Therefore, in taking prompt action to process an alert, it should provide councils with an opportunity to:

- deliver improvements in claims processing times

- reduce the potential for an avoidable overpayment/underpayment.

DWP HB Debt Recovery Project

20. The HB Debt Service project commenced in April 2018 and provides councils with the opportunity to match outstanding HB debtors to real-time information on HMRC's employment and pension data. Since April, the DWP advise that 25 councils in Scotland are using the service with approximately 10,200 cases sent for matching.

21. Councils can send up to 1,200 outstanding debtor files to the DWP for matching each month and, although it is too early to say how successful this service has been for Scottish councils, it should lead to improved collection and recovery performance.

22. The DWP reported that, during the pilot stages of the project, it worked with 46 councils (one in Scotland) that submitted 11,300 records in respect of HB debts raised in 2013-14 where no recovery had taken place. Of these cases, 65 per cent were matched and returned to councils with up-to-date employed, self-employed or pension data.

Move to Universal Credit

23. Once HB claimants move onto UC it may be more difficult for councils to recover any outstanding overpayments of HB from claimants. This is because one of the most effective and commonly used methods for recovering overpaid HB is through regular deductions from ongoing HB.

24. Following the migration to UC, councils will no longer have this option. Councils can apply to have previous HB debt recovered from UC, but HB debt would be ranked along with other potential debts the claimant may have and is considered a low priority debt.

25. In October 2017, the Scottish Government introduced two flexibilities to how Scottish UC claimants can choose to receive their payments, under powers devolved through the Scotland Act 2016. The Universal Credit Scottish Choices allow claimants to request twice monthly payments (instead of monthly) and to request that the housing element of their entitlement is paid directly to their landlord. The Scottish Government anticipates that offering direct payments to landlords will help to prevent rent arrears. Scottish Government data for the period 4 October 2017 to 21 December 2017 shows that around 17 per cent of new UC applicants in Scotland, who were offered the choices, requested direct payments to their landlord.

Wider welfare reform

26. In March 2018, the Accounts Commission considered a paper on the changing social security landscape. This provided an overview of changes to the social security system at the UK level and of the powers being devolved to Scotland. Also, in March 2018, the Audit General for Scotland (AGS) reported on the Scottish Government's implementation of the devolved social security powers, concluding that good early progress was being made but that a significant amount of work remained.

27. The Social Security (Scotland) Act received Royal Assent in June 2018. The Scottish Government is continuing to plan and implement the devolved powers on a phased approach. It is yet to take decisions on and set out plans in a number of important areas which may have implications for local authorities. This includes how it intends to deliver on its commitment to provide a local presence as part of the new social security agency. In December 2017, the Scottish Government and COSLA signed a delivery agreement setting out guiding principles with the aim of ensuring social security services are delivered in a consistent way across Scotland. The Scottish Government is currently exploring potential local delivery models.

28. The new Scottish social security agency, Social Security Scotland, became operational from the start of September 2018. This coincided with the launch of the Carers Allowance Supplement. The size and complexity of the agency will increase significantly as it becomes fully established to deliver the full range of devolved benefits.

29. Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers. The AGS will also appoint the auditor for the Scottish Commission on Social Security, which was established under the Social Security (Scotland) Act 2018.

30. Audit Scotland has set up a new social security audit team that will be responsible for all our financial and performance audit work on social security, including our existing housing benefit performance audit work. By establishing a single, cross-organisational team, we will be able to effectively identify and examine issues of audit interest across the social security landscape. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021.

31. At the UK level, the roll out of UC remains the most significant change to the social security landscape. In June 2018, the National Audit Office (NAO) reported on the progress being made by the DWP to implement UC. The NAO concluded that UC is not delivering value for money and it is uncertain that it ever will. It reports that implementation of UC has taken significantly longer than planned and it may cost more to administer than the package of benefits it is replacing. It also found that, due to a lack of data, the DWP is unable to evidence that UC is achieving the stated aim of increasing employment.

32. The NAO looked at the experience of UC claimants. It found that claimants and organisations representing them report hardship because of moving onto UC. It also found delays to claimants being paid in full and on time, mainly due to the DWP having difficulties in verifying claimant details. The NAO also reports on the challenges some claimants face in accessing and successfully using the digital application systems.

33. The NAO also considered the impact of the roll out of UC on local organisations that help administer the new system. It found that UC was creating additional costs for local authorities, particularly due to the processing of housing benefit stop notices and the impact of rent arrears which can take significant time to be recovered. It also found that there were additional demands on local authorities due to their role in providing local support services on behalf of the DWP. The NAO also reported that some local authorities claim that the funding provided by the DWP does not cover the costs of providing these services.

Housing Benefit Performance audit

Annual update 2018

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500
or **info@audit-scotland.gov.uk**

For the latest news, reports and updates, follow us on:

AUDIT SCOTLAND

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk

ISBN 978 1 911494 74 4

Inverclyde council

AGENDA ITEM NO: 17

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Head of Legal & Property Services**	**Report No:**	**GM/LP/016/19**
Contact Officer:	**Gerard Malone**	**Contact No:**	**01475 712710**
Subject:	**Scottish Government Consultation: Prisoner Voting**		

1.0 PURPOSE

1.1 CoSLA has requested the Council's view on the Scottish Government Consultation on Prisoner Voting. It is CoSLA's intention to develop a co-ordinated local government response on the consultation and it has requested the Council's views by Thursday 7 February 2019.

2.0 SUMMARY

2.1 The Scottish Government consultation paper is attached (**Appendix 1**). It is the Scottish Government's view that a balance has to be achieved between the rights of victims and the public interest in sanctioning criminal conduct and in enhancing civic responsibility and respect of the rule of law, on the one hand, and in relation to the rights of prisoners as members of society and their needs for rehabilitation.

2.2 The current blanket ban on voting by convicted prisoners in custody is not consistent with the European Convention on Human Rights and views are sought on what arrangements be proposed to replace the blanket ban.

2.3 A suggested Council response is attached as **Appendix 2** as a draft for discussion and/or approval. This draft proposes that prisoners' right to vote should be linked to the length of their sentence and suggests that sentences of 12 months or less be the threshold for eligibility to vote.

3.0 RECOMMENDATION

That the Committee

3.1 Considers the terms of the Scottish Government consultation paper; and

3.2 Considers and approves the Council's response for onward transmission to CoSLA.

Gerard Malone
Head of Legal & Property Services

4.0 BACKGROUND

4.1 The Scottish Government has issued a consultation paper on prisoner voting and CoSLA has requested the Council's views by 7 February 2019 so that a co-ordinated local government response can be submitted.

4.2 The Scottish Government has responsibilities for Scottish Parliament and Local Government Elections and, accordingly, the Council's views on the consultation paper are sought.

4.3 There has been a long standing ban on convicted prisoners voting in any elections in the United Kingdom. The European Court of Human Rights has made findings to the effect that the UK's blanket ban on convicted prisoners voting in elections is in breach of Article 3 of Protocol 1 of the European Convention on Human Rights.

4.4 It is recognised that there will be many strongly held views on whether or not prisoners should be allowed to vote. The Scottish Government recognises there needs to be a balance between the rights of victims and the public interest in sanctioning criminal conduct and in enhancing civic responsibility and respect of the rule of law, on the one hand, as well as the rights of prisoners as members of society and their needs of rehabilitation.

4.5 The current blanket ban on voting by convicted prisoners is not consistent with the European Convention of Human Rights and the Scottish Parliament is considering what arrangements could be proposed to replace the blanket ban.

4.6 The options within the consultation paper (**Appendix 1**) include the Scottish Government's favoured option to remove the right to vote only from those prisoners who have been sentenced to longer sentences of imprisonment. Accordingly, views are sought on the threshold length of service below which prisoners should be entitled to vote.

4.7 It is appreciated that a range of views and options may be held by individual members in relation to the options. It is the entitlement of any Elected Member to make their own response to the Scottish Government consultation, if so wished. An intended draft response on behalf of the Council is attached as **Appendix 2** for consideration and/or approval at the Committee meeting. This draft proposes that prisoners' right to vote should be linked to the length of their sentence and suggests that sentences of 12 months or less be the threshold for eligibility to vote.

5.0 IMPLICATIONS

5.1 Finance

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.2 **Legal**

There are no other legal issues outwith the terms of the above report.

5.3 **Human Resources**

There are no direct HR implications on this report.

5.4 **Equalities**

There is no direct effect upon equalities within this report.

(a) Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

5.5 **Repopulation**

There is no implication for repopulation within Inverclyde.

6.0 BACKGROUND PAPERS

6.1 Scottish Government Consultation on Prisoner Voting December 2018.

Consultation on Prisoner Voting

December 2018

Scottish Government
Riaghaltas na h-Alba
gov.scot

Table of Contents

Ministerial foreword

The Scottish Government is committed to protecting and promoting human rights and will always measure up to that challenge even when it is difficult.

When the Scottish Parliament gained new powers over elections in the Scotland Act 2016, it became necessary to consider how to comply with the European Convention on Human Rights on the issue of prisoner voting.

It is clear that the blanket ban on prisoners voting is no longer fit for purpose as it is not compatible with human rights law. The Equalities and Human Rights Committee in the Scottish Parliament took evidence on prisoner voting and published a report in May 2018 advocating lifting the ban. We want to be clear that having considered the report and taken into account international practice, the Scottish Government does not take the view that all prisoners should be given the vote.

There are a number of possible ways to give prisoners the vote and these are explored in this consultation document. We favour allowing only those prisoners serving short sentences to vote. I consider that this approach would strike the appropriate balance between the right to vote and the aims of preventing crime by sanctioning the conduct of convicted prisoners, and of enhancing civic responsibility and respect for the rule of law.

I recognise that for many people giving any prisoners the vote will be an unwelcome change and there will be concerns about the feelings of the victims of crime. This is why restricting voting rights to those with short sentences strikes us as a reasonable and proportionate response.

There may also be concerns about the practical issues involved in enabling prisoners to vote. Prisoners on remand can already vote so this is not brand new territory. Even so, it is an important issue and views are sought on the practicalities in this consultation.

In an open and democratic society, even long-held views need to be reconsidered from time-to-time. I hope that you will respond to this consultation.

[redacted]

Michael Russell
Cabinet Secretary for Government Business and Constitutional Relations

Introduction

This consultation paper sets out the Scottish Government's suggestions for ensuring compliance with the European Convention on Human Rights (ECHR) on the matter of prisoners voting in elections. It seeks views on a proposal to allow only those prisoners sentenced to short sentences to vote. Views are sought on what the appropriate length of sentence should be. Views are also sought on the practical issues associated with giving some prisoners the right to vote.

Background

There has been a longstanding ban on convicted prisoners voting in all elections in the UK. The Representation of the People Act 1983 established the current legal basis for the ban and section 3 of the Act sets out that any convicted person is *"legally incapable"* of voting at any election while detained in pursuance of their sentence or while unlawfully at large when required to be so detained. This ban applies irrespective of the length of the sentence and applies to Local Government and Scottish Parliament elections. Civil prisoners, such as people committed for non-payment of fines, can already vote as they have not been convicted of an offence and do not fall within the definition of "convicted person" in section 3 of the 1983 Act.

Prisoners who are held on remand are also currently able to vote, casting their ballots by postal and proxy voting. Those who have been released from prison on parole or home detention curfew (HDC) are eligible to vote.

The European Court of Human Rights (ECtHR) found in 2005 that the UK's blanket ban on convicted prisoners voting in elections is in breach of Article 3 of Protocol 1 of the ECHR. The Scotland Act 2016 devolved responsibility for the franchise at Local Government elections to the Scottish Parliament. The franchise for Scottish Parliament elections is derived from the Local Government franchise. Accordingly, the Scottish Parliament now has the competence to legislate on all matters relating to the Scottish Parliament and Local Government franchise, and therefore the responsibility for ensuring compliance with the ECHR in relation to these matters.

The role of the Scottish Parliament's Equalities and Human Rights Committee includes considering and reporting on human rights matters. As part of this work, the Committee decided in June 2017 to take evidence on the current UK position, the practical issues around voting in prisons and the arguments for and against allowing prisoners to vote.

Having taken evidence from a wide range of stakeholders and interested parties, the Committee published a report on Prisoner Voting in Scotland on 14 May 2018[1]. The Committee's recommendation was that the Scottish Government "legislate to remove the ban on prisoner voting in its entirety."

[1] https://sp-bpr-en-prod-cdnep.azureedge.net/published/EHRiC/2018/5/14/Prisoner-Voting-in-Scotland/EHRiC-S5-18-3.pdf

The Committee also asked the Scottish Government to consider a wide range of views on this issue going forward, and to consult as many stakeholders as possible, including groups representing the interests of victims of crime and the general public.

This consultation paper gives interested groups and members of the public the opportunity to examine and give their views on the Scottish Government's proposals.

The Scottish Government's proposal

The Scottish Government recognises that there are strongly held views on whether or not prisoners should be able to vote. Factors that need to be considered include the rights of victims and the public interests in sanctioning criminal conduct and in enhancing civic responsibility and respect for the rule of law, as well as the rights of prisoners as members of society and the needs of rehabilitation.

It is clear, however, that the current blanket ban on voting by convicted prisoners in custody (but not those on remand, parole or HDC) is not consistent with the ECHR. The question, therefore, that faces the Scottish Parliament is what arrangements should be put in place to replace the blanket ban.

We acknowledge the thorough work that the Equalities and Human Rights Committee has undertaken on this issue, and the range of evidence from stakeholders on this topic. The evidence provided to the Committee, alongside other sources, has been used to help develop policy on this topic.

In the light of the range of evidence and arguments, the Scottish Government's view is that it is neither appropriate, nor necessary to ensure compliance with the ECHR, to enfranchise all prisoners. Having considered the Equalities and Human Rights Committee's report, the case-law of the ECtHR and international practice, the Scottish Government proposes that the right balance will be struck by enabling prisoners serving short sentences (which would be defined as a sentence of imprisonment for a length of time which is below a specified maximum threshold) to vote. Views are sought on what length of sentence would be an appropriate threshold.

The Scottish Government plans to bring forward legislation on the franchise for Scottish Parliament and Local Government elections[2]. Following consultation earlier in 2018[3], that will include proposals to extend the right to vote to citizens of all nationalities resident in Scotland.

***Hirst (No 2)* and the ECHR**

The ECHR is an international treaty intended to safeguard human rights and political freedoms in Europe. It was approved and signed by the founding members of the Council of Europe in November 1950, including the UK. It was ratified by the UK

[2] https://beta.gov.scot/binaries/content/documents/govscot/publications/publication/2018/09/delivering-today-investing-tomorrow-governments-programme-scotland-2018-19/documents/00539972-pdf/00539972-pdf/govscot:document/

[3] https://beta.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2017/12/consultation-electoral-reform/documents/00529431-pdf/00529431-pdf/govscot:document/

Parliament in 1951 and it came into force in September 1953. All member states of the Council of Europe are party to the ECHR.

The Council of Europe is a different international organisation from the European Union and therefore any outcome of Brexit does not alter the legal effect of the ECHR in the UK. The ECHR also established the ECtHR. Any person who feels that their rights under the ECHR have been violated by a state party signatory may take their case to the ECtHR.

In 2005, in the case of *Hirst v United Kingdom (No 2)*, the Grand Chamber of the ECtHR noted the differences in electoral law relating to prisoner voting throughout Europe. The Court stated that member states should be afforded a significant degree of discretion (known as the "margin of appreciation") on how to deal with this issue. However, it ruled that the UK Government's blanket ban on prisoner voting was in breach of Article 3 of Protocol 1 of the ECHR[4]. Whilst the UK's ban pursued the legitimate aim of disenfranchising prisoners as a means of encouraging responsible citizenship, the ECtHR found that the provisions employed in meeting that aim were not proportionate because the ban applied across the board, regardless of the nature of the offence or the length of the sentence.

Article 3 of Protocol 1 provides that member states:

> *"undertake to hold free elections at reasonable intervals by secret ballot, under conditions which will ensure the free expression of the opinion of the people in the choice of the legislature."*

This has been interpreted by the courts to give individuals rights, including the right to vote and to stand for election.

In *Moohan v. Lord Advocate*, the United Kingdom Supreme Court considered the case law of the ECtHR on prisoner voting. The Supreme Court found that Article 3 of Protocol 1 of the ECHR does not extend to referendums. This was later confirmed by the ECtHR in *Moohan and Gillon v United Kingdom*. The ECtHR has also confirmed, in the case of *McLean and Cole v United Kingdom*, that local authorities in the United Kingdom are not part of the "legislature" and therefore fall outside the scope of Article 3 of Protocol 1. Article 3 of Protocol 1 only applies to elections to a legislature held "at reasonable intervals". Therefore in the devolved Scottish context, this means Scottish Parliament elections.

In *Moohan,* the Supreme Court observed that the ECtHR has, on several occasions since the decision in *Hirst (No 2),* ruled that the blanket ban on prisoner voting is incompatible with the ECHR. The overarching principles which can be identified in the case law of the ECtHR since the decision in *Hirst (No 2)* are:

(i) that the basic principle which underpins Article 3 of Protocol 1 is universal suffrage;

[4] The right to vote is also outlined in Article 21 of the Universal Declaration of Human Rights and Article 25 of the International Covenant on Civil and Political Rights (ICCPR).

(ii) that the right to vote may, however, be limited, provided that the limitations are imposed in pursuit of a legitimate aim and the means employed are not disproportionate;

(iii) that restrictions on the right of prisoners to vote may be justified in order to pursue the legitimate aims of preventing crime by sanctioning the conduct of convicted prisoners and of enhancing civic responsibility and respect for the rule of law; but

(iv) that the automatic and indiscriminate disenfranchisement of all serving prisoners, irrespective of the nature or gravity of their offences, is incompatible with Article 3 of Protocol No. 1 of the ECHR.

Within the margin of appreciation allowed to them, it is for individual States party to the ECHR to determine whether or not the right to vote of prisoners should be restricted, and, if so, what restriction would be appropriate having regard to the aim pursued.

Other Council of Europe Member States

The situation with regards to prisoner voting differs across Europe. Of the member states of the Council of Europe, a limited number have a blanket ban on prisoner voting; these are: Andorra, Armenia, Bulgaria, Estonia, Georgia, Hungary, Russia and San Marino. 21 of the remaining member states allow all prisoners to vote, while 18 allow some prisoners to vote, with each member state determining its own rules on this matter. A table containing this information is shown below:

Council of Europe states with blanket bans on convicted prisoners voting	Council of Europe states where all prisoners can vote	Council of Europe states where some prisoners can vote
Andorra Armenia Bulgaria Estonia Georgia Hungary Russia San Marino	Albania Austria Azerbaijan Croatia Czech Republic Denmark Finland Ireland Latvia *(excluding local elections)* Lithuania FYR Macedonia Moldova Monaco Montenegro Netherlands Norway Serbia Slovenia Spain	Belgium Bosnia and Herzegovina Cyprus France Greece Germany Iceland Italy Liechtenstein Luxembourg Malta Poland Romania Portugal Slovakia Turkey Ukraine **United Kingdom**

	Sweden Switzerland	

A full summary of the arrangements regarding prisoner voting in Council of Europe member states can be found in the appendices of the following House of Commons briefing paper, starting on p.52:

http://researchbriefings.files.parliament.uk/documents/SN01764/SN01764.pdf

Elections to the UK Parliament

Successive UK Governments have explored a number of approaches to resolve the issue identified in the *Hirst (No 2)* case for elections to the UK Parliament. The Labour government elected in 2005 issued two consultations: one in 2006 and one in 2009. No proposals were brought forward before the 2010 general election.

On 10 February 2011, following a backbench business debate, the House of Commons passed a motion which supported the current situation in which no prisoner was able to vote except those imprisoned for contempt, default or on remand. The motion also noted the finding of the ECtHR in *Hirst (No 2)* that there had been no substantive debate by the UK Parliament on the issue and stated that decisions of this nature should be a matter for democratically-elected lawmakers.

A draft Voting Eligibility (Prisoners) Bill was published in November 2012 and pre-legislative scrutiny was undertaken by a joint committee of the House of Commons and the House of Lords. The committee reported in December 2013[5]. It recommended that all prisoners serving sentences of 12 months or less should be entitled to vote in UK parliamentary, local and European elections. In response, the Lord Chancellor and Secretary of State for Justice undertook to keep the matter under consideration[6], but no final bill was brought forward.

In 2017, David Lidington MP, then Lord Chancellor and Secretary of State for Justice, made a statement to the House of Commons setting out the UK Government's response to the ECtHR's judgment in *Hirst (No 2)*. In it, he outlined a package of administrative measures[7] which would have the effect, in relation to elections which are reserved to the UK Parliament, that:

> (a) Those who are in the community on temporary licence would be able to vote. Temporary licence is a form of discretionary and temporary parole aimed at the resettlement and rehabilitation of offenders.
>
> (b) It would be made clear to those given custodial sentences that they will lose the right to vote in prison. The statement argues that this addresses a

[5] HL Paper 103; HC 924. https://publications.parliament.uk/pa/jt201314/jtselect/jtdraftvoting/103/103.pdf

[6] https://www.parliament.uk/documents/joint-committees/Draft-Voting-Eligibility-Prisoners-Bill/Grayling-letter-to-Chair.pdf

[7] Full details of the proposals, as presented to the Committee of Ministers of the Council of Europe are at: https://rm.coe.int/1680763233

concern of the judgment in *Hirst v United Kingdom (No 2)* that UK offenders are not informed with sufficient clarity that they cannot vote while serving a prison sentence.

These proposals came into effect across the UK in summer 2018.

A prisoner released on temporary licence or on HDC has never been prohibited from voting under the terms of section 3 of the Representation of the People Act 1983 which restricts voting rights for a prisoner “during the time that he is detained in a penal institution in pursuance of his sentence.” However, as set out in the UK Government’s policy statement[8], previous prison guidance had led to an anomaly that offenders who are released back in the community on licence using an electronic tag under the HDC scheme could vote, but those who are in the community on Temporary Licence could not. The UK measures outlined addressed this and will allow around 100 prisoners to vote in elections reserved to the UK Parliament.

The Scottish Government proposal seeks to comply with the ECHR whilst also taking into consideration length of sentence which reflects, among other considerations, the seriousness of the case. To allow for a compatible solution, proposals aim to set a threshold length of sentence, below which prisoners should be entitled to vote.

A further key factor in developing a proposal that differs from the UK Government to ensure ECHR compliance for devolved elections in Scotland is the consideration of the Scottish Parliament Equalities and Human Rights Committee. In addition to the commitment to consider a plurality of views on the issue of prisoner voting as soon as possible, the Scottish Government has taken into account the recommendations of the Committee to legislate and examine the proportionality of a particular restriction on the right to vote for Local Government and Scottish Parliament elections.

Elections in Wales and Northern Ireland

The Welsh Government has consulted on a package of proposals for electoral reform for Local Government elections and is exploring the options for extending the rights of prisoners to vote in Local Government elections.

The National Assembly for Wales Commission consulted on a package of proposals for reform of the Assembly’s electoral and internal arrangements in spring 2018, including whether either the UK Government’s or Welsh Government’s proposals for prisoner voting should also apply to Assembly elections. Following the consultation, the Llywydd announced that further consideration of the democratic and human rights issues relating to prisoner voting was required. The Commission has invited the Assembly’s Equality, Local Government and Communities Committee to consider holding an inquiry to examine the issue of whether prisoners in Wales should be allowed to vote in elections to the National Assembly.

---

8 https://www.gov.uk/government/speeches/secretary-of-states-oral-statement-on-sentencing

The changes brought forward by UK Government have been implemented for all elections in Northern Ireland.

Options for Scottish Parliament and Scottish Local Government Elections

As set out above, the Scottish Parliament gained new powers over elections as a result of the Scotland Act 2016. Consideration must now be given as to how to comply with the ECHR in relation to prisoner voting.

There are various factors, including the rehabilitation of prisoners, which the Scottish Government has considered when determining a suitable, ECHR-compliant approach to prisoner voting.

The starting point, as indicated by the ECtHR caselaw, is the principle of universal suffrage. While certain Convention rights cannot be restricted by the state (for example, the Article 2 right to life and the Article 3 prohibition on torture) there are some Convention rights that can be restricted in prison (for example the Article 5 right to liberty and the Article 8 right to private and family life).The ECtHR caselaw makes clear that the franchise of prisoners may also be restricted, provided that the restriction is proportionate to a legitimate aim. Legitimate aims include sanctioning the conduct of convicted prisoners and enhancing civic responsibility and respect for the rule of law.

As noted previously, the Scottish Government considers it to be neither appropriate, nor necessary to ensure compliance with the ECHR, to extend the right to vote to all prisoners. The length of the sentence given to the prisoner is an indication of the seriousness of the case. While those sentencing take into account various considerations, the more grave offences typically attract longer sentences, and other factors – such as the record of the accused – which are relevant on sentencing may also be regarded as relevant to an assessment of the seriousness of the case.

The ECtHR in *Hirst (No* 2) emphasised the wide margin of appreciation given to member states in terms of developing a compliant solution on prisoner voting. This reflects the wide variety of approaches on prisoner voting across Council of Europe member states.

The following section of the consultation paper explores the different options available, and sets out factors to consider in the Scottish context. The Scottish Government has considered the scope of Article 3 of Protocol 1 and its different application to Scottish Parliament and Local Government electoral franchises. Currently, these franchises are linked and it is intended that the proposal which will ultimately be adopted following this consultation will apply to both Scottish Parliament and Local Government elections.

In broad terms, the options are:

- To link disenfranchisement to the length of a prisoner's custodial sentence.
- To make disenfranchisement an additional sentencing option, to be applied at the discretion of the sentencing judge.
- To link disenfranchisement to the type of crime committed.

- To link a prisoner's regaining the right to vote to the length of time remaining on their custodial sentence.

A fuller summary of the options is provided below. Having carefully considered the requirements of the ECHR, the Equalities and Human Rights Committee's report and international practice, the favoured approach is to enfranchise only those prisoners serving a sentence of imprisonment for a length of time which is under a defined threshold. This proposal seeks to strike an appropriate balance, taking into account the nature, gravity and circumstances of the offending.

In all of these options prisoners would be registered to vote in a home constituency or ward, not at the address of the prison.

Option 1: Enfranchisement based on Length of Sentence

The Scottish Government's favoured option is to remove the right to vote only from prisoners who have been sentenced to a longer sentence of imprisonment. Views are sought on the threshold length of sentence, below which prisoners should be entitled to vote. Although sentencing judges take various factors into account, the length of the sentence imposed is, generally speaking, a reflection of the seriousness of the case – having regard to all the circumstances, including the nature of the offence, the circumstances in which it was committed, and the offender's previous criminal record. Accordingly, this approach strikes an appropriate balance between removing the right to vote only where the circumstances are serious enough to justify such a longer sentence[9] and the promotion of the rule of law and responsible citizenship, as well as wider objectives of the rehabilitation and reintegration of prisoners in order to reduce reoffending.

This approach would ensure that there is no longer a blanket restriction on voting in devolved elections for all prisoners in Scotland, irrespective of the length of their sentence or the nature, gravity and circumstances of their offence. Such a blanket restriction was central to the ECtHR's finding of a disproportionate interference with Article 3 of Protocol 1 in the case of *Hirst (No 2).*

It is an approach which is implemented among other member states of the Council of Europe. An approach based on sentence length is used in Austria, Belgium, Greece, Italy, Luxembourg, Romania, Slovenia and Turkey. A cut-off of 12 months is used in Malta where most prisoners lose their right to vote (for the duration of their sentence) except those serving a sentence of 12 months or less or those serving a sentence as a result of their failure to pay a fine.

Relying on the length of sentence in this way would be consistent with approaches elsewhere in the justice system. For example, depending on the length of sentence received, different rules apply in terms of disclosure of previous convictions. The longer the custodial sentence received, the longer an individual is required to disclose the conviction when, say, applying for a job or seeking home insurance. Similarly, different rules apply on the eligibility of prisoners for parole or HDC depending on the length of sentence received.

[9] Prisoners will not be eligible to stand as candidates at Local Government or Scottish Parliament elections. No changes are proposed to existing rules on disqualification.

Sentences of determinate length in Scotland are split into two categories: short-term sentences which are for less than four years and long-term sentences which are for four years or more. A short-term prisoner is automatically released from prison into the community after serving half of their sentence.

A long-term prisoner sentenced prior to February 2016 will be released automatically on licence at the two-thirds stage of their sentence but can be released from the halfway stage on Parole Board recommendation. A long-term prisoner sentenced after February 2016 can be released from the halfway stage of their sentence on Parole Board recommendation which failing, they will be released automatically for the final 6 months of their sentence.

Under section 27(5) of the Prisoners and Criminal Proceedings (Scotland) Act 1993, consecutive or concurrent terms of imprisonment are to be treated, for the purposes of Part 1 of the 1993 Act, as a single term. For example, if the eligibility threshold for prisoner voting is set at 12 months and an offender receives a 6 month sentence, that prisoner would be eligible to vote. If that prisoner receives an additional 7 month sentence for another offence and that sentence is to be served consecutively to the previous sentence, that prisoner will be serving a single-term of 13 months which will take them past the prisoner voting threshold.

Fixing the threshold at 12 months or less would be consistent with the distinction within the Scottish criminal justice system between the sentencing powers of courts of summary jurisdiction and courts of solemn jurisdiction. A court of summary jurisdiction (which may comprise a sheriff, a summary sheriff or a justice(s) of the peace sitting alone without a jury) deals with less serious offending. On summary complaint, a sheriff can impose a sentence of imprisonment up to 12 months or a fine up to £10,000. In solemn proceedings, a sheriff can impose a sentence of imprisonment up to 5 years or an unlimited fine while there are no limits on the length of prison sentence or fine which can be imposed by the High Court. As can be expected, solemn courts deal with the most serious cases. The proposal would be consistent with what was proposed by the UK Parliament Joint Committee in the Voting Eligibility (Prisoners) Draft Bill in 2013.

It should be noted, however, that a prisoner serving a sentence of 12 months or more could be serving several shorter sentences imposed on summary conviction (which have been single-termed under section 27(5) of the 1993 Act) rather than one sentence imposed following conviction on indictment.

Option 2: Disenfranchisement applied as an additional penalty

Another option would be to empower courts to impose the loss of the right to vote as a sentence in itself. This would mean that a judge could impose disenfranchisement at their discretion when sentencing a person convicted of a crime.

This method is intended to be more precise than others. In theory, by leaving the decision on disenfranchisement to the sentencing judge, it can be more precisely applied. This is because the judge will be in full possession of the facts of a case, and so able to fit the punishment (i.e. disenfranchisement) to the crime more accurately.

This approach has been adopted by several Council of Europe member states. In France, for example, the removal of the right to vote is an additional penalty that judges can apply at their discretion for a certain period of time. It is also a mandatory part of the sentence for certain serious crimes. However, even where it is a mandatory part of the sentence, judges can choose to not apply this penalty if they feel that it would not be appropriate in a particular case.

However, this approach has been criticised by the Scottish judiciary. In a letter to the Scottish Parliament's Equalities and Human Rights Committee[10], provided as part of their investigation on prisoner voting, Lord Carloway, the Lord President of the Court of Session, said:

> *"I have consulted the senior judiciary (the High court judges). All are opposed to such a course of action."*

Lord Carloway stressed that, after "due democratic consultation", the key principles of the prisoner voting issue should be decided by Parliament and not be left to be developed on a case by case basis by individual judges.

The Scottish Government is persuaded by the arguments put forward by the Lord President and so does not favour this option.

Option 3: An approach based on type of crime

A further option would be to link the disenfranchisement of convicted prisoners to the type, or severity, of crime committed. With this option, prisoners convicted of crimes deemed to be more serious would lose their right to vote. An approach based on the type of crime rather than length of sentence would require to specify the offences or broad types of offences which would carry a loss of the right to vote.

This approach to the issue aims to make the punishment proportionate. Disenfranchisement is a serious penalty; it should be applied to people convicted of serious crimes. Another approach taken by some countries has been to tie disenfranchisement to crimes against the state or electoral system. In Italy, certain specified crimes attract disenfranchisement, all related to dishonesty. These cover various abuses of public office and crimes of dishonesty committed while exercising a public office.

A number of Council of Europe states have taken this path. In Germany, for example, prisoners that have committed crimes targeting the 'integrity of the state' or the 'constitutional protected democratic order', such as political insurgents, lose their right to vote. This disenfranchisement continues until the full sentence has been served. However, many states that take this approach limit disenfranchisement linked to specific offences to a small number of crimes.

A clear disadvantage of this option is that there are different levels of seriousness within the definition of a specific crime. For example, defrauding a pensioner of their

---

10

http://www.parliament.scot/S5_Equal_Opps/Inquiries/LordCarlowaytoConvener.pdf life savings might be viewed more seriously than defrauding a business of a few thousand pounds. Indeed, a key factor in determining the seriousness of a particular crime is reflected by the length of sentence imposed by the Court.

It should also be noted that the Representation of the People Act 1983 already makes provision for a person found guilty by an election court of “corrupt or illegal practices” at an election to be barred from:

- Registering to vote or voting.
- Being elected to Parliament.
- Holding any elective office.

This is temporary, and can last for either 3 or 5 years. As these provisions reflect a specific punishment which is directly linked to electoral offences, we propose that these provisions are retained as they apply to devolved elections.

Option 4: Enfranchisement towards end of sentence

Another possibility would be to give each prisoner the vote for a specified period before the end of their sentence. A prisoner would lose the right to vote upon being sentenced to time in prison. They would then regain the right to vote upon reaching a point where they had a defined amount of their sentence remaining. The period before the end of sentence during which a prisoner would regain the right to vote would need to be determined by the Scottish Parliament.

This approach aims to aid the rehabilitation of convicted prisoners by allowing them to be reintegrated into society as preparation for their full release. The object would be to demonstrate to prisoners that they still have a stake in the society to which they will soon return, encouraging a greater sense of social responsibility. However, this approach would enfranchise people who have committed serious offences whilst they are still serving their sentence which may cause understandable distress to the victims of crime.

None of the other member states of the Council of Europe have adopted this approach.

In addition, the complex nature of sentencing and prisoner release arrangements would mean that this approach would be difficult to implement.

Where and how should prisoners vote?

It is estimated that around 1000 prisoners would be enfranchised if the threshold sentence length was 12 months or less. A threshold for 6 months or less would allow around 480 prisoners to vote.

Prisoners will not be entitled to vote in person. Instead, they will need to register for a postal or a proxy vote, in a similar way to remand prisoners who are currently eligible to vote.

Prisoners would be registered to vote by declaration of local connection to a previous address or local authority, rather than the prison address. This would avoid the potential for large numbers of prisoners, registered to the prison, to cause distortion to voter numbers and electoral results, especially for Scottish local elections given the smaller sizes of wards. This approach would also avoid the impracticalities of having to deal with ballots from wards and constituencies all over the country in one polling station located in a prison.

Prisoners wishing to register to vote will need to submit a paper form to an Electoral Registration Officer ("ERO") to register. Prisoners do not currently have internet access. Phone registration would also be impractical due to the inability to check whether the information provided is accurate.

Postal votes would be sent to the prison address which prisoners have provided to EROs. Postal vote packs would be treated as privileged correspondence, and so Scottish Prison Service ("SPS") staff would not open the packs when they enter or leave the prison.

Appendix 2.

Consultation questions

Question 1: Do you think that prisoners' right to vote in Scottish Parliament and Local Government elections should be linked to the length of their sentence?

Yes ☒ No ☐

Question 2: If your answer to Question 1 is 'no', what would be your preferred approach to extending prisoners' voting rights?

Comments:

n/a

Question 3: If your answer to Question 1 is 'yes', what length of sentence would be appropriate as the eligibility threshold for prisoner voting rights?

12 months or less ☒ 6 months or less ☐ Another duration ☐

Question 4: If your answer to the above is 'another duration', please specify this here.

Comments:

Question 5: Do you have any comments on the practicalities of prisoner voting?

Comments:

No. It is noted that prisoners will need to register for a postal or proxy vote. It is also noted that prisoners would be registered to vote at their home address for their constituency or ward rather than the prison address and this is of relevance to those local authorities in which HM Prison premises are located.

Appendix 2. contd.

Question 6: Do you have any other comments that have not been captured in the responses you have provided above?

Comments:

None.

Responding to this consultation

We are inviting responses to this consultation by 8 March 2019.

Please respond to this consultation using the Scottish Government's consultation hub, Citizen Space (http://consult.gov.scot). Access and respond to this consultation online at https://consult.gov.scot/elections/prisoner-voting. You can save and return to your responses while the consultation is still open. Please ensure that consultation responses are submitted before the closing date of 8 March 2019.

If you are unable to respond using our consultation hub, please complete the Respondent Information Form to:

Elections Team
Scottish Government
Area 2W
St Andrew's House
Edinburgh
EH1 3DG

Handling your response

If you respond using the consultation hub, you will be directed to the About You page before submitting your response. Please indicate how you wish your response to be handled and, in particular, whether you are content for your response to published. If you ask for your response not to be published, we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

If you are unable to respond via Citizen Space, please complete and return the Respondent Information Form included in this document.

Inverclyde council

AGENDA ITEM NO: 18

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Head of Legal & Property Services**	**Report No:**	**GM/LP/014/19**
Contact Officer:	**Gerard Malone**	**Contact No:**	**01475 712710**
Subject:	**River Clyde Homes: Reduction in Board Membership**		

1.0 PURPOSE

1.1 This report advises of the implications of the Regulation of Social Housing (Influence of Local Authorities) (Scotland) Regulations 2018 and the effect on the number of Council nominees to the Board of River Clyde Homes.

2.0 SUMMARY

2.1 River Clyde Homes is a Registered Social Landlord and was formed in December 2007 following upon the Council's Large Scale Voluntary Transfer of its Housing Revenue Account housing stock. River Clyde Homes is a registered charity and is monitored and regulated by the Scottish Housing Regulator.

2.2 At present, in terms of the agreed Constitution of River Clyde Homes, the Council is entitled to four Council nominees on its Board. In terms of the Constitution, River Clyde Homes can have a minimum of seven Board Members and a maximum of 12 Board Members. The Regulation of Social Housing (Influence of Local Authorities) (Scotland) Regulations 2018 ("the Regulations") will come into force on 8 March 2019. The Regulations make provision to reduce the number of local authority Board Members within Registered Social Landlords.

2.3 The effect of the Regulations is to require a reduction in the number of Board Members appointed by Council nomination and arrangements must be put in place to give effect to the Regulations by 8 March 2019. This report advises of the change and it will be the decision of the Council at its February 2019 meeting to decide on its nominees to the Board.

3.0 RECOMMENDATION

That the Committee:

3.1 Considers the implementation of the Regulations; and

3.2 Remits it to the February 2019 meeting of the Council to determine the two Council nominees.

Gerard Malone
Head of Legal & Property Services

4.0 BACKGROUND

4.1 River Clyde Homes is a Registered Social Landlord and was formed in December 2007 following upon the Council's Large Scale Voluntary Transfer of its Housing Revenue Account housing stock. River Clyde Homes is a registered charity and is monitored and regulated by the Scottish Housing Regulator.

4.2 The Regulations make provision to reduce the number of local authority nominees on the Boards of Registered Social Landlords. The Regulations apply notwithstanding any provision in any Registered Social Landlord's Constitution or any contractual arrangement or other commitment a Registered Social Landlord may have in relation to its constitutional arrangements.

4.3 The Regulations come into effect on 8 March 2019. The Regulations require that no more than 24% of the Board Members of a Registered Social Landlord may be nominated by a local authority.

4.4 The Constitution of River Clyde Homes provides that there be a minimum of seven Board Members and a maximum of 12 Board Members.

4.5 In this way, the 24% rule means that if River Clyde Homes Board has from nine to twelve Board Members then the Council will have two nominees. If River Clyde Homes decides to have fewer than nine Board Members, then the number of nominees for the Council changes to one. The intentions of River Clyde Homes have been sought in relation to the intended future numbers of its Board and for the present it is possible to plan on the basis of a Board of at least nine, although this can be reviewed in the future at the entire discretion of River Clyde Homes.

4.6 On the above basis, as from 8 March 2019, the Council will have the entitlement to make two nominees to the Board of River Clyde Homes. It is the reserved function of the Council to make nominations to the Boards of external organisations and the decision on the Council nominees will be remitted to its February 2019 meeting. The requirement to reflect political balance applies only where more than two Council nominees are to be appointed to any outside body.

4.7 The Regulations provide that it is the Council which must nominate the nominees to be removed. In the event that the Council does not so do, the remaining Board Members of River Clyde Homes must select by majority vote those Council nominees who are to be removed. The Regulations also provide for a number of scenarios in relation to voting rights, necessary percentages of Council nominees to be in attendance and arrangements for a quorum all of which do not have specific relevance to the present Constitution of River Clyde Homes or to the arrangements involving the Council.

5.0 IMPLICATIONS

5.1 Finance

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.2 **Legal**

The legal issues are referred to within this report.

5.3 **Human Resources**

There are no implications.

5.4 **Equalities**

There are no equality issues within this report.

(a) Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

5.5 **Repopulation**

There is no effect upon repopulation.

6.0 CONCLUSION

6.1 The Regulations give effect to specific legal requirements relative to the number of Council nominees on River Clyde Homes and it is necessary to give effect to these arrangements to meet their specific provisions.

7.0 BACKGROUND PAPERS

7.1 None.

Inverclyde council

AGENDA ITEM NO: 19

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Corporate Director Education, Communities & Organisational Development**	**Report No:**	**PR/03/19/RB**
Contact Officer:	**Ruth Binks**	**Contact No:**	**01475 712748**
Subject:	**Women's Forum**		

1.0 PURPOSE

1.1 The purpose of this report is to provide an update for the Policy and Resources Committee on the progress of the Women's Forum.

2.0 SUMMARY

2.1 The Women's Forum has met on several occasions and has taken forward some important issues over the last year. These include the White Ribbon Campaign and contributing to an International Women's day event.

2.2 Terms of Reference for the Forum have been drawn up and are outlined in Appendix 1.

2.3 It is proposed to remit the appointment of a Women's Champion to the Full Council. The proposed role of the Women's Champion is attached in Appendix 2.

2.4 Members of the group feel that there is merit in continuing the group as a forum and keeping the same number and political make-up of the group.

2.5 The current work-plan for the Forum includes contributing towards the organisation of the next International Women's Day and continuing to promote the success of females in the community.

3.0 RECOMMENDATIONS

3.1 That the Policy and Resources Committee:

- notes the progress made by the Women's Forum
- agrees to the terms of reference for the group
- agrees to the continuation of the Forum in the current format
- agrees to the proposed remit of a Women's Champion
- agrees to remit to the Full Council the appointment of a Women's Champion.

Ruth Binks
Corporate Director
Education, Communities & Organisational Development

4.0 BACKGROUND

4.1 At a meeting of Inverclyde Council in June 2017 it was agreed that a Women's Forum be established, initially as a working group of the Council comprising five members, Councillors Murphy, Quinn, Robertson, McCabe and McEleny, and that it be remitted to the Forum to form a chair.

4.2 Councillor Quinn was appointed Chair to the Forum and Terms of Reference have been drawn up (Appendix 1). The Terms of Reference were reviewed in September 2018. The Corporate Director Education, Communities and Organisational Development provides the lead support for the Forum.

4.3 Regular meetings of the Forum have taken place, although there was an understandable gap during the illness of the former Corporate Director.

5.0 CURRENT POSITION

5.1 The Forum agreed that there is merit in continuing the work of the Forum and that the format of the group should continue as a forum over the coming year. This is because the forum or working group approach allows the group to work on a less formal basis than a committee and is able to undertake more flexible work plans to achieve the aims and Terms of Reference of the group. This format also allows for the flexibility of working with community planning partners and external agencies.

It is suggested that the number of representatives (5) and the political make-up of the group should remain the same (the three female members being representatives of their respective groups) with the remainder of the group being made up as follows:

Political Party	5 Members on Body		Other Acceptable Allocation Option
	Numerical Entitlement	Allocation Based on Numbers	Allocation Based on Spread
LAB	1.82	**2**	**2**
SNP	1.59	**2**	**3**
INTERNAL IND COALITION	0.91	**1**	
CON	0.45	**0**	
LD	0.23		
	5		

Whilst the Forum membership remains at 5, opportunities will be explored to take forward information events about particular aspects of the work of the Forum which will be open to all Councillors and appropriate partner agencies.

5.2 The group agreed that the proposed main duties of a Women's Champion (Appendix 2) be taken to the Policy and Resources Committee for approval and that the establishment of a Women's Champion be remitted to the Full Council.

The Forum was instrumental in ensuring that the White Ribbon Campaign, the largest international campaign which aims to involve men in addressing issues of violence against women, was brought to the attention of Elected Members and contained in a report to the Education and Communities Committee in May 2018.

The Forum also supported a highly successful International Women's Day in March 2018 where female Councillors gave an overview of their roles to attendees.

5.3 The Equalities Officer will attend the group from December 2018 onwards as well as the Corporate Director Education, Communities and Organisational Development. This is because there is overlap between the aims of the group and Inverclyde Council's Equality Mainstreaming and Equality Outcomes report. An audit has taken place identifying where the work of the group links into the report and subsequent plan.

5.4 International Women's Day will be a significant key date for the work of the group and initial planning has already taken place to for the next event. The focus of the event will link into the bicentenary of James Watt and encourage Women to consider careers in STEM subjects.

6.0 IMPLICATIONS

Finance

6.1 There are no financial implications from the report.

<u>Financial Implications:</u>

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

Human Resources

6.3 There are no HR implications from this report

Equalities

6.4 Has an Equality Impact Assessment been carried out?

☐ Yes See attached appendix

X	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.

Repopulation

6.5 N/A

7.0 CONSULTATIONS

7.1 N/A

8.0 CONCLUSIONS

8.1 This report supports the continuation of the Inverclyde Council Women's Forum.

9.0 BACKGROUND PAPERS

9.1 N/A.

Terms of Reference for Women's Forum	
Name of Group	Women's Forum
Purpose	The purpose of the Women's Forum is twofold: i to identify the barriers preventing women in Inverclyde from entering public life ii to update knowledge and understanding of the issues facing women in Inverclyde, such as domestic violence, period poverty, and breastfeeding, by bringing the 'community voice' into meetings of the Women's Forum The Women's Forum aims to look for opportunities to influence action which will assist in addressing the above matters and improve outcomes for women living in Inverclyde.
Membership	Councillor Quinn – Chair Councillor McCabe Councillor McEleny Councillor Murphy Councillor Robertson Corporate Director Education, Communities & Organisational Development Corporate Equalities Officer
Frequency of Meetings	6 weekly meetings
Reporting / monitoring arrangements	Report to P and R Committee/Inverclyde Council as required.
Review Arrangements	February 2020

Role of the Women's Champion

Overall Purpose of Champion:	
To be the Council's Women's Champion by raising and promoting women's issues and ensuring that the needs and preferences of women are fully taken into account in the planning and development of policies and services.	
Main Duties and Responsibilities:	
1.	To be the Council's ambassador and spokesperson for issues relating to women.
2.	To highlight and promote the concerns of women living in Inverclyde both within the Council and with external agencies and the public.
3.	To promote and support the objectives and key aims of specific gender issues arising in the Corporate Equalities Action Plan.
4.	To promote and support local activities, events and service developments that are aimed at promoting the specific rights of women e.g. 50/50 group, gender pay gaps, period poverty, violence against women etc.
5.	To work in partnership with local organisations that provide services specifically for women to ensure that effective communication is taking place.
6.	To promote and support local activities, events and service developments that promote the rights of women.
7.	To liaise with Government and MPs/MSPs regarding the development of services and policies that specifically affect women.

Inverclyde council

AGENDA ITEM NO. 20

Report To: Policy and Resources Committee	**Date: 5 February 2019**
Report By: Head of Organisational Development, Policy and Communications	**Report No: HR/03/19/GB**
Contact Officer: George Barbour	**Contact No: 01475 712385**

Subject: EARMARKED RESERVES: INVERCLYDE EVENTS

1.0 PURPOSE

1.1 This paper reports back on the opportunity to host a major pipe band championships and highlights a range of additional event opportunities considered by the Corporate Management Team as alternatives in light of the current budget position and ongoing review of reserves.

2.0 SUMMARY

2.1 The Council agreed to support a bid for bringing a major pipe band championship to Inverclyde for three years.

2.2 Following a closed bid the governing body, the Royal Scottish Pipe Band Association (RSPBA), has decided not to award the event to another west coast location.

2.3 Officers have been examining a range of opportunities to deliver the ambition to host large scale events in line with the Alliance repopulation objectives to promote Inverclyde as a place to visit and to recognise the heritage of the area.

2.4 A package of event opportunities is set out in this report setting out the use of earmarked reserves and additional funding through the repopulation place promotion campaign and the Glasgow City Region which would result in £195K of the existing earmarked reserve being put back into the Council’s reserves as part of the review of earmarked reserves and budget setting process.

3.0 RECOMMENDATIONS

3.1 It is recommended that Members examine the package of alternative event proposals:

- The recommendations contained in 6.4 to support the delivery of a James Watt celebration in 2019 up to a funding level from earmarked reserves for events and repopulation of £35K.
- The recommendation set out at 7.5 and 7.6 to support negotiations in partnership with Event Scotland to host a sailing event in 2020 as part of the year of coast and water up to £135K from event earmarked reserves.
- Support the creation of a new fledgling Inverclyde comedy festival in 2019 and in 2020 set out in 9.4 up to a total of £30K from repopulation earmarked reserves.
- Support the development of a launch event at the new Greenock Ocean Terminal (GOT) facility at 10.3 up to £30K using funding through the Glasgow City Region.
- £195K be removed from the existing earmarked reserve for events.

STEVEN MCNAB
HEAD OF ORGANISATIONAL DEVELOPMENT, POLICY AND COMMUNICATIONS

4.0 BACKGROUND

4.1 Hosting events as part of the Council's repopulation agenda and the wider promotion of Inverclyde to an external audience has proven successful in recent years.

4.2 Successful events hosted in Inverclyde by the Council and its partners include the P1 Scottish Grand Prix of the Sea powerboat and jet ski championships and the re-staging and continued promotion of the Gourock Highland Games as the first games of the Scottish piping and gaming season.

4.3 The area also successfully hosts, at Kip Marina, Scotland's premier boat show event and the second largest of its kind in the UK which attracts visitors to the area.

4.4 The Council and the RSPBA have discussed over recent years the area staging a major pipe band championship and the Council agreed earlier this year to bid to host a major pipe band championships.

4.5 There are five major championships (the 2018 location is listed in brackets):

- British Championships (Paisley)
- United Kingdom Championships (Belfast)
- European Championships (Forres)
- Scottish Championships (Dumbarton)
- World Championships (Glasgow).

4.6 A successful bid from Inverclyde for the European Pipe Band Championships would have put four majors in the west of Scotland and the RSPBA board have said they were keen to avoid that.

4.7 Consequently Inverclyde has been unsuccessful in this round and it is not expected that another round would come up until 2021 and officers have now examined alternative event opportunities.

5.0 ALTERNATIVE EVENT OPPORTUNITIES

5.1 Officers have linked with local and national event partners to identify a range of opportunities for 2019/20 with a particular focus on recognising the heritage of the area and the opportunity presented by the Year of Coast and Water 2020.

5.2 The event proposals include the opportunity to recognise two anniversaries of famous names from Inverclyde's past, to capitalise on the opportunity in 2020 when Visit Scotland has designated the year Scotland's year of coast and water and the opportunity to profile raise the area in a Scottish and international context.

5.3 The event opportunities examined:

- James Watt celebration and bicentennial 2019
- On the water event in 2020 (eg Clipper round the world race/extreme sailing/flying phantoms event)
- Scottish International air show
- Inverclyde comedy festival
- Launch event at Greenock Ocean Terminal

6.0 JAMES WATT CELEBRATION AND BICENTENNIAL 2019

6.1 2019 is the bicentennial of the death of James Watt (1736 - 1819) and this presents an opportunity to celebrate the life and contribution to the world of Inverclyde's most famous son.

6.2 Co-ordinating through the Council and linking with a range of local and national partners, the Council could deliver a James Watt celebration in 2019 which would build around the re-opening of the museum and Watt library and incorporate a range of events (see appendix 1).

6.3 Officers would also seek to link with a range of national partners who are already planning activity commemorating the life and work of James Watt, including exploring the potential to launch a new James Watt Tartan at Tartan Day linking with Visit Scotland and Scottish Development International to promote Scottish manufacturing.

6.4 It is proposed that the James Watt celebration is supported from the earmarked reserves (events and repopulation) up to a total of £35K linking with existing funding streams from the 'great place scheme' and the re-opening and re-launch of the museum and Watt library in 2019 with the events contribution focussing on branding of the celebrations and Watt Institution re-opening and social media promotion (£10K), creation, promotion, merchandising and launch of a James Watt tartan (£20K), and the creation of an end of year promotional legacy piece of film (£5K).

6.5 The Council through the design work of corporate communications would retain all copyright and ownership for the Watt Tartan and all branding and merchandising from the Watt celebrations to support existing income targets from advertising and sponsorship. Early development of the branding for both the Watt celebrations and Watt Institution is contained at appendix 2.

7.0 YEAR OF COAST AND WATER 2020 EVENTS – CLIPPER AND EXTREME SAILING

7.1 The Council's corporate communications service has been working closely with Event Scotland to identify sailing event opportunities with a particular focus on the year of coast and water in 2020.

7.2 Initial discussions have taken place around the possibility of Inverclyde hosting a high profile sailing event including the potential for a Clipper 'stopover' as part of the round the world race and incorporating a new event in partnership with the extreme sailing series.

7.3 At this stage both events could provide opportunities to profile raise the area and officers are currently in negotiations alongside Event Scotland to secure firm offers.

7.4 Working in partnership with Event Scotland also has the opportunity to open up the international funding stream which brings additional marketing support to events and could put Inverclyde into prime position to host a showpiece event during the year of coast and water in 2020.

7.5 It is proposed that a fund from the existing events earmarked reserves is set aside to support continued negotiations to deliver an event in partnership with Event Scotland which could be one of the examples set out at 7.2 and the authority to examine other alternatives.

7.6 A fund of £100K to co-host a one year event, subject to match funding being secured through a third party organisation such as Event Scotland, with an additional fund available to support event delivery and 'in kind' logistical support to the event delivery of up to £35K be set aside as part of ongoing negotiations.

8.0 SCOTTISH INTERNATIONAL AIRSHOW

8.1 Ayrshire has successfully hosted the annual Scottish International Airshow in recent years attracting audiences of up to 100,000 over three days.

8.2 Funding from South Ayrshire Council is being made available to the event in 2018 and 2020 leaving a gap in the calendar for 2019 and, potentially, in 2021.

8.3 Officers have discussed the opportunity with event organisers and colleagues at South Ayrshire Council and have a proposal to deliver a one day event in 2019.

8.4 Visitor expectations range broadly from 25,000 to 60,000 on the day and the proposal would see a free to attend event with aeronautic displays held over the River Clyde with viewing and visitor areas at Battery Park.

8.5 In addition to direct financial assistance, officers from corporate communications would be required to provide event support to the organisers including organising and supporting the safety advisory group and carrying out an economic impact study after the event.

8.6 The financial cost to hosting the Scottish International Airshow would be £100,000 per annum in direct funding with additional costs estimated to be between £15-20,000 to support the event with ‘in-kind support’ through licensing, location, clean-up and event management support.

8.7 Given the proximity to the year of coast and water in 2020, it is not proposed to proceed with the international airshow in 2019 though the Council could re-examine the opportunity in 2021.

9.0 INVERCLYDE COMEDY FESTIVAL

9.1 In partnership with the Beacon Arts Centre and the Chartroom there exists an opportunity to support a new comedy festival with potential to grow in future years.

9.2 Inverclyde has, in 2019, an opportunity to recognise the life and work of Chic Murray who was born in Bank Street, Greenock, served as an apprentice in Kincaid’s in Greenock, and has often been described as the ‘comedian’s comedian’ and as Billy Connolly’s favourite comedian.

9.3 With a range of local venues across the area, there exists an opportunity to support a small fledgling comedy festival as an opportunity to recognise the contribution to Scottish life by Chic Murray and to encourage the creation of a new regular event in the Inverclyde calendar.

9.4 The proposal in this paper also sets out funding for two years from events earmarked reserves to support this becoming an annual event in the Inverclyde calendar of £15K in 2019 and £15K in 2020 to underwrite acts and support venues in marketing the event to a wide audience.

10.0 GREENOCK OCEAN TERMINAL OPENING AND LAUNCH EVENT

10.1 The creation of a new visitor centre on the banks of the Clyde at Greenock Ocean Terminal presents a significant and not to be missed opportunity to profile raise Inverclyde and its visitor and tourist offer.

10.2 It is proposed that funding from earmarked reserves be set aside to create a profile raising launch event at the opening of the Greenock Ocean Terminal building, timed to take place when a large cruise ship is in port, to showcase Inverclyde’s wider visitor offer and to promote Inverclyde to a Scottish, UK and international audience.

10.3 A budget of £30K from the existing funding from Glasgow City Region would support the planning and delivery of a day and evening of activity at Greenock Ocean Terminal to celebrate the opening of the facility in 2020, linking with the year of coast and water activities and to involve neighbouring locations and to support marketing of the facility to bloggers, journalists and other visitors.

11.0 IMPLICATIONS

11.1 Financial Implications - One off Costs

The option set out in this report would reduce the existing earmarked reserve by £195K

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
Corporate Communications	Reserves	18/20	£150K	Council Reserves	Sailing event (£135K) and James Watt celebration (part) (£15K)
	Repopulation	18/20	£50K	Council reserves	Comedy festival (£30K) James Watt celebration (part) (£20K)
	City region funding	20/21	£30K	Glasgow City Region (ocean terminal)	

Financial Implications - Annually Recurring Costs/ (Savings)

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

11.2 Legal: None

11.3 Human resources: None

11.4 Equalities: None

11.5 Repopulation: Supporting and promoting events in Inverclyde is a key element of the repopulation campaign aimed at promoting Inverclyde as a place to live, work and visit.

11.6 Human resources: None

12.0 CONSULTATIONS

12.1 Discussions have taken place with the chair of the local area tourism group and with representatives of partner organisations to scope out opportunities for events including the Beacon Arts Centre, Kip Marina, James Watt Dock, Visit Scotland, Event Scotland, University of Glasgow and culture/museum staff at the Council in preparation of this report.

13.0 BACKGROUND PAPERS

13.1 HR/27/17/GB – HOSTING LARGE SCALE EVENTS – Policy and Resources Committee, 19 September 2017 (exempt report)

APPENDIX 1:

JAMES WATT CELEBRATONS 2019 DRAFT PROGRAMME

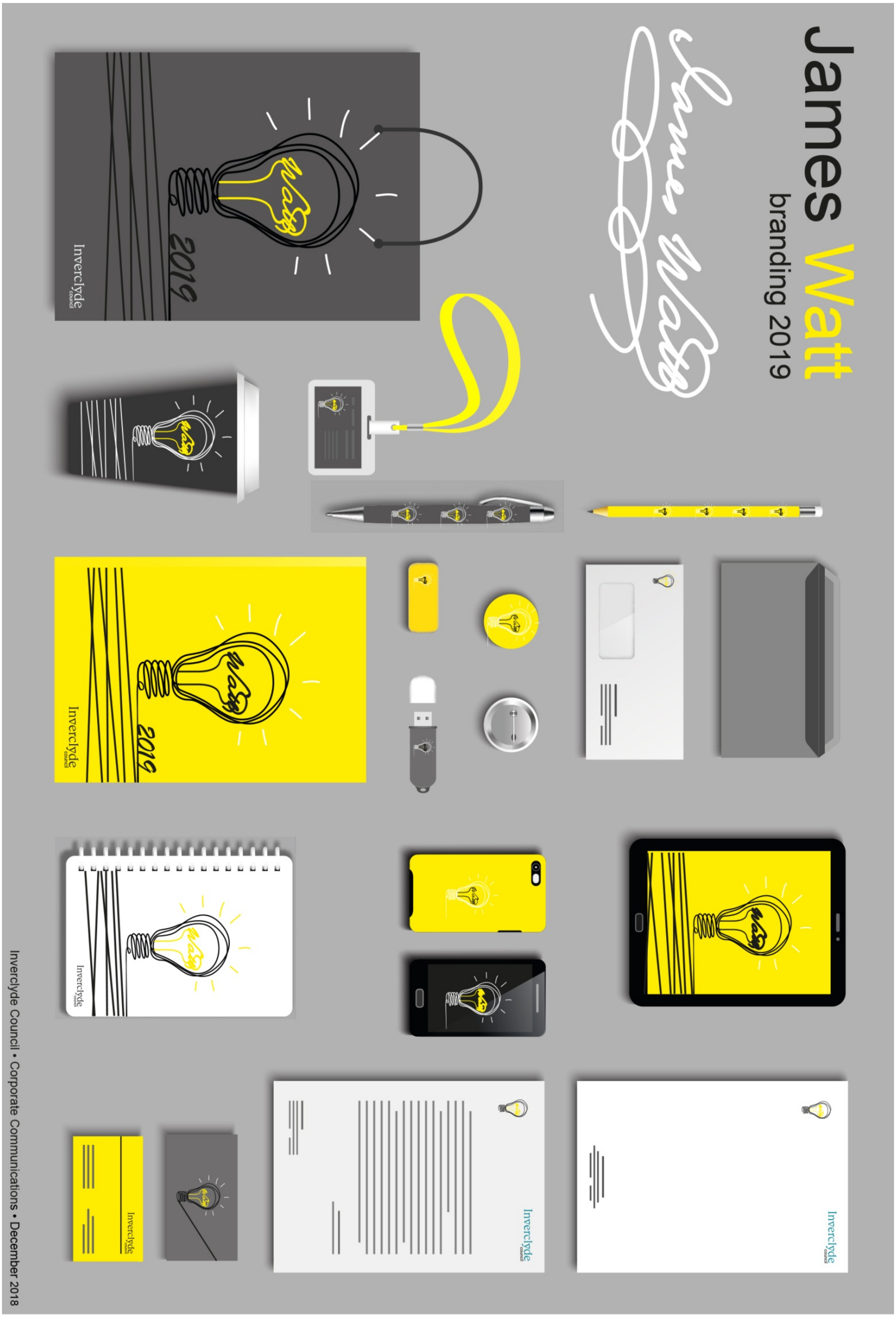
Current Planned Activities;

January 2019	Celebrating Watt's birthday with projection of images on to Cowan's Corner, launch of the Watt branding and 2019 programme. Launch of schools tartan competition – schools encouraged to design a James Watt tartan.
February/March	'When art tells a tale' – a creative arts, steampunk project through schools. The aim is to create a showcase of work that can be shown later in the year.
April/June	Term time activities for a schools 'Watt Institution' collaboration. Young people will use construction toys such as lego to build Watt's workshop with animation work incorporated. Watt tartan created and launched.
August	Official opening of the Watt Instution, incorporating the McLean Museum and Watt Library with exhibition to celebrate the life and work of James Watt
September	Doors open day will be a focal point in Watt Celebrations to commemorate places connected with Watt and the heritage of Inverclyde. This would include Watt themed walks and tours with characters in period costume.
November	Fireworks – The theme for the Council's annual fireworks celebration on Saturday 2 November 2019 will be inspired by James Watt and the industrial revolution.
Throughout the year	100 Watts (Inverclyde) Each month an event or local activity will be part promoted using a new James Watt character. The Watt figure will be 'hidden' in 100 locations to be found as part of the celebration. 100 Watts (world) – A social media campaign will run throughout the year using the hashtag #WheresWatt to encourage people across the world to share images and video of Watt memorials and commemorations. This will be compiled as part of the celebrations in the new Watt Institution and shared widely on social media. World walking/Watt walk is under way as a pilot in Kilmacolm Primary with the aim of rolling out across all schools in 2019 encouraging young children to be more acive and to learn about Watt and the places he lived and worked.

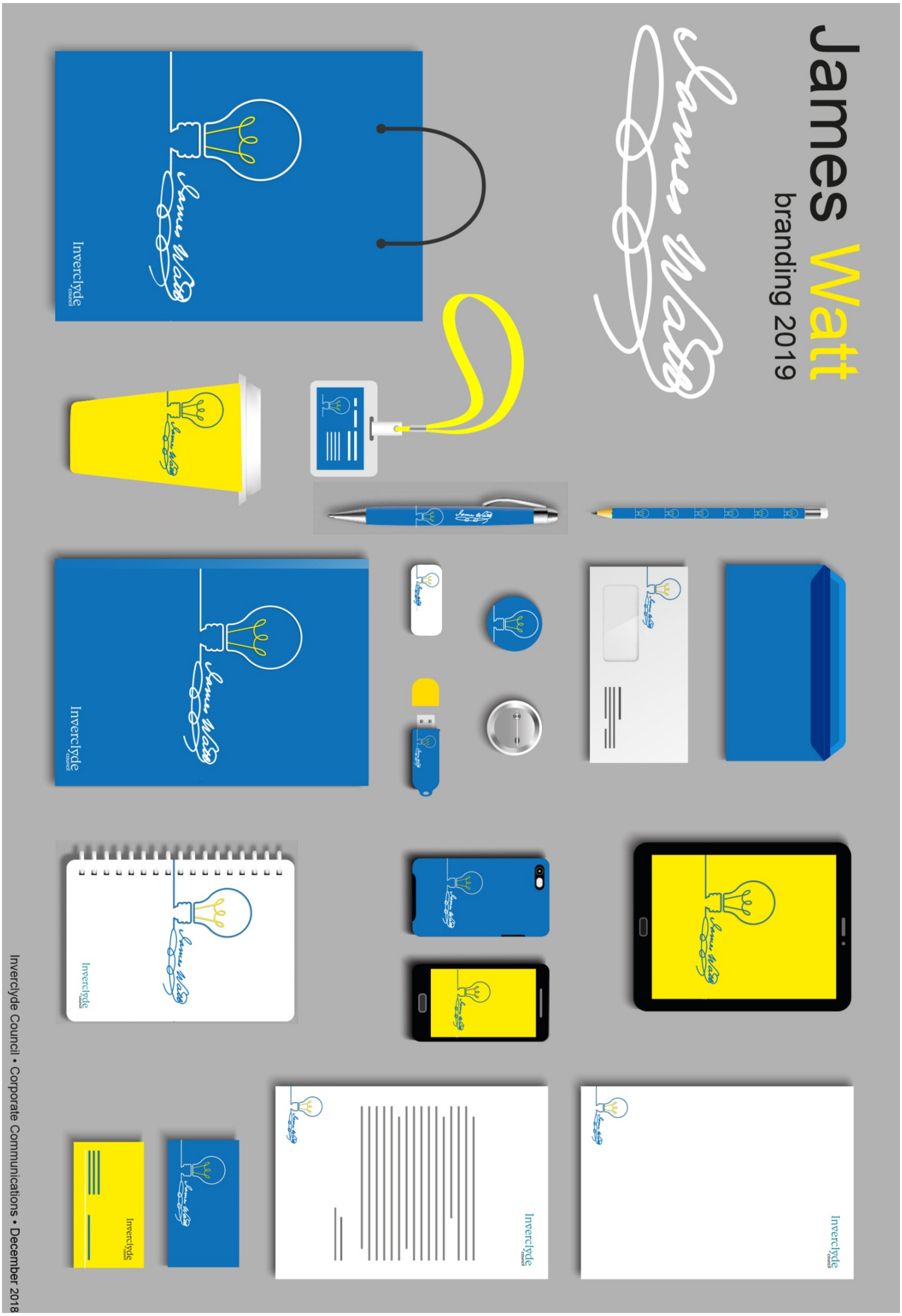
Funding for much of the projects above is already agreed through the Council's existing budgeting and funds in place through the 'Great Places Scheme'. Additional funding for the tartan development, branding and #WheresWatt promotion would be required from the existing earmarked reserves.

APPENDIX 2:

JAMES WATT CELEBRATONS 2019 BRANDING AND MERCHANDISING (SAMPLE 1)



JAMES WATT CELEBRATONS 2019 BRANDING AND MERCHANDISING (SAMPLE 2)



JAMES WATT CELEBRATONS 2019 BRANDING EXTENDED TO NEW WATT INSTITUTION (SAMPLE)

Watt INSTITUTION | Watt INSTITUTION | Watt INSTITUTION | Watt INSTITUTION

Watt INSTITUTION | Watt INSTITUTION | Watt INSTITUTION | Watt INSTITUTION

Watt INSTITUTION | Watt INSTITUTION | Watt INSTITUTION | Watt INSTITUTION

Watt Institution

Watt INSTITUTION

Watt Institution

Watt Institution

Inverclyde council

AGENDA ITEM NO: 21

Report To:	**Policy and Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Head of Organisational Development, Policy & Communications**	**Report No:**	**HR/01/19/AW**
Contact Officer:	**Alex Hughes**	**Contact No:**	**Ext 2014**
Subject:	**People and Organisational Development Strategy 2017-2020 - Update**		

1.0 PURPOSE

1.1 The purpose of this report is to update Members on the key actions completed during 2018 and to set out targets for 2019 to support the Council's People and Organisational Development Strategy 2017-2020.

2.0 SUMMARY

2.1 The Organisational Development Strategy 2017-2020 was formally approved by the Policy and Resources Committee in September 2016. The Strategy was designed to support the range of planned transformation and change management projects and to ensure the required skills are in place to deliver these and the required savings.

2.2 It has been recognised that the period 2017-2020 will be extremely challenging for the Council and it is therefore more important than ever to ensure that we have a strategy and workforce plans in place, which will drive and deliver change across services while ensuring our employees continue to be motivated, sufficiently trained, qualified and experienced to deliver quality services which meet current and anticipated service needs.

2.3 Although the Council has successfully managed workforce changes in recent years it is recognised that the scale of workforce changes over the next few years may be greater than previously required. Accordingly, it is vital that detailed workforce plans reflect the planned workforce implications of any budget decisions ensuring that any loss of skills does not have a negative impact on the Council's ability to deliver services and its significant programme of change.

2.4 Delivery of the key actions over the next few months will be taken forward in consultation with the Trades Unions through the Joint Budget Group and with the workforce. The Corporate Workforce Planning and Development Group will have a key role in monitoring workforce plans ensuring a consistent implementation of the People and Organisational Development Strategy and key actions across the Council.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- notes the key workforce planning actions outlined in section 5 of this report which will support the Council to manage the workforce implications required to address the projected funding gap and also to support our employees through the next period of significant change.

Steven McNab
Head of Organisational Development,
Human Resources and Communications

4.0 BACKGROUND

4.1 The Council has recognised the importance of supporting employees through periods of sustained change and this has been demonstrated through the delivery of two Organisational Development Strategies from 2009 and the current People and Organisational Development Strategy for 2017-2020. It recognises that in order to deliver on the Council's policy ambitions in a climate of reducing resources, the Council will need a workforce that is developed appropriately and remains engaged, and motivated.

4.2 In order to support the large range of transformation and change management projects, Inverclyde Council formally introduced an Organisational Development Strategy in 2009, shortly after the successful introduction of Single Status. Since then the Council has continued to give Organisational Development (OD) a prominent role, placing a high value on OD and workforce planning activity. The 2009-2012 strategy was followed by our second OD strategy 2013-2016 which continued to ensure that positive people management and workforce planning initiatives were supported, introduced and recognised as playing a valuable role in achieving key Council priorities and objectives and securing high service delivery standards.

4.3 The 2017-2020 strategy which was formally agreed by the Committee in September 2016 was developed in consultation with all services which has helped to provide a baseline assessment against the key objectives within the Corporate Statement and Corporate Directorate Improvement Plans. Stakeholder engagement included workshops with the Extended Corporate Management Team, Heads of Educational Establishments, Service Managers and feedback from the 2015 Employee Opinion Survey. Consultation on the development of this strategy has also taken place with the Trade Unions and the Corporate Workforce Planning and Development Group which has representation from all Directorates of the Council.

4.4 Although the Council has successfully managed workforce changes in recent years it is recognised that the scale of workforce changes over the couple of years may be greater than previously required. Accordingly, it is vital that detailed workforce plans reflect the planned workforce implications of any budget decisions ensuring that any loss of skills does not have a negative impact on the Council's ability to deliver services and its significant programme of change.

4.5 The Council is pursuing an ambitious and wide-ranging agenda through the Delivering Differently Programme and Corporate Directorate Improvement Plans (CDIP). One of the greatest challenges in the coming years is to continue to deliver high quality services to our customers in extremely challenging financial circumstances. The delivery of the objectives within our CDIPs will require the commitment and hard work of the Council's workforce.

4.6 In addition, the Council and its partners are operating in an environment dominated by a public sector reform agenda, involving anticipated changes in legislation and policy which directly affects the way the Council services are delivered in the future and which will make new demands on the skills and capabilities of our workforce. It is essential therefore that the People and Organisational Development Strategy and workforce plans for the next three - five years respond to these challenges, equip its managers and workforce to enable the Council to continue to work corporately and effectively to deliver on its policy ambitions.

4.7 The key actions which have been progressed during 2018 are highlighted in section 5 of this report together with further workforce planning activity planned over the year ahead. The delivery of the key actions over the next year will be taken forward in consultation with the Trades Unions through the Joint Budget Group and with the workforce. The Corporate Workforce Planning and Development Group will continue to have a key role in monitoring the consistent implementation of the People and Organisational Development Strategy across the Council.

5.0 KEY WORKFORCE PLANNING ACTIONS

5.1 The priority workforce planning actions progressed during 2018 focused on addressing the significant workforce implications arising out of the projected funding gap 2017 – 2020 and the Delivering Differently Programme projects. The key actions progressed during 2018 are set out below against the four key themes of the People and Organisational Development Strategy. A number of the actions highlighted will continue to be progressed during 2019 and these, as well as other planned workforce planning activity are highlighted below.

5.1.1 **Theme 1 – Organisational Development (Planning for the Future)**

Outcomes – What we plan to achieve

Excellence in people & performance management and organisational design. To continue to identify current and future workforce challenges and solutions.

Key Actions:-

a) Workforce Profiling of Potential Saving Areas

Throughout 2018 detailed workforce profiling was undertaken in key areas across the Council to identify the potential employee impact of any proposed savings and how best to plan and manage the implementation should savings in these areas be agreed. Workforce profiling included looking at the age profile, skills, vacancies, number of temporary employees, potential interest in voluntary severance/early retirement etc. Some of this data is currently available through the workforce information and activity reports which are issued to managers on a quarterly basis. This information was critical in assisting discussions with the Trades Unions at the regular Joint Budget Group meetings when considering areas where savings may be agreed. This exercise also identified a number of vacancies which, following agreement with the Trade Unions and the Policy and Resources Committee in November, will be deleted and contribute to savings for the 2019/20 budget.

During 2019 detailed workforce profiling will continue to be undertaken relating to projects outlined in the Delivering Differently programme and any potential proposed budget saving areas relating to the 2019/2020 funding gap. This information will continue to be shared with the Trade Unions at the regular Joint Budget Group meetings.

In order to provide flexibility to deliver savings, it was agreed in 2016 that vacancies should be filled on a temporary basis unless agreed otherwise by the Corporate Management Team. During 2019 a review of temporary employees across the Council will be undertaken to ensure we have an appropriate balance of permanent and temporary staff which supports the recruitment and retention of skilled and experienced employees.

b) Service Workforce Plans

A Service Workforce Plan template was designed to assist Services in identifying potential workforce gaps and develop actions for their individual Service Workforce Plan. The template encourages Services to consider key strategic documents, including workforce profiling data, and to work through a questionnaire which assists them in identifying key workforce issues that may require action under the four themes of the Council's People and Organisational Development Strategy 2017-2020. Identified workforce issues were then outlined in the Service Workforce Plan along with the required action. The key purpose of the individual Service Workforce Plan is to maximise strengths and opportunities and ensure plans are put in place at service level to address the workforce challenges ahead.

All Service Workforce Plans were completed and submitted to the Corporate Management Team in early 2018. Service Workforce Plans are considered live documents and will be reviewed and monitored by the Change Management Directorate Groups and members of the Corporate Workforce Planning and Development Group.

c) Targeted Voluntary Severance Trawl

In order to gain an understanding of employee intentions and to support workforce planning around potential savings areas, progression of projects under the Delivering Differently programme and the management restructure agreed in February 2017, formal voluntary severance trawls were undertaken in appropriate areas during 2017 and 2018.

Voluntary severance activity has been progressed throughout 2018 relating to savings agreed by Inverclyde Council at its meeting on 15 March 2018. Once the overall funding gap for 2019/2020 is known there may be a requirement for further voluntary severance trawls during 2019 in relation to proposed budget savings.

In addition further voluntary severance trawls may be required in 2019 which are linked to specific projects outlined in the Delivering Differently programme. At its meeting on 13 November 2018, the Policy and Resources Committee agreed delegated powers be given to the Chief Executive to conduct voluntary severance trawls but on the proviso that no decisions are taken without a report to the relevant Committee.

d) Effective HR Policy Development & Implementation

Effective HR policy development and implementation play a key role in improving the performance of our people. In 2017 we reviewed our Supporting Employee Attendance Policy with the trade unions and a refreshed policy was agreed by the Policy and Resources Committee in June 2017. Supporting employee attendance is a major focus for the Council and continues to be so to ensure acceptable levels of service delivery and minimise the impact of absenteeism on other employees. A number of initiatives have been introduced in 2018 in specific areas where special interventions with services have been arranged to target areas of concern. In times of economic constraint, managing the costs of absence becomes even more important and the effectiveness of the new policy and procedures will continue to be monitored and reviewed.

At the Policy & Resources Committee on 6 February 2018, the new Dignity & Respect at Work Policy was approved (replacing the Bullying, Harassment & Victimisation Policy) which reinforces the Council's adoption of a zero tolerance approach to bullying, discrimination, harassment and victimisation and explains how employees can raise any concerns either informally or formally and /or receive guidance and support.

At the Policy & Resources Committee on 6 February 2018, the new Equality & Diversity Policy was approved which covers the Council's commitment towards the promotion of equality and diversity and the creation of a work environment which is inclusive of everyone and protects people from discrimination on the basis of protected characteristics e.g. race, disability, age, religion, gender etc. The Policy also covers unacceptable action and behaviour motivated by homophobia/ transphobia e.g. threats of outing, marginalising, and abuse.

At the Policy & Resources Committee on 13 November 2018, the updated severe weather policy was approved after consultation with the trade unions and the Council Resilience Management Team. The policy has been modernised to reference family friendly provisions and equality and also to ensure essential services are maintained during periods of severe weather.

Also agreed at the Policy & Resources Committee on 13 November 2018 was the British Sign Language Plan. The British Sign Language (Scotland) Act 2015 promotes the use of British Sign Language (BSL) in Scotland and requires the Council to develop a BSL Plan for the period 2018/24; this was developed through extensive engagement with D/deaf and Deafblind BSL users. There are a number of employee implications arising from this plan and Services across the Council have their own actions to undertake covering areas such as Early Learning and Childcare, Education, Customer Service, and the employee learning and development.

Other HR policies and procedures are scheduled to be reviewed over the coming year including Agile Working which is linked to the Council's Digital Strategy.

e) Early Learning and Child Care expansion

The Scottish Government is delivering a change in early years and child care provision by almost doubling the current free entitlement to 1140 hours per year by 2020 for all three and four year olds and eligible two year olds. A sub-group of the over-arching steering group charged with organising the expansion is looking at workforce implications and finalised a Workforce Plan. There will be a focus in the year ahead in implementing plans to recruit and re-train the workforce to meet the demands of the increased child care entitlement. In 2018 we started a bespoke college course to train 25 staff as Early Year Practitioners. We will be starting a second bespoke college course with West College Scotland to train another 25 existing staff to become Early Years Practitioners in January 2019. Later in 2019, we will be interviewing staff and students from West College Scotland for vacancies that will start in August 2019 and August 2020. The workforce plan has also identified other work streams including Modern Apprentices, redeployment of staff (some already qualified) and working with employees to review / increase working hours where appropriate.

f) Local Negotiating Council for Teachers (LNCT)

A report was agreed by the Policy and Resources Committee in March 2017 which revised the composition and operation of the Local Negotiating Committee for Teaching Staff (LNCT). This effectively modernised the workings of the Committee making it more streamlined and effective. The LNCT is charged with considering the Inverclyde approach to certain devolved matters associated with the terms and conditions of teachers. The Annual General Meeting of the newly formatted LNCT took place in December 2018 and formally agreed a number of LNCT Agreements which support the Council's People and OD Strategy.

Informal LNCT meetings will continue in 2019 with the teaching trade unions to review and modernise key agreements which support the Council's key strategies and objectives.

g) National Recruitment Portal

The National Recruitment Portal also known as 'My Job Scotland' had another refresh and introduced seamlessly into our operating procedures, which remain fully inclusive. Revised guidelines for managers and local recruitment panels have been rolled out making the process efficient and effective.

There are plans to review the Equal Opportunity Form questions during 2019 in consultation with Equality Officers from the Scottish Councils Equality Network. Any changes to questions will be mirrored on our HR/Payroll system Chris21. This is connected to our British Sign Language Action Plan 2018/24 to ensure we collect accurate data of sign language users.

h) Brexit Planning

The employee implications of Brexit are considered in our Risk Register and risks are assessed on a regular basis in line advice from government bodies. Inverclyde has a low ratio of EU nationals but has identified the services across the Council where our EU nationals work. We have posted general information on our intranet to inform relevant staff of the expected effect of Brexit on EU nationals and are committed to keep them informed of developments.

Implications in relation to legislative changes at a UK level are currently being monitored. Officers have attended government conferences and participate in webinars to receive updates on Brexit and the EU Settlement Scheme. We will continue to raise awareness on the pilot EU Settlement Scheme open to staff in the Health and Social Care sectors.

5.1.2 **Theme 2 – Employee Skills Development, Leadership, Succession Planning (Employees our most Valuable Resource)**

Outcomes – What we plan to achieve

Ensuring our employees are sufficiently trained, qualified and experienced and our leaders are developed to lead, motivate and inspire to deliver quality services which meet service demands.

Key Actions:-

a) Performance Appraisal Process & Future Skills Requirement

A key part of the performance appraisal process is identifying training needs now and for the future and the creation of individual development plans to meet these needs. Refresher training is available for employees and managers and guidance has been issued and promoted to ensure our performance appraisal process is as effective as possible and supports succession planning across the Council.

b) Identification of Skills Gaps and Meeting Learning & Development Needs

Information continues to be gathered centrally on the key learning and development needs identified through the performance appraisal process and service workforce plans. This information will be analysed by the Council's Organisational Development Team and used to develop and deliver Corporate Learning & Development events, support service workforce plans and make enhancements to our e-Learning programmes. Technological skills was a key learning need identified and in 2018 relevant courses were available to staff and to attend college.

c) Leadership Development Events

The Leadership Development Event held last year focused on service workforce planning and how best the Council can address the workforce challenges ahead. The next leadership development event will be arranged in early 2019 in conjunction with the Improvement Service which will focus on leading change. This was identified as one of our top three development needs in the Council for leaders/managers as part of Service Workforce Plans and agreed by the Corporate Management Team.

d) Uplifting Leadership Course

The Council has introduced a new leadership development course. This course was open to all employees within Inverclyde Council and HSCP for up to 30 people and was aimed at those who are in or wish to take on leadership roles. The 6 professional learning sessions, running over 6 months, were designed to support leadership development at all levels and was based on Andy Hargreaves "Uplifting Leadership" book which explores the nature of "uplift" and its impact on an organisation.

e) Mentoring Programme

Inverclyde joined a Cross-organisational Mentoring Programme organised by Renfrewshire Council in November 2018 which runs for a year. The mentoring programme involves six partner organisations – Renfrewshire Council, Glasgow City Council, NHS Greater Glasgow and Clyde, West Dunbartonshire Council, South Lanarkshire Council and Inverclyde Council. Participating Managers from each of the six organisations will have a one-to-one mentoring relationship with a manager from a different organisation.

f) Succession Planning

A succession planning programme was agreed by the Corporate Management Team in the summer of 2017 and was rolled out across the Council. All Directorates completed their plans in 2018 and services will review their updated plans in 2019 to reflect any changes.

g) Senior Officer Training Matrix

The matrix shows essential and desirable training for senior officers across the Council (Team Leader and above). This assists in the compilation of individual development plans and the activity created is reported quarterly in the Workforce Information and Activity Report. This will be reviewed in 2019 to ensure content is still relevant.

g) Flexible Workforce Development Fund (FWDF)

The FWDF is available to all employers who pay the apprentice levy in Scotland and is led by employer demand. In 2018 we had funding totalling £10,000 allocated to use before June 2018 at the local West College Scotland for training which has been identified through performance appraisals training requests. In 2019, the amount should increase to £15,000 and it is proposed that appropriate learning and development initiatives are explored including awareness training in British Sign Language as part of our 2018/24 BSL action plan and other training priorities identified as part of the performance appraisal process and service workforce plans.

- E-Learning – development

Inverclyde is a founder member of the Clyde Valley Learning and Development Consortium which provides the Council with an e-learning platform called Brightwave. In 2019 the system is scheduled to be upgraded providing a more modern look and be responsive for mobiles, have better Council branding and better support and search facilities for users. In addition, officers continue to work with Clyde Valley colleagues to explore the other shared platforms to improve our e-learning package offer for employees.

5.1.3 **Theme 3 – Employer of Choice (Continuous Improvement)**

Outcomes – What we plan to achieve

To enhance our reputation as an employer of choice and as a Local Leader on innovative and modern employment practices, attract future and retain existing employees by promoting Inverclyde Council as a great place to live and work.

Key Actions:-

a) Recruitment & Selection Policy and Employee Induction

A new and improved induction programme for new starts joining the Council was developed and rolled out during 2018 which has mandatory training for new starts. A survey for new starts has also been developed to assess the experience of new employees to the Council. Survey results thus far have been positive and will continue to be monitored in 2019.

b) Healthy Working Lives Gold Award

The Council successfully maintained the Healthy Working Lives Gold Award in 2018 jointly with the HSCP, showing our long term commitment to the health and wellbeing of our employees by retaining the 'Healthy Working Lives' Gold Award. The Council and HSCP will continue to implement health initiatives for employees and will be assessed again in 2019.

c) Modern & Innovative HR Policies

During 2019 the Council will continue to review and introduce Modern & Innovative HR Policies which support new, more efficient ways of working. The aim will be to build on the encouraging results coming out of the last Employee Opinion Survey and the one undertaken recently at the end of 2018. The Employee Opinion Survey is programmed for every three years. The results from the survey will be released in 2019 and will be analysed afterwards with an action plan if required.

d) Defence Employer Recognition Scheme

We obtained a gold level award for the Defence Employer Recognition Scheme (ERS) in 2017, this encourages employers to support defence ex-employees and inspire others to do the same.
We are engaged with Career Transition Partnership (CTP) in the recruitment of service leavers and will continue to advertise suitable vacancies on their website. We will be reviewing this in 2019 to continue to advocate support to defence and the armed forces community.

5.1.4 **Theme 4 – Fairness & Equality**

Outcomes – What we plan to achieve

Continue to work with our community partners to promote equality, dignity and respect and ensure our employees, customers and partners are treated fairly and with respect at all times. Ensure equality requirements are met through our grading and pay model and job evaluation processes.

Key Actions:-

a) Job Evaluation

The Council fully implemented the 3rd Edition of the Scottish Councils Job Evaluation Scheme in partnership with the Trades Unions. All job evaluations and historical data are stored electronically. The ongoing maintenance of the Job Evaluation Scheme will continue to be monitored in partnership with the Trades Unions to ensure all equality requirements are met.

b) Equality, Diversity and Respect at Work

Every three years we ask staff to update their equality statistics; this was last undertaken in 2018. Approximately two thirds of our employees have completed the form which will assist the Council in equality monitoring.

Equality is embedded in all Council policies and procedures. The Council will continue to ensure that following the introduction of the equality legislation, relevant policies, processes and training will have been reviewed and amended to ensure compliance.

c) Equality Impact Assessments

Equality and Diversity issues continue to be a high priority for the Council so all employees, customers and partners are treated fairly and with respect at all times. It is essential, during the period of significant change ahead, that we maintain a focus on our commitments and have processes in place to meet our responsibilities and to monitor the impact on our staff and our workforce profile.

Training for managers on Equality Impact Assessments was delivered by Clyde & Co Solicitors in November 2018. The training focused on the Council's obligations to conduct Equality Impact Assessments in terms of the Equality Act 2010, together with an overview of and guidance on the Equality Impact Assessment process, with particular reference to the Council's budget setting and decision making processes.

Our Equality Impact Assessment template and process have been reviewed and now include the Fairer Scotland Duty and links to our Corporate Plan objectives.

d) Equality and Diversity Training

Specific Equality and Diversity training is available to all employees of the Council in both a classroom style environment and through e-learning. Equality and Diversity are also mainstreamed throughout the Council's learning and development programmes which will continue to be promoted throughout 2019.

e) Carer Positive Scotland Award

The Council has received this award at level 1 in recognition of existing good practice, policies and procedures in this area. The Council will continue to monitor and introduce initiatives which support our employees who are carers. This includes continuing to encouraging employees who are also carers to make themselves known via the equal opportunity exercise. In 2019 we will review the requirements to apply for level 2.

f) Disability Confident (Leader)

Inverclyde Council has become the largest employer in Inverclyde to sign up to a scheme to support disabled people in employment. There are only 9 organisations in Scotland that have this level of award including one other Scottish Council. Disability Confident employers are those who have identified and removed barriers in the recruitment of disabled people, tapped into the support available and successfully offered an opportunity to or hired local disabled job seekers.

We will be introducing a Disabled Staff Forum via the Corporate Equality Group (CEG) in 2019 which will be open to disabled employees and staff who have an interest in disabilities. The scope and remit of the group will be confirmed at the next CEG meeting in early 2019.

g) Grading and Pay – Review and Impact Assessment

The erosion of pay differentials at the bottom end of the Council's current Pay and Grading structure is one of the key impacts of the Scottish local Government Living Wage rate. This means that in the existing pay structure large number of employees are paid the same rate of pay although jobs have been evaluated differently under the Job Evaluation Scheme. Officers have been working with the trade unions throughout 2018 to review the pay structure and address this issue.

On 13th November 2018, the Policy and Resources Committee approved the implementation of a revised pay and grading structure, subject to agreement being reached with the recognised trade unions. Implementation arrangements are currently being finalised with the trade unions. The Committee noted the independent Equality Impact Assessment on the revised structure which was positive and highlighted that the revised structure virtually eradicates the gender pay gap in terms of basic pay for the 3 lowest grades and strikes an appropriate balance between equalities obligations, operational requirements and affordability.

6.0 COMMUNICATION STRATEGY

6.1 To embed the People and Organisational Development Strategy, a key development is the ongoing communications of the strategy. The 'Insider' publication is produced after each full Council meeting to highlight some key decisions from the meeting. It has also been used as a regular update sent to all employees to highlight people and organisational development issues and subjects highlighted in the strategy.

6.2 Insider Council Update is published and distributed online through email and ICON, the Council intranet. It is also sent to Heads of Service to arrange direct distribution to employees without access to email or PCs to further encourage direct communications to employees outside of the desk-based services.

7.0 PROGRESS REVIEW

7.1 The Best Value Assurance Audit in 2017/2018 recognised the good workforce planning activity taking place across the Council and the aim is to continue this work into 2019 and beyond. This report outlines some key actions for 2018 which supported the Council to manage the workforce implications required to address the projected funding gap and also to support our employees through the next period of significant change. It is important that senior managers continue to be accountable and take responsibility for their role in implementing the key actions in 2019. The strategy and the underpinning actions will continue to be subject to regular review to ensure that the most important actions are addressed.

7.2 The Council's Workforce Planning & Development Group will contribute to the development and monitoring of the key actions outlined above and within the wider strategy. Progress reports will continue to be brought to the Corporate Management Team and the Policy and Resources Committee.

8.0 PROPOSALS

8.1 It is proposed that the Policy and Resources Committee notes the key actions progressed during 2018 and the planned activity for 2019 which will focus on the workforce implications arising out of the projected funding gap for 2019 – 2020 and our Delivering Differently Programme.

9.0 IMPLICATIONS

Finance

9.1 N/A

Financial Implications:

Costs associated with learning & development of employees will be contained within existing training budgets.

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

9.2 None - agreed themes and work streams will continue with due regard to legal requirements. Full consultation with Legal Services will be sought as required.

Human Resources

9.3 As outlined in the report.

Equalities

9.4 Has an Equality Impact Assessment been carried out?

☐	YES (see attached appendix)
X	NO - will be completed as required for specific topics

Repopulation

9.5 The actions under the “Employer of Choice” Theme (paragraph 5.1.3) support the Council’s repopulation agenda.

10.0 CONSULTATIONS

10.1 This People and OD strategy and key actions have been developed following consultation with the full Extended Corporate Management Team (ECMT) and Trades Union colleagues.

11.0 LIST OF BACKGROUND PAPERS

11.1 N/A

Inverclyde council

AGENDA ITEM NO: 22

Report To:	**Policy and Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Head of Organisational Development, Policy and Communications**	**Report No:**	**HR/26/18/PR**
Contact Officer:	**Pauline Ramsay Health and Safety Team Leader**	**Contact No:**	**01475 714723**
Subject:	**Corporate Health and Safety Report**		

1.0 PURPOSE

1.1 The purpose of this report is to seek Committee approval of the Corporate Health and Safety report for 2017/18 (Appendix 1).

2.0 SUMMARY

2.1 Reporting on Health and Safety performance is a key aspect of ensuring that Health and Safety is correctly managed within an organisation.

2.2 The Health and Safety Executive have issued guidance on how they expect Health and Safety to be managed within an organisation, this framework provides the basis for the approach which Health and Safety Inspectors will take when auditing an organisation's arrangements for managing health and safety. The Corporate Health and Safety Report reflects this framework.

2.3 The Corporate Health and Safety Report summarises the Council's performance data, including the numbers and types of accidents and incidences of work related ill health. It also outlines enforcement action and commentary on health and safety during the year.

2.4 The report supports the implementation of the Council's People and Organisational Development Strategy 2017/20 by monitoring the Council's Health and Safety performance ensuring that we continuously improve health and safety management within the Council.

3.0 RECOMMENDATIONS

3.1 The Committee is recommended to approve the Corporate Health and Safety Report.

3.2 The Committee is asked to support this report by active promotion and support of Health and Safety.

Steven McNab
Head of OD, HR and Communications

4.0 BACKGROUND

4.1 Inverclyde Council is required to ensure that health and safety risks to employees are managed and assessed in line with its legal duties as defined by the Health and Safety at Work etc. Act 1974, Management of Health and Safety at Work Regulations 1999, Fire (Scotland) Act 2005, the Fire Safety (Scotland) Regulations 2006 and other statutory requirements.

4.2 Monitoring of performance in relation to compliance with this legislation is a key part of the Council's management arrangements. The Corporate Health and Safety report provides information to those with overall responsibility for health and safety management on the Council's performance in this area.

4.3 The Health and Safety Report consists of the following main sections:

- Health and Safety Policy and Guidance
- Advice and Support
- Health and Safety Training
- Consulting and Communication
- Enforcement Action
- Health Surveillance
- Incident Reports
- Auditing

The report indicates ongoing development work is required in the following areas:

- Violence and aggression
- Risk Assessment
- Manual handling
- Slips, trips and falls

These will be addressed in Service Health and Safety Plans.

5.0 PROPOSALS

5.1 The Corporate Health and Safety Report will drive forward improvement in health and safety management in the Council and be used as a framework to further enhance the safety of employees and those affected by the work of the Council.

6.0 IMPLICATIONS

Finance

6.1 There are no financial implications for this report.

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 Legal: Failure to have a robust health and safety management system in place and to implement it could result in enforcement action being taken against the Council.

Human Resources

6.3 There are no Human Resources implications.

Equalities

6.4 There are no Equalities issues within this report.

Repopulation

6.5 There are no repopulation issues within this report

7.0 CONSULTATIONS

7.1 The Health and Safety Report has been coordinated through the Corporate Health and Safety Committee with Health and Safety seeking the views of both union and management colleagues. The Trades Unions and CMT have agreed the report.

8.0 LIST OF BACKGROUND PAPERS

8.1 Appendix 1 – Corporate Health and Safety Report

Inverclyde council

Health and Safety Report

2017 – 2018

Prepared by: Pauline Ramsay (H&S Team Leader)
Approved By: Corporate Health and Safety Committee
Issue Status: Submitted for Approval

Contents:

1. Introduction

I am pleased to introduce the Council's Health and Safety performance report for 2017/18. A high standard of health and safety performance is one of the Council's primary objectives and is recognised as an integral part of service delivery. This means having in place effective management arrangements that ensure the wellbeing of our employees. It is our employees who deliver our Council's goals and we attach great importance to ensuring the continued health, safety, welfare and development of our workforce and to minimise the distress and disruption caused by any injuries or work related illnesses which may occur. It requires that we search out, adopt and update best practice relevant to and proportionate to the risks we and our employees face, and that we generate guidance and procedures for relevant activities.

Inverclyde Council has set clear goals for reducing injury and ill health. This Health and Safety report covers the period from April 2017 to March 2018. It summarises the Council's performance data, including the numbers and types of accidents and incidences of work related ill health. It also outlines enforcement action and commentary on health and safety during the year.

I would like to thank all of our employees who undertake essential roles as First Aiders, Fire Wardens, risk assessors and others for playing a vital part in the management of health and safety across Inverclyde Council.

Aubrey Fawcett
Chief Executive

2. Health and Safety Policy

2.1 The Council is committed to safeguarding the health, safety and welfare of its employees and all other persons likely to be affected by the work of the Council. We accept the aims and provisions of the Health and Safety at Work etc. Act, the Management of Health and Safety at Work Regulations and other relevant statutory obligations. Our H&S Policy and associated arrangements and guidance documents represents a continuing commitment to improving our standard of Health, Safety and Welfare.

2.2 The following policies, arrangements and guidance documents were developed, issued or reviewed during 2017/18.

Policies and Arrangements
Corporate Health and Safety Policy – Reviewed and redrafted
Management of Asbestos Policy – Reviewed and redrafted
Smoke Free Policy – Reviewed and redrafted

Information sheets
IS 72 – Work Related Stress Guidance - New
IS 74 – Protect Against Infection - New
IS 29 – Reporting Incidents of Violence - Reviewed
IS 24 – Dealing with Stress - Reviewed
IS 18 – Occupational Health - Reviewed

Safety Alerts
SA No 34 – Scalding Risks
SA No 35 – Non Council Cleaning Products
SA No 36 – Fire Safety
SA No 37 – Extension Leads
SA No 38 – Supervision and Management
SA No 39 – Finger Jamming – Doors
SA No 40 – Labelling of Hazardous Substances
SA No 41 – Fire Safety (Education)

3. Organisation

3.1 Inverclyde Council Corporate Management Team (CMT) leads on improving health and safety and monitors progress regularly.
This is achieved through:

- Advice from the Corporate Health and Safety Committee (CHSC) on the overall direction of health and safety performance within the Council.
- Consultation with Trade Union safety representatives at CHSC.
- Competent advice from the Health and Safety Team Leader.

- Line Managers fulfilling their roles and responsibilities for health and safety
- The Organisational Development, Human Resources and Communications service who organise corporate health and safety training and manage the occupational health contract.

3.2 The Corporate Health and Safety Committee lead on improving health and safety and monitors progress. The Chief Executive chairs the meetings and the Vice Chair is a Trades Union representative. The Committee consists of a representative from each Directorate preferably at Head of Service level, and representation from each Trades Union. Quarterly meetings are scheduled where health and safety issues such as new policies, procedures insurance claims and accident statistics are discussed and approved.

4. Planning and implementation

4.1 The annual health and safety plan is linked to the Corporate Directorate Improvement Plan. Our improvement actions are linked to the wellbeing outcomes of safe, healthy, achieving, nurtured, active, respected, responsible and included. Our risk-based health and safety objectives are confirmed by the Corporate Health and Safety Committee.

4.2 The risk-based health and safety objectives are disseminated to Directorates through the Corporate Health and Safety Committee and the health and safety section of the corporate intranet Icon.

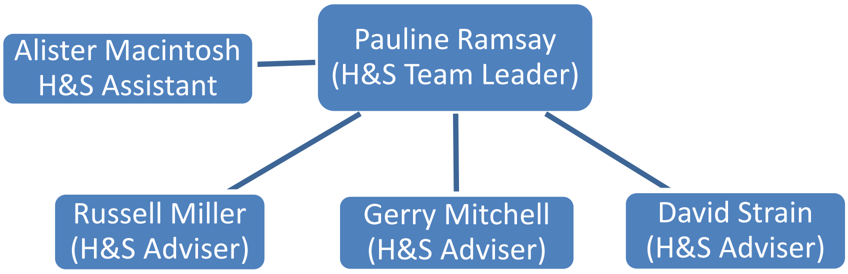
Based on the number of incidents known to have occurred in the Council and on an assessment of the potential harm to employees, the following priority areas were identified for action:

- Violence and aggression
- Manual handling
- Risk Assessment
- Vibration

The CHSC receives quarterly reports and monitors delivery of the health and safety objectives. Health and safety incident statistics are also included in the WIAR reports issued by OD, Policy and Communications on a quarterly basis. Copies of reports and minutes are available on Icon.

5. Advice and Support

5.1 The primary health and safety advice is provided by the Corporate Health and Safety Section, who provide support on all aspects of health and safety at work for Inverclyde Council employees. The section is centralised and organised as follows:



5.2 In addition during 2017/18 the section had a modern apprentice for 4 months to completed his SVQ Level 3 in Office Administration. He has since moved on to achieve employment elsewhere.

6. Health and Safety Training

6.1 Health and safety training is organised either by OD, Policy and Comms, or via the employing service. A health and safety training programme was implemented in 2017/18. A modular approach loosely based around the format of the IOSH Managing Safely Course, has been developed, This comprises of a certain number of core modules for managers, and hazard specific training for managers and operatives which can be selected appropriate to the Service area. It is intended that each module last for no more than half a day. The course list has been attached as appendix 1. Where a training needs analysis identifies that managers/team leaders would benefit from the full 4 day IOSH Managing Safely course this will be sourced.

6.2 Overall 607 employees received face to face training during 2017/18. Fire safety awareness training, risk assessment and personal safety (managing aggression) training were the most popular courses with 234 employees receiving fire safety awareness training, 87 receiving risk assessment and 63 personal safety (managing aggression) training. A breakdown of uptake of courses by directorate has been attached as appendix 2.

6.3 **E-Learning**

The following elearning courses are available:

- Health and Safety Induction (mandatory)
- Fire Safety Awareness (mandatory)
- Stress
- Asbestos awareness refresher (mandatory for employees whose work may bring them into contact with asbestos containing materials)

- Dangerous Substances
- Display Screen Equipment (mandatory for DSE users)
- Driving at Work
- Service Specific (Environmental & Commercial Services)
- Electricity
- First Aid
- Food Hygiene
- Health and Safety Management
- Managing Conflict
- Protecting the Environment
- Manual Handling (Recommended for employees who may carry out low risk manual handling, i.e. office staff)
- Slips, Trips and Falls
- Managing HAVS (mandatory for managers of employees who use hand held vibratory equipment)
- Winter Maintenance
- Workplace Wellbeing

Information on the completion of e-learning training has been provided in Appendix 3, detailed reports on up-take of elearning training are prepared as resources permit; these are passed to each Head of Service and detail all employees, their line manager and the training they have received.

Random checks were also carried out where there would appear to be a high proportion of employees who had failed a course or had not completed it. In a significant number of these instances the employees who had failed to complete the course were not required to do it as part of their job role.

7. Consulting and Communication

7.1 The Corporate Health and Safety Committee is the principal consultation forum on health and safety within the Council. The committee meets four times per year and is chaired by the Chief Executive. The Committee consists of a representative from each Directorate, normally at Head of Service or Senior Management level, and representation from each Trades Union. The CHSC leads on improving health and safety and monitors progress regularly.

7.2 Any changes to policies, objectives, or health and safety decisions are discussed, circulated to a wider audience for consultation (if applicable), and agreed by the committee prior to implementation.

7.3 New policies or reports are distributed to the CHSC for consultation and agreement prior to being submitted to the CMT and then the Council Policy and Resources Committee for final approval and issue.

7.4 Key areas reported to the committee as standing items:

- Health Surveillance
- Incident Reporting

- Insurance claims
- Healthy Working Lives
- Training
- Fire Safety
- Enforcement Action

8. Enforcement Action

8.1 A number of visits or enquiries were carried out by the HSE over 2017/18:

- Visit to Pottery Street in response to an anonymous complaint about traffic management – No action taken
- Information requested in relation to a potential investigation into an incident in which a school pupil was scalded – no action taken
- Investigation into a potential asbestos exposure incident – No action taken and letter received stating no fault lay with the Council.
- Routine inspection of Kirn Drive resulted in a letter and fees for intervention applying. There was no written safe isolation procedure in place for maintenance of the bailer. This has been rectified.
- Investigation into an incident where an employee was knocked unconscious by a gate. – No action taken

8.2 The fire service carried out a series of audits on council properties and while there was no enforcement action taken there were some common areas of concern highlighted:

- Training and training records not available
- Fire doors being kept clear
- Storage of combustible items
- Maintenance of fire resistant doors
- Housekeeping in fire evacuation routes.
- Relevant paperwork not available on site

Any issues identified have been followed up with the relevant service.

9. Occupational Health

9.1 Where employees are exposed to certain physical and chemical hazards it is a legal requirement to undertake an annual programme of health surveillance to monitor employee health. Health surveillance is required as follows:

Legislation	Employee Group
Control of Vibration at Work	Road Workers Grounds Maintenance Technical Technicians – Schools
Control of Noise at Work	Road Workers Grounds Maintenance Technical Technicians – Schools Refuse Collectors Technical Teachers Music Teachers and Instructors

Control of Substances Hazardous to Health (Spirometry, Skin)	Road Workers Grounds Maintenance Technical Technicians – Schools Refuse Collectors Technical Teachers Science Technicians Cleaners Catering staff Homecare staff

Other employee groups who receive medical checks though not health surveillance include School crossing patrollers, drivers of council vehicles and night workers.

9.2 Appointments arranged and carried out during 2017-18

Appointment Type	Number of Appointments
Health Surveillance	398
Health Surv-HAVS Tier 3	7
Health Surv-HAVS Tier 4	3
Medical	24
Grand Total	**432**

In addition skin surveillance is ongoing for cleaning and catering staff. Wet work is a known cause of work related dermatitis and employees working in the cleaning and catering sector are at known risk. 326 skin surveillance questionnaires were issued to the Service for distribution with 93.2% return rate (20+3 long term sick still to be returned.) Questionnaires were checked by the occupational health nurse and where potential issues were identified these employees were be seen by the nurse; 43 employees have been recalled in 2017/18 with no work related dermatitis issues identified.

Over 2018/19 skin surveillance will be rolled out for Homecare staff.

9.3 Health surveillance outcomes were

Health Surveillance Results	Per Appointment
Health Surveillance	**398**
Did not Attend	53
Fit for Work	327
Fit for Wrk-Recommendations	11
Recall HAVS Tier 3	2
Recall HAVS Tier 4	1
Unfit for Work	4
Health Surv-HAVS Tier 3	**7**
Fit for Work	3
Fit for Wrk-Recommendatn	1

Recall HAVS Tier 4	3
Health Surv-HAVS Tier 4	**3**
Fit for Work	3
Medical	**24**
Did Not Attend	7
Fit for Work	17
Grand Total	**432**

10. Performance

10.1 Incident summary

Inverclyde Council employs approximately 4,200 employees in varied roles and exposed to similarly varied risks. The Council's activities are wide ranging and include risks from hazards associated with building maintenance, machinery, electricity, moving and handling people, asbestos, violence and aggression, and premises used by the public.

Accidents/incidents within the Council are reported by employees and recorded onto an Accident Database. During 2017/2018, employees reported 389 incidents, of these 44 were classified as a near miss and a further 66 did not result in any injury, all other incidents resulted in some form of injury to an employee. 55 of the incidents resulted in the employee having to take time off from work.

- In terms of more serious injuries there were 7 fractures, one concussion and 3 dislocations.
- The fractures included:
    - A car driving over an employee's foot.
    - Six slips, trips and falls; five outdoors due to damaged surface or wet/ slippery conditions.
    - One where an ASN escorting a child fell down stairs..
- The concussion occurred when an employee slipped on ice in a school carpark and struck their head on the ground.
- The dislocations were due to an employee slipping on rocks during a gorge walk, an employee with a long standing knee injury dislocating it while undertaking dance training, and a slip on ice

There were 21 RIDDOR reportable incidents, three were major incidents and mentioned above, three were dangerous occurrences and 15 resulted in over 7-day absences. Examples of the over 7 day incidents reported to the HSE:

- 5 over 7 day incidents were due to manual handling issues,
- The others were as a result of slips trips or falls, with six resulting in cuts or sprains/strain injuries.

- One incident was as a result of being struck by an object ejected from beneath grass cutting equipment.

Examples of the dangerous occurrences reported to the HSE included:.

- 2 due to exposure to hazardous substances; in one a school science technician was burned by concentrate sulphuric acid and in the other electricians were potentially exposed to asbestos. (As discussed in 8.1 above).

The lagging indicators present a picture of our reported incidents. Performance in this category may be influenced by a strengthening culture of internal reporting procedures rather than an arbitrary indication of success or failure to manage risk effectively.

The majority of employee incidents identified by reactive monitoring are:

- violence 32%
- verbal abuse 21%
- slip, trip or falls 19%
- manual handling 7%.

The following incident data is broken down into two main categories, incidents over a 3 year reporting period and then a more detailed look at the data gathered during 2017/2018.

- Incident data over a 3-year reporting period
- Incident data for 2017/2018 (breakdown of reports by Directorate)

10.2 Employee incident data over a 3- year reporting period

Table 1 – 3-year employee incident data

	Year	2017/2018	2016/2017	2015/2016
All Reports	RIDDOR - Fatality	0	0	0
	RIDDOR – major injury	3	2	3
	RIDDOR – all other	18	17	16
	RIDDOR – Reportable Disease	0	1	2
	All other incidents	371	352	325
	Total incident reports	**389**	**372**	**343**
	Incident rate per 1,000 employees	**78**	**79.1**	**70.4**

Overall, we have seen an increase in the total number of reports since 2015/2016, however there has been a slight decrease in incident rate compared to 2016/17. The number of major injuries has remained relatively low, though there has been an increase in the total number of incidents reported which is indicative of improved reporting. The majority of incidents reported remain in the violence and verbal abuse category.

Table 2 – 3-year employee "violence & verbal abuse" incident data

	Year	2017/2018	2016/2017	2015/2016
Violence & Verbal Abuse Reports	Incidents Reported	206	197	180

There were 81 incidents of verbal abuse and 125 cases of violence reported during 2017/2018.

10.3 Employee incident data 2017/2018 (breakdown of reports)

RIDDOR reports

Table 3 – RIDDOR (breakdown by Directorate)

Employee RIDDOR	Directorate	2017/2018
	Education, Communities & Organisational Development	4
	Environment, Regeneration & Resources	8
	HSCP	9
	Total	21

All incidents 2017/2018

Table 4 – Employee All incidents (breakdown by Directorate)

Employee - All incidents reported	Directorate	2017/2018
	Education, Communities & Organisational Development	181
	Environment, Regeneration & Resources	80
	HSCP	128
	Total	389

Table 5 – All Employee Incidents (breakdown by type)

Row Labels	Count of Summary
Violence assaulted by Service User/Pupil or MoP	63
Violence assaulted by Service User/Pupil (Additional Support Needs)	62
Verbal Abuse by Service User/Pupil or MoP	61
Slipped, tripped or fell (no obvious cause)	28
Slip Trip or Fall (Potentially Preventable)	26
Manual handling injury due to handling, lifting or carrying	24
Slipped, tripped or fell (on ice/snow)	20
Road Traffic/Vehicle Issue	19
Contact with a hazard (hot or sharp)	16
Other Incident	12
Verbal abuse by service user/pupil (Additional Support Needs)	10
Verbal Abuse Other	10
Hit by a moving, flying or falling object	10
Fire/explosion incident	5
Hit something fixed or stationary	5
Trapped or caught between two objects	5
Property Issue	4
Exposed to hazardous substance	3

Sharps/Needlestick incident	2
Security Issue	1
Contact with moving material or material being machined	1
Horseplay/carry on	1
Building/Masonry Fault	1
Grand Total	**389**

Table 6 – Employee "verbal abuse & violence" incidents (breakdown by Directorate)

Employee – verbal abuse/violence incidents reported	**Directorate**	**2017/2018**
	Education, Communities & Organisational Development	**139**
	Environment, Regeneration & Resources	**13**
	HSCP	**54**
	Total	**206**

72 of the verbal abuse and violence incidents involved a service user/pupil or member of the public with "additional support needs". Within the education and social care sector, care must be taken when interpreting these statistics. The use of the terms violence and abuse in relation to incidents is often emotive and must be placed in context; there is a significant difference between violence instigated by someone with deliberate intent and that by a service user who, due to communication difficulties, medication changes etc, lacks awareness or control of their actions. The majority of the reported incidents lie within the area of pupils or service users with additional support needs and are, in general, related to a small number of pupils or service users with very complex support needs.

Table 7 – Employee "slips, trips and falls" incidents (breakdown by Directorate)

Employee – slip, trip or fall incidents reported	**Directorate**	**2017/2018**
	Education, Communities & Organisational Development	**20**
	Environment, Regeneration & Resources	**19**
	HSCP	**32**
	Total	**71**

The following types of slips, trips and falls were reported during 2017/2018:

Cause	**Number of Incidents**
Slipped, tripped or fell (damaged surface outdoors)	2
Slipped, tripped or fell (damaged surface)	8
Slipped, tripped or fell (no obvious cause)	16
Slipped, tripped or fell (on ice/snow)	22
Slipped, tripped or fell (on stairs)	12
Slipped, tripped or fell (over extraneous item)	6
Slipped, tripped or fell (wet floor outdoors)	1
Slipped, tripped or fell (wet floor)	2
Slipped, tripped or fell exiting vehicle	2
Grand Total	**71**

Table 8 – Employee “manual handling” incidents (breakdown by Directorate)

Employee – manual handling incidents reported	Directorate	2017/2018
	Education, Communities & Organisational Development	**0**
	Environment, Regeneration & Resources	**17**
	HSCP	**9**
	Total	**26**

4 of the manual handling accidents were RIDDOR reportable as the injured person was off work for more than 7 days.

Table 9 – Employee “days lost” from incidents (breakdown by Directorate)

Employee – days lost reported	Directorate	2017/2018
	Education, Communities & Organisational Development	**215**
	Environment, Regeneration & Resources	**192**
	HSCP	**348**
	Total	**754**

Table 10 –top three reasons for “days lost” per incident type

Employee – days lost reported	Incident description	2017/2018
	Slip trip or fall	**510**
	Manual handling	**103**
	Road Traffic Accident	**90**

10.4 Audit Summary

Self Audit Programme

A self-audit was issued to 34 category A and B properties, these are properties which fall in the higher risk category.

The audit covers 5 key health and safety issues:

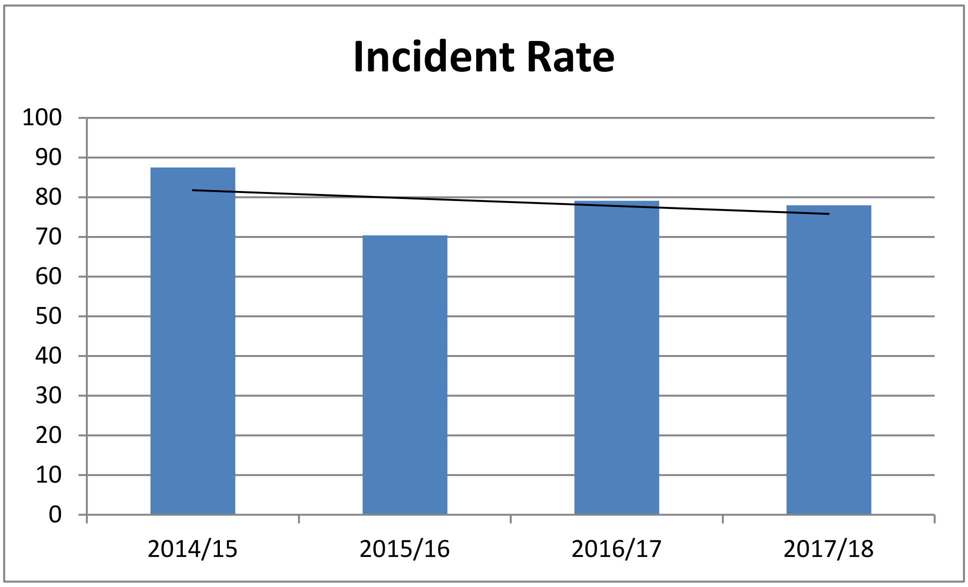
- Section A: - Information and Training
- Section B: - Management Systems
- Section C: - Risk Assessment
- Section D: - Building and Plant
- Section E: - First Aid and Incident Reporting
- Section F: - Other Systems

Directorate	Average of Overall %	Average of Section A	Average of Section B	Average of Section C	Average of Section D	Average of Section E	Average of Section F
Education Communities and OD	62%	43%	71%	59%	66%	88%	67%
Environment Regeneration and Resources	71%	64%	55%	75%	69%	84%	60%
HSCP	72%	73%	87%	63%	74%	91%	47%
Grand Total	**70%**	**66%**	**76%**	**66%**	**71%**	**89%**	**54%**

- 34 Audits were issued with 19 returned to date. The return of the remaining audits will be pursued and action plans for areas of weakness identified through the audits will be drawn up with the relevant service areas.

11. Corporate 'Health Check' indicator

Indicator:	Incident Rates (per 1000 employees)
Relevance:	This indicator demonstrates the number of incidents per 1000 employees. Examples of types of incidents the indicator covers include animal exposure, violence, manual handling and slip, trip or fall.
Current Performance level (2017/18):	78 incidents per 1000 employees
Target Performance level:	75 incidents per 1000 employees
Analysis of Performance and commentary:	The overall trend over the last 4 years has been a gradual decrease in incident rate. This was after a substantial increase in rate during 2014/15 due to the introduction of the Council's online incident reporting tool which made it easier for staff to report incidents. The online reporting tool provides significant statistical data which has helped the Council to target issues such as violence to staff, manual handling and slip risks. The target performance level has been re-evaluated taking into account improved accident reporting and has been set to 5% below the average accident rate for the past three years.
Trend:	Improving long term.



Inverclyde council

Appendix 1

Code	Sub Code	Course Title	Elearning	Face 2 Face	Safety for Managers Core Module	Safety for Managers Optional Module (Managers who are in specific sectors)	Target Audience	Duration
		Management Specific						
100	000	Introduction to Safety for Managers	Y		Yes		Managers/Supervisors	30 mins
101	000	Understanding Health and Safety Management		Y	Yes		Managers/Supervisors	½ day
102	000	Risk Assessment and Controlling Risks		Y	Yes		Managers/Supervisors or nominated risk assessors	½ day
	001	Risk Assessment and Controlling Risks Education		Y	Yes		Managers/Supervisors or nominated risk assessors	½ day
103	000	Investigating Accidents and Incidents		Y		Yes	Managers/Supervisors/ Union Reps/Nominated Employees	½ day
104	000	Measuring H&S Performance		Y		Yes	Managers/Supervisors/ Union Reps/Nominated Employees	½ day

Code	Sub Code	Course Title	Elearning	Face 2 Face	Safety for Managers Core Module	Safety for Managers Optional Module (Managers who are in specific sectors)	Target Audience	Duration
		Hazard Courses						
200	000	Asbestos Awareness	Y	Y			All relevant employees	½ day
201	000	BBV/Infection Control		Y		Yes	Managers/Supervisors/ Union Reps/Nominated Employees	½ day
202	000	CDM awareness		Y		Yes	Managers/Supervisors/Union Reps/Nominated Employees	½ day
203	000	Chemicals/ Hazardous Substances		Y		Yes	All relevant employees	½ day
204	000	Display Screen Equipment	Y				All relevant employees	20 mins
205	000	Display Screen Equipment Assessors		Y			Nominated DSE assessors (must have completed DSE Awareness)	½ day
206	000	Electrical Safety	Y	Y		Yes	All relevant employees	½ day
207	000	Fire Safety Awareness	Y	Y	Yes		All relevant employees	½ day
208	000	Fire Warden		Y			Must have completed a Fire Safety Awareness course within the last year.	½ day
209	000	HAVS awareness		Y			All relevant employees	2hrs
210	000	Manual Handling (Basic)		Y		Yes	All relevant employees	½ day

Code	Sub Code	Course Title	Elearning	Face 2 Face	Safety for Managers Core Module	Safety for Managers Optional Module (Managers who are in specific sectors)	Target Audience	Duration
211	000	Moving and handling (advanced)		Y			Training for trainers course required	As required depending on risk
212	000	Moving and handling (people)		Y			Training for trainers course required	As required depending on risk
213	000	Noise		Y		Yes	All relevant employees	2 hrs
214	000	Personal Safety/Lone Working		Y		Yes	All relevant employees	½ day
	001	Personal Safety/Lone Working (Customer Contact Centre		Y			All relevant employees	1hr 45 mins
215	000	Slips, Trips and Falls	Y				All relevant employees	Depending on risk
216	000	Stress	Y			Yes	Managers/Supervisors/Union Reps/Nominated Employees	Various courses from 20 minutes upwards
	001	Managing Work Related Stress in Employees		Y		Yes	Managers/Supervisors/Union Reps	½ Day
217	000	Vehicles and transport safety				Yes	Managers/Supervisors/Union Reps/Nominated Employees	
218	000	Vibration (for managers)	Y			Yes	Managers/Supervisors/Union Reps/Nominated Employees	1 hr

Code	Sub Code	Course Title	Elearning	Face 2 Face	Safety for Managers Core Module	Safety for Managers Optional Module (Managers who are in specific sectors)	Target Audience	Duration
219	000	Working at height		Y		Yes	All relevant employees	As required depending on risk
220	000	Workplace Environment (Covers housekeeping, slips/trips, lighting, temperature.)		Y		Yes	All relevant employees	½ day
221	000	Snow and Ice Clearance	Y				All relevant employees	30 mins to 1 hr

Appendix 2

Face to Face Training by Directorate

Directorate	CourseName	Attended Training
Chief Executive	Fire Warden Training	2
	IOSH for Senior Executives	1
Education, Communities & Organisational Dev	Accident Reporting and Investigation	2
	Contractor Management	7
	Evac+Chair Practical Training	30
	Fire Safety Awareness	101
	Fire Warden Training	8
	Health and Safety - Understanding your responsibilities	4
	IOSH for Senior Executives	4
	IOSH Managing Safely	7
	Manual Handling Theory - Module A of the Manual Handling Passport Scheme	2
	Personal Safety in the Workplace (Managing Aggression)	14
	Pool Safety Training - Craigmarloch (Assigned Employees Only)	7
	Risk Assessment	67
Environment, Regeneration & Resources	Accident Reporting and Investigation	1
	Contractor Management	11
	Fire Safety Awareness	13
	Fire Warden Training	17
	HAVS Awareness - Roads Only	27
	Health and Safety - Understanding your responsibilities	11
	IOSH for Senior Executives	5
	IOSH Managing Safely	1
	Manual Handling Theory - Module A of the Manual Handling Passport Scheme	7
	Noise Awareness - Roads Only	26
	Personal Safety in the Workplace (Managing Aggression)	25
	Risk Assessment	11
HSCP	Accident Reporting and Investigation	2
	Contractor Management	4
	Evac+Chair Practical Training	10
	Fire Safety Awareness	120
	Fire Warden Training	11
	Health and Safety - Understanding your responsibilities	5
	IOSH for Senior Executives	2
	IOSH Managing Safely	2
	Manual Handling Theory - Module A of the Manual Handling Passport Scheme	2

Directorate	CourseName	Attended Training
	Personal Safety in the Workplace (Managing Aggression)	24
	Risk Assessment	9
Non Inverclyde Council	Accident Reporting and Investigation	5
Grand Total		**607**

Appendix 3

Elearning Course completion by Directorate.

Directorate/Course	Completed (No associated test available)	Passed (Test included as part of the course)
Chief Executive	**3**	**4**
Display Screen Equipment	1	
Display Screen Equipment Test		1
Fire Safety	1	
Fire Test		1
First Aid	1	
First Aid Test		1
Health & Safety Induction Course (General)		1
Education Communities and OD	**515**	**567**
Asbestos Awareness		1
Display Screen Equipment	156	
Display Screen Equipment Test	1	162
Electricity Test		4
Fire Safety	260	
Fire Safety and Fire Risk Assessment Policy	12	
Fire Test		299
First Aid	13	
First Aid Test		16
Health & Safety Induction Course (General)		37
Manual Handling	18	
Manual Handling Test		22
Slips; Trips and Falls	21	
Slips; Trips and Falls Test		26
Snow and Ice Clearing	6	
Stress management	28	
Environment Regeneration & Resources	**137**	**182**
Display Screen Equipment	47	
Display Screen Equipment Test		42
Electricity	1	
Electricity Test		1
Fire Safety	73	
Fire Safety and Fire Risk Assessment Policy	6	
Fire Test		110
First Aid	2	
First Aid Test		2
HAVS Awareness for Managers		1
Health & Safety Induction Course (General)		17

Directorate/Course	Completed (No associated test available)	Passed (Test included as part of the course)
Manual Handling	3	
Manual Handling Test		6
Slips; Trips and Falls	1	
Slips; Trips and Falls Test		3
Snow and Ice Clearing	2	
Stress management	2	
Health & Social Care Partnership	**209**	**205**
Asbestos Awareness		1
Display Screen Equipment	32	
Display Screen Equipment Test		39
Electricity	4	
Electricity Test		4
Fire Safety	131	
Fire Safety and Fire Risk Assessment Policy	10	
Fire Test		129
First Aid	5	
First Aid Test		7
Health & Safety Induction Course (General)		17
Manual Handling	3	
Manual Handling Test		3
Slips; Trips and Falls	6	
Slips; Trips and Falls Test		5
Snow and Ice Clearing	8	
Stress management	10	
Grand Total	**864**	**958**

As some courses are completed on a three year refresher cycle, the number who have undertaken a course may not reflect the actual numbers of employees in a service.

Inverclyde council

AGENDA ITEM NO: 23

Report To:	**Policy and Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Louise Long** **Corporate Director, (Chief Officer)** **Inverclyde HSCP**	**Report No:**	**SW/14/2019/HW**
Contact Officer:	**Helen Watson Head of Service**	**Contact No:**	**01475 715285**
Subject:	**Externally Commissioned Review of Advice Provision**		

1.0 PURPOSE

1.1 The purpose of this report is to provide the Policy and Resources Committee with the findings and recommendations from the externally commissioned Review of Advice Provision.

2.0 SUMMARY

2.1 The Members' Budget Working Group (MBWG) requested that an external review of advice provision within Inverclyde was undertaken to ensure that the current delivery model provides best value and quality is being achieved. In addition it was to consider potential options for future delivery models where appropriate.

2.2 AT Innovative Solutions were awarded the contract and undertook desktop analysis; questionnaires; stakeholder meetings and focus groups with service users throughout July to September 2018.

2.3 The final report has now been received which gives an analysis of the current advice landscape within Inverclyde. The report has identified that there are no specific gaps in terms of meeting statutory obligations for advice provision. For those agencies which responded to the questionnaire, evidence was provided that staff are trained and highly skilled in their areas of operation including money advice (debt), income maximisation, welfare benefits and welfare rights advice, housing rights, consumer advice and employment rights. Agencies providing advice services endeavour to provide holistic support to customers by referring to other advice and support agencies. The report makes a distinction between advice providers providing a range of services in Inverclyde and those providing advice which requires accreditation by the Scottish Legal Aid Board using the Scottish National Standards for Information and Advice Providers (SNSIAP).

2.4 The report identified excellent partnership working and significant investment by Inverclyde Council, over the last 5 years since the advent of welfare reform agenda.

2.5 The report also identified important differences in how financial gain is calculated across the partnership, making comparisons difficult and unreliable. It is the view of officers that calculation methods should be harmonised going forward.

2.6 Inverclyde compares favourably against similar and neighbouring local authorities in terms of funding, financial gain and effectiveness of resources expended. The analysis and comparison of available local authority data show that the money invested by Inverclyde Council brings a significant return more than comparable with other local authorities and with similar sized local authorities.

2.7 The report makes eleven recommendations which are designed to improve, enhance and build on the existing advice platform of provision to the ultimate benefit of the customer accessing the services. Officers have considered the report and its findings and, in terms of the recommendations, the majority of these would be able to be adopted with no financial implication. However, recommendations one and eleven have implications across the wider Council and HSCP, therefore it is recommended that there is further discussion to more fully understand the merit and potential implications of these specific recommendations across the wider Council, HSCP and its partners.

2.8 Since the report was concluded there have been a number of developments which impact on the advice provision locally. In particular the funding allocated from DWP to Citizens Advice Scotland (CAS) to deliver digital support for Universal Credit clients and the Scottish Government funding to CAS to deliver financial health checks. Discussions are ongoing with CAS as to how these additional services will work in partnership within the Inverclyde advice provision and this will result in a Memorandum of Understanding being developed to ensure seamless referral pathways locally. In addition, the challenges presented through the delivery of the I:DEAS programme have now been resolved.

3.0 RECOMMENDATIONS

3.1 That the Committee notes the analysis, findings and recommendations from the external review.

3.2 That the Committee agrees that officers progress recommendation numbers 2, 3, 4, 5, 7, 8, 9 and 10.

3.3 That the Committee agrees that the Corporate Director (Chief Officer) Inverclyde HSCP will take a lead on the further discussion that is required in relation to recommendations 1, 6 and 11, and provides an update to a future meeting of the Committee.

Louise Long
Corporate Director (Chief Officer)
Inverclyde HSCP

4.0 BACKGROUND

4.1 The aim of the Review of Advice Provision was to carry out a review of all advice provision throughout Inverclyde to ensure that the current delivery model provides best value and quality is being achieved, and that it meets the needs of all stakeholders and communities. In addition it was to consider potential options for future delivery models if appropriate. The Review was externally commissioned and funding of £12,000 was agreed from the Council's Anti-Poverty Fund.

4.2 A Stakeholder Steering Group was established which included representation from internal Council services; external partners; providers of services and a staff side representative. The group met to agree the tender specification, including timescales, for procuring the review externally.

4.3 The specification was developed and set out the following objectives:

- Identify in full, the statutory and any other obligations of the Council in respect of advice provision and determine the extent to which the Council is complying with its statutory duty.

- Identify the quantity and distribution of information and advice provision (as determined above) available throughout Inverclyde from both the voluntary and statutory sectors.

- Assess the quality of information and advice currently given throughout Inverclyde from both the voluntary and statutory sectors.

- Identify the funding levels of all advice provision which are currently commissioned and financed, in full or part, by the Council and external funding streams.

- Identify and assess the effectiveness of all monitoring arrangements, both performance monitoring on outcomes and financial, in place for all advice provision which is currently commissioned and financed, in full or part, by the Council and external funding streams.

- Benchmark the effectiveness of the current Inverclyde model of advice provision against other geographical areas.

- Assess the overall provision of all advice services and identify any gaps and areas for future development.

- Identify where possible future demands on the services, based on national and local policy and strategy, and ensure recommendations take account of these.

- Make recommendations and present potential options for the future provision of advice while achieving best value.

- As part of these recommendations consider the options for co-location/one stop shop approaches and also opportunities for "channel shift".

4.4 AT Innovative Solutions were commissioned to review Advice Provision in Inverclyde. The research consultants undertook a range of activities to ensure a robust approach to the research which will allow Inverclyde Council to assess the value for money, efficiency and effectiveness of current advice services particularly those funded directly by Inverclyde Council. The process was split into three stages:

- Stage 1 – Commissioning, Document Review and development of questionnaire
- Stage 2 – Communication and Delivery of Questionnaire and partner meetings
- Stage 3 – Reporting

4.5 This review included advice provision covered by The Scottish National Standards for Information and Advice Providers (SNSIAP) – housing, money, debt and welfare benefits issues.

In addition it also covered advice available related to employability rights advice; fuel poverty advice and consumer advice. It touches on other advice and assistance provided by agencies in Inverclyde outwith these headings.

5.0 MAIN KEY FINDINGS

5.1 Inverclyde has a well-established framework for advice provision which is led by Inverclyde Council. There are a range of organisations providing advice and support across Inverclyde with no major gaps in service being identified. Good practice was identified, excellent partnership working with local agencies, significant amounts of funding provided by Inverclyde Council and excellent services provided to the residents of Inverclyde despite significant current and on-going challenges.

5.2 15,167 clients were supported in 2017/18 – 7,683 were for SNSIAP related advice. Inverclyde Council fund and support a wide range of advice in Inverclyde. The advice provided is not limited to income maximisation, welfare benefits, welfare rights and money advice (advice included under SNSIAP). The number of clients supported in the financial year 2017/18 provide evidence of expressed demand for all types of advice. Welfare reform and implementation of full-service Universal Credit places extra demand on services. Universal credit full-service was implemented in November 2016 and since then over 5,000 residents have been moved onto this benefit. The nature of the change to Universal Credit has put pressure on advice services due to the volume and at times, complexity of support needed.

5.3 There was £18,957,748 financial gain for SNSIAP related advice (although the report highlights that there are differences in the way that financial gain is calculated, depending on the organisation). The financial gain from advice services is money that otherwise would not have been claimed. A significant portion of this money will be spent locally and therefore the work of advice agencies supports the local economy. However this requires to be caveated as not all agencies calculate financial gain in the same way.

5.4 Advice is in the main delivered on a reactive, face to face, office-based basis with clients attending the offices of advice providers using either an appointment or on a drop in basis. Inverclyde Council now use other methods to prioritise residents seeking advice including initial telephone triage and piloting web chat facilities. Few providers offer proactive contacts and service users highlighted the benefits gained from this. Home visits and immediate appointments were desirable for vulnerable customers who prefer face-to-face contact to meet their needs and also value ongoing support relationships with a caseworker.

5.5 There are currently no mechanisms or comprehensive measures for managing and accessing performance across different agencies in Inverclyde. These anomalies and differences have resulted in data which is not comparable across agencies. A number of agencies do not record data beyond the number of customers supported and “soft” outcomes related to impact on wellbeing, confidence and mental health are infrequently recorded. In addition, there are 13 different ICT systems and several case management systems in use across Inverclyde Council/Inverclyde HSCP and their partner agencies.

5.6 Not all agencies offering Housing, Welfare Rights and Money/Debt advice within tiers 1-3 are currently seeking accreditation via the Scottish Legal Aid Board’s Scottish National Standards for Information and Advice Providers.

5.7 In terms of client experience, those who have accessed services were very complimentary about the quality of advice and support which they received and the positive impact on their wellbeing. They highlighted the importance of ongoing relationships with the same staff and that once they were on the journey, their experiences were positive and beneficial. However overall observations are that the advice journey in Inverclyde can at times be confusing for clients.

5.8 The report highlights the significant investment in advice provision locally, particularly by the Council, £1.056m for 2017/18, however it also highlights that that the funding landscape can be complex for a number of organisations. Advice agencies have identified future funding as their top risk with customers having more complex needs resulting in longer and more intensive casework as the next highest risk. Some services rely on a range of temporary funding streams which come to a natural end and, at the time of this report, the future funding for some organisations has not yet been confirmed. If no further funding from these streams is available it will become challenging to continue to deliver the current level of service and services may require to be redesigned.

5.9 There are examples of good practice and innovation. Inverclyde continues to develop and implement financial inclusion strategies that link to Community Planning. The current strategy is being refreshed and will cover from 2019 onwards. Partnership working is evident particularly through the I:DEAS project and the webchat and telephone triage service are examples of innovative solutions to a changing environment.

5.10 Consideration was given as to whether Inverclyde was disadvantaged by not having a CAB presence locally, however the report findings highlight the range of current services being delivered by a range of partners and also the good joint working that currently exists with Citizens Advice Scotland (CAS). Funding has recently been allocated by DWP and the Scottish Government to CAS to deliver the Universal Credit, Help to Claim Support and the Family Financial Health Checks. As relationships already exist with East Renfrewshire CAB to deliver on an in-reach basis into Inverclyde, discussions are underway to ensure this model of working is continued in order to capitalise on this increased capacity to deliver support and this will be supported through the development of a Memorandum of Understanding between CAS and local providers. Similarly the Scottish Government's Social Security Agency staff will bring additional capacity to the advice sector locally when co-located in 2019.

5.11 There is a significant skillset within advice workers in Inverclyde. Five local advice agencies are progressing through the Scottish National Standards for Information and Advice Providers. This is in addition to Investors in People and ISO 9000:2000 or specialist skills or training for specific areas of advice. The range of skills and ongoing investment in training to ensure staff are conversant with latest practice and legislation in relation to their area of expertise highlights that there is a well-trained, skilled local workforce in Inverclyde which can undertake specialist advice in complex areas.

5.12 Eleven recommendations are contained within the report:

Recommendation one – The Council should consider the merits of co-location and/or moving the management of some or all of Advice Services to the Council's Revenue and Customer Services and consider a rebrand of service name

Recommendation two – Shared database and referral system for advice

Recommendation three – Clearer information on advice available on Inverclyde Council website including providing information on all partner services

Recommendation four – Clear and specific outcomes and monitoring for funds provided by Inverclyde Council and HSCP

Recommendation five – Better clarity on Medium Term Funding for advice services across Inverclyde

Recommendation six – Future funding to be allocated via the FIP

Recommendation seven – All Advice Providers should be working toward SNSIAP

Recommendation eight – Consider whether there requires to be an increased emphasis on Financial Education across all life stages

Recommendation nine – Be more responsive to customers' needs

Recommendation ten – Financial Inclusion Partnership support should be reviewed

Recommendation eleven – The Council should consider the opportunity to combine the Management Arrangements for Anti-Poverty Services

6.0 CONCLUSION

6.1 From the findings, the consultants have made a number of recommendations which are designed to improve, enhance and build on the existing advice provision to the ultimate benefit of the customer accessing the services.

6.2 The recommendations have been reviewed by the steering group, and members of that group have expressed a need to have more clarity and further analysis with regard to the potential implications of some of the recommendations.

6.3 Officers have considered the detailed analysis and findings from this report and agree that some are in line with both the local and national thinking in terms of advice provision, but also agree that the implications of implementation need to be better understood before a final decision is made.

7.0 IMPLICATIONS

Finance

7.1 The Committee has invested £250,000 recurring funding since 2013/14 to increase capacity within Advice Provision in Inverclyde. In addition, additional capacity is being funded through the DWP and Scottish Government funding to CAS and Social Security Agency and £160,000 of Anti-Poverty earmarked reserves has been made available from 2019 to 2022.

Financial Implications:

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

Annually Recurring Costs/ (Savings)

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

Legal

7.2 No implications

Human Resources

7.3 There is a potential saving of 3 FTE staff.

Equalities

7.4 Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO -

Repopulation

7.5 No implications.

8.0 CONSULTATIONS

8.1 Both the MBWG and CMT support the recommendations contained in this report.

9.0 LIST OF BACKGROUND PAPERS

9.1 AT Innovative Solutions Review of Advice Provision. The report by AT Innovative Solutions, which contains exempt information, is available on request to Members from Ms Helen Watson, Head of Strategy & Support Services.