Inverclyde council

**AGENDA ITEM NO: 4**

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|---|---|---|---|
| **Report To:** | **Inverclyde Council** | **Date:** | **5 December 2019** |
| **Report By:** | **Chief Financial Officer** | **Report No:** | **FIN/109/19/AP** |
| **Contact Officer:** | **Alan Puckrin** | **Contact No:** | **01475 712223** |
| **Subject:** | **Financial Strategy 2019/2029 - Update** | | |

## 1.0 PURPOSE

1.1 The purpose of this report is to present the updated Financial Strategy to the Council for review and approval and to approve actions factored into the Strategy presented.

## 2.0 SUMMARY

2.1 The six monthly review of the Financial Strategy has been undertaken and takes into account the approved 2019/20 Budget and a review of all funding models included in the Appendix. The context takes into account the Spring Statement, the Autumn Spending Review plus any developments in respect of the Scottish Government Budget.

2.2 It can be seen from table 3 in paragraph 7.8 that the 2019/22 estimated funding gap is £7.875 million after the application of adjustments and savings at the September and November Policy & Resources Committee and before any decision on whether to increase Council Tax.

2.3 Table 4a shows that based on the latest information including forecasts from the Fraser of Allander Institute, Fiscal Affairs Scotland and the local assessment of certain figures by the Chief Financial Officer, the mid-range scenario shows that the Council faces a net potential funding gap of £13.4 million over the 2020/23 period prior to any decision around Council Tax levels. Again this reflects the most up to date position reported to the Policy & Resources Committee. In line with Best Practice, Tables 4b and 4c illustrate scenarios for the 2020/23 Revenue funding gap based on different assumptions around Government Grant, income, inflation and budget pressures. These Tables show potential funding shortfalls of £2.3 million to £24.3 million.

2.4 Members need to bear in mind that these projections and estimates could change significantly by the next 6 monthly update depending on the outcome of the imminent General Election and the Spending/Taxation/Borrowing plans outlined in early 2020 by the Chancellor of the Exchequer.

2.5 Table 5 in paragraph 7.13 shows that overall the 2019/23 Capital Programme has a £2.44 million funding shortfall. The Capital Programme allows for 5% over programming and the funding shortfall is within that limit. The outlook for capital is potentially more positive than for revenue and the Council will need to examine how it can best use capital to reduce pressure on the Revenue Budget.

2.6 All the other appendices and tables have been updated and reviewed with a number of actions proposed which will assist in closing the Budget gap whilst freeing up resources for Members to consider the use of as part of the 2020/23 Budget Strategy. The detail is contained in Section 6 of the report.

2.7 Section 11 of the Strategy reflects the identified risks to the Financial Strategy and mitigating actions whilst Appendices 1 to 3 highlights the major short / medium / long term issues the Council needs to be aware of which could materially impact on the figures presented.

2.8 Overall, the Financial Strategy confirms the significant challenges facing the Council in coming years but that all models remain affordable, based on the latest information. The Chief

Financial Officer has identified a number of actions which will deliver one-off resources or recurring net savings for Members to consider.

## 3.0 RECOMMENDATIONS

3.1 It is recommended that the Council approves the latest revision of the Financial Strategy and specifically:

a) That the previously approved £2.0million allocation from the Capital Fund to the Loans Charges Model over 2019/21 no longer takes place
b) That the £240,000 annual contribution from the Capital Fund to the School Estate Model for Loans Charges ceases from 2020/21
c) That the remaining balance in the AMP at 31 March 2020 be added to the 2020/21 Property Maintenance Capital Allocation
d) That the budget allocated to loans charges for the AMP be reduced by £200,000 from 2020/21
e) That the Loans Charges budget in the Vehicle Replacement Model be increased by £91,000 from 2020/21 to reflect increases in Vehicle replacement costs
f) That all the above proposals be factored into the 2020/23 Budget Strategy and the 2020/21 Budget to be considered by the Council in March 2020

**Alan Puckrin**
**Chief Financial Officer**

## 4.0 BACKGROUND

4.1 The Financial Strategy requires to be reviewed twice per year and reported to the Full Council. This is done in June and December each year.

## 5.0 CURRENT POSITION

5.1 The Strategy has been updated to reflect latest information and takes into account the Spring Statement, the Autumn Spending Review plus any developments in respect of the Scottish Government Budget. The Council has an estimated recurring mid-range funding gap of £13.4 million over 2020/23 based on latest estimates and after factoring savings/adjustments approved by the Policy & Resources Committee.

5.2 In line with Best Practice, Tables 4b and 4c illustrate scenarios for the 2020/23 Revenue funding gap based on different assumptions around Government Grant, income, inflation and budget pressures. These Tables show potential funding shortfalls of £2.3 million to £24.3 million.

5.3 All models in the Appendices have been reviewed and all remain affordable in the short / medium term with more detail on each of the Funding Models contained in Section 6.

5.4 Appendices 1-3 outline the short, medium and long term challenges which the Council requires to consider when agreeing future budgets.

## 6.0 REVIEW OF FUNDING MODELS

6.1 Appendix 4 – School Estate Management Plan – This reflects the latest phasings and decisions and the recent Loans Charges review which has resulted in reductions in SEMP loans charges. It is proposed that the Extra Financing allocation is reduced by £240,000 from 2020/21 to reflect the Capital Fund no longer making this contribution. It can be seen that even after this proposal the model remains financially balanced based on the assumptions made.

6.2 Appendix 5 – General Fund Reserves – This reflects the November 2019 Policy & Resources Committee position of £2.341 million free reserves at 31 March 2020.

6.3 Appendix 6 – Capital Fund – This reflects the latest review of receipts and the ceasing of the £240,000 annual contribution to the SEMP Model and that the approved £2.0 million allocation to the Loans Charges model is no longer required (See Appendix 12). If this is approved then it is projected that the Capital Fund balance will be £4.1million by the end of 2022/23.

6.4 Appendix 7 – Repairs and Renewals Fund – This reflects the latest projections for the refurbishment of 3G Pitches over 2019/26 and following a decision taken as part of the 2018/19 Budget to allocate an annual allowance from the Capital Programme, the maintenance model is now funded in the longer term.
Approval was given in December 2017 to combine the maintenance funds for the Port Glasgow Retail Development, Reservoirs above the Cut and Inverkip Railway Bridge into a single fund to provide longer-term sustainability and reduce pressure on the Revenue Budget.

6.5 Appendix 8 – AMP – This is the last time the AMP will be included in the Financial Strategy as the programme is coming to an end and the maintenance of the assets created will now fall into operational budgets. Following the Loans Charges review, a saving of £200,000 is identified and it is proposed that Members agree to this being taken as a saving from 2020/21. It can be seen that it is estimated that there will be a balance on the AMP at 31 March, 2020 and it is proposed that this one-off sum be added to the Property Maintenance Capital Budget in 2020/21.

6.6 Appendix 9 – Vehicle Replacement Programme – This reflects the latest information and budget savings. This model is under pressure due to inflationary increases in the cost of vehicles and as such it is proposed to increase the annual loans charges allocation by £91,000 to £1.15million. It is the intention of officers to incorporate the Vehicle Replacement Programme within the overall mainstream Capital Programme and as such this is proposed to be the last time this Appendix is included.

6.7 Appendix 10 – RAMP – This shows the approved investment for the period to 31 March 2023 plus to deliver the Roads Asset Strategy.

6.8 Appendix 11 -- This Appendix provides a projection of the City Deal programme for the first 10 years of operation from both a revenue and capital perspective. It should be noted that this model will be refined as Business Case approvals are achieved but is currently affordable after the application of a saving of £80,000 agreed by the Policy & Strategy Committee in September 2019.

6.9 Appendix 12 – As reported to the November Policy & Resources Committee, officers have undertaken a detailed review of Loans Charges. The review identified areas where the life of assets meant that loans charges could be spread over a longer period and also reduced borrowing costs following recent borrowing undertaken. The net result of the review reported to the Policy and Resources Committee was a £400,000 recurring saving from 2019/20 plus a backdated one-off saving of £1.4million. In addition, as proposed above, there is no longer a need for a £2.0million contribution from the Capital Fund. Finally, it should be noted that the model includes provision of Prudential Funding of £360,000 per year to fund a new Leaning Disability Centre in Greenock. A detailed report on the proposals in this regard will be presented to the relevant Committees in early 2020.

## 7.0 IMPLICATIONS

### Finance

7.1 The financial implications arising from the proposals in this report will be considered by the Members' Budget Working Group and thereafter be factored into the March 2020 Budget proposals.

Financial Implications:

One off Costs

| **Cost Centre** | **Budget Heading** | **Budget Years** | **Proposed Spend this Report £000** | **Virement From** | **Other Comments** |
|---|---|---|---|---|---|
| Capital Programme | Property Capital | 2020/21 | 350 | | Transfer from AMP |

Annually Recurring Costs/ (Savings)

| **Cost Centre** | **Budget Heading** | **With Effect from** | **Annual Net Impact £000** | **Virement From (If Applicable)** | **Other Comments** |
|---|---|---|---|---|---|
| EMR | SEMP | 2020/21 | Nil | Capital Fund | Elimination of the £240k Capital Fund annual contribution |
| EMR | AMP | 2020/21 | (200) | | Saving following review of asset lives |
| EMR | Vehicle Replacement Programme | 2020/21 | 91 | | Increased Loans Charges resulting from increased vehicle costs |

### Legal

7.2 There are no specific Legal issues arising from the report.

### Human Resources

7.3 There are no specific Human Resources issues arising from the report.

7.4 **Equalities**

Equalities

(a) Has an Equality Impact Assessment been carried out?

| | |
|---|---|
| | YES |
| 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 |

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

| | |
|---|---|
| | YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals. |
| X | NO |

7.5 **Repopulation**

Having medium term financial plans which realistically reflect the pressures and opportunities faced by the Council and the communities it serves will help build confidence in the area and contribute to the Repopulation agenda.

## 8.0 CONSULTATIONS

8.1 The Financial Strategy has been produced after consultation with and input from the CMT and other relevant Officers.

## 9.0 LIST OF BACKGROUND PAPERS

9.1 Scottish Government Medium Term Financial Strategy- May,2019

APPENDIX

Inverclyde council

# Financial Strategy

# 2019/20 – 2028/29

## December 2019

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Appendix 2 - Medium-Term Issues

Appendix 3 - Long-Term Issues

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Appendix 8 - Office & Depot AMP Funding Details

Appendix 9 - Vehicle Replacement Programme

Appendix 10 –-Roads AMP

Appendix 11 – City Deal

Appendix 12 – Loan Charges

## 1.1 Foreword

This latest revision of the Council's Financial Strategy reflects the continued pressure on the Public Finances plus political and constitutional uncertainty.

Given the challenging economic situation, and the significant financial issues we will face over future years, it is essential that the Council updates its Financial Strategy regularly to ensure it provides a practical framework within which policy choices can be identified, debated and approved.

The approval of this revised Financial Strategy demonstrates that we are clear both about the outcomes we want to achieve for our communities and the financial challenges that need to be addressed if we are to successfully deliver on these outcomes.

To provide a clear, consistent strategic direction for the Council the following outcomes were agreed for the Financial Strategy – it will ensure that:

- **the Council has a comprehensive, sustainable, balanced budget;**
- **the Council reviews the level of Council Tax annually in the context of the Financial Strategy, to determine an appropriate level in the best interests of the people of Inverclyde;**
- **resources are allocated and deployed to facilitate delivery of the outcomes in the Corporate Plan/Local Outcome Improvement Plan and Corporate Directorate Improvement Plans;**
- **all key strategic decisions on the allocation and deployment of resources are made within the appropriate financial context;**
- **Members can take full account of the impact of decisions on the overall financial resources of the Council in the short, medium and long term;**
- **there is a high level of confidence in the financial management of the Council;**
- **the Council has flexibility to address new policy requirements, or significant changes to existing policies, within overall available financial resources;**
- **resources are invested effectively, efficiently and on a sustainable basis;**
- **there is continued improvement in the delivery of major projects;**
- **there remains a focus on securing efficiencies across the organisation;**
- **the Council continues to invest in improving service quality, delivering new infrastructure, enhancing service levels and upgrading existing assets;**
- **there is an increased level of understanding on behalf of the wider community with regard to the finances of the Council.**

The primary financial challenge facing the Council over the coming period, given the continued pressure on public sector budgets, will be to stay within the approved revenue budget and deliver a capital programme that continues to maintain a high level of investment in key infrastructure.

There is no doubt that setting the 2019/20 budget generated options which required difficult decisions. This position is expected to continue with a funding gap of £19 million estimated for 2020/23. One of the main challenges faced by the Council is therefore forward planning, preparatory investment and a sufficient lead in period prior to implementation of both savings and investment for the period beyond the current budget.

Given the difficult position the Council faces on capital expenditure, it is essential that future capital expenditure proposals are largely self-financing through the release of other capital assets, as well as delivering efficiencies which will secure ongoing revenue savings.

The Council has also approved corporate policies to charging and income generation – including maximising external funding to supplement existing resources and support service delivery. The Council increased the level of income generated by charging as part of the overall 2019/20 Budget.

The Financial Strategy also ensures that strategic initiatives which require long term revenue and capital commitments such as The City Deal, Asset Management Strategy and the School Estates Management Plan are locked down.

We also need to ensure that the Financial Strategy continues to support the Corporate Plan directly, the Local Outcome Improvement Plan and effectively link this Strategy to our Corporate Directorate Improvement Plans.

The Financial Strategy is a dynamic document and will be monitored on an ongoing basis by the Corporate Management Team and the Policy & Resources Committee. It will continue to be formally reviewed by the Council twice yearly, in June and in December.

This Financial Strategy is key to the future success of the Council – it is about making sure we have sufficient resources in place when required to deliver the outcomes we realistically can achieve for the communities of Inverclyde.

**Councillor Stephen McCabe**
**Leader of the Council**

**Aubrey Fawcett**
**Chief Executive**

## 2.0 Why have a Financial Strategy?

2.1 The purpose of our Financial Strategy is to provide clear direction, supported by a practical framework and explicitly defined parameters, on how the Council will structure and manage financial resources in the medium to long term to ensure they are deployed effectively to achieve corporate objectives.

2.2 This is not just another financial process – the Financial Strategy is integral to our Strategic Planning and Performance Management Framework which underpins the achievement of the outcomes identified in the Corporate Plan, and is an integral part of the Corporate Directorate Improvement Plans.

2.3 The requirement to develop a medium to long term financial strategy covering the next three to ten years (and in some areas longer) is a vital component of decision making.

2.4 The Council has taken into account guidance from CIPFA when developing the Financial Strategy as well as best practice from other local authorities.

2.5 Our ambition is to maintain a single, coherent Financial Strategy that brings together the corporate objectives of the Council along with all the relevant financial information in a clear, accessible document.

2.6 The value of such a Strategy is that it enables the Council to develop a better understanding of the wider policy and financial environment within which it operates, identify and respond flexibly to opportunities and threats, manage and mitigate risks and ensure that financial resources are contributing to achieving corporate objectives.

2.7 The Strategy will also provide information to a range of stakeholders:

***Table 1 – Stakeholder Information***

| | |
|---|---|
| For the Council and Elected Members | to decide how available financial resources will be used |
| For Chief Officers, managers and employees | To help optimise the available resources and reinforce their roles in financial management arrangements |
| For residents | to show how the Council's Financial Strategy impacts upon service provision |
| For Council Tax payers | to demonstrate how the Council looks after public resources |
| For partners | to share the Council's vision and help identify opportunities for joint working and resource deployment. |

2.8 Inevitably some of the information of the Financial Strategy will be based on forecasts and these will change over time - the Strategy is reviewed regularly so that the Council can respond proactively to any such changes.

2.9 The inclusion of information in the Financial Strategy does not infer approval and all financial projections and issues will have to be subject to approval through the budget process.

2.10 The Strategic Planning and Performance Management Framework continues to develop links between the strategic planning and budgeting processes. This allows services to plan ahead, taking into account the resources available and proactively identify opportunities to achieve efficiencies or secure alternative funding sources. This process also encourages the development of joint resourcing opportunities within the Inverclyde Alliance.

## 3.0 Financial Summary

3.1 On 21 March 2019 the Council agreed the 2019/20 Revenue Budget.. As part of the Budget Strategy the Council also agreed to progress a medium term Budget Strategy covering 2020/23, the life of the current Council.

3.2 The same meeting also agreed the 2019/23 Capital Programme which took into account the latest Government Grant settlement information.

***Table 2 – Short Term Summary – Approved Revenue and Capital Budgets (March 2019)***

| | 2019/20 £million |
|---|---|
| General Fund Revenue | 192.764 |
| Budget Financed by | |
| Government Grant (Including NDR) | (160.575) |
| Council Tax | (31.359) |
| Approved Contribution from General Reserve | (0.830) |
| | 0 |
| Capital Programme (2019/20) | |
| Approved Spend | 22.87 |
| Financed by | |
| Government Grants | 9.39 |
| Capital Receipts | 6.74 |
| Other Grants/CFCR | 1.40 |
| Prudential Borrowing | 3.93 |
| Resources Carried Forward from prior year | 17.66 |
| Surplus in Resources in 2019/20 | 15.03 |

## 4.0 Overall Economic Position

*UK Context*

4.1 The March 2019 Spring Statement by the UK Government and OBR forecasts revised a number of the key projections. Some of the latest figures are shown below.

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| GDP (real % change) | 1.4 | 1.2 | 1.5 | 1.6 | 1.6 |
| CPI (% change) | 2.3 | 2.0 | 1.9 | 2.0 | 2.0 |
| Interest Rate (LIBOR) | 0.8 | 0.9 | 1.1 | 1.2 | 1.3 |
| Borrowing (£Billion) | 23 | 29 | 21 | 18 | 14 |

4.2 In September 2019 the new Chancellor of the Exchequer made a Spending Review (SR) Announcement. The approach did not follow usual protocol as it was not accompanied by an Economic & Fiscal Outlook from the Office of Budget Responsibility.

4.3 The SR focussed on revenue budgets and announced a £21.5 billion increase in spend between 2019/20 and 2020/21 with significant increased allocations to Health, Education, Defence, Local Government and Police. The increased spending represents a 4.1% real terms increase in budget which is 2.8% more than the figures used in the Spring Statement in 4.1 above.

4.4 The UK Parliament is now in the middle of a General Election campaign with all parties making pledges to spend greater sums than those announced in the September Spending Review. The medium term economic impact of this various proposals will be a key area of debate as election day draws closer.

*The Scottish Context*

4.5 The current Scottish Government plans contain a number of commitments which are expected to impact on Local Government finances over the life of the Parliament. The main areas are as follows:

- NHS Budget to increase by £500m more than inflation by the end of the Parliament
- Additional £1.3 billion in Health & Social Care Partnerships
- To almost double the free early years provision by 2020
- Increase Scottish Attainment Fund by £750 million with more allocated to Head Teachers
- Extend payment of the Living Wage to all Social Care and Early Years workers.
- Abolish the “Bedroom Tax”
- Devolution of welfare benefits and the creation of new grants
- Council Tax increases to be capped.
- Reform of Council Tax

Progress has been made on a number of these commitments but the longer term funding for some areas remains uncertain and this issue has been highlighted in various reports by the Accounts Commission/Auditor General.

4.6 The Scottish Government published their second Medium Term Financial Strategy (MTFS) in May 2019 which gave broad financial plans for the next 5 years. This was published before the September Spending Review which allocated increase revenue resources of £1.1-1.2 billion to Scotland. Whilst this is a significant increase, expectations are that between the negative tax reconciliations, existing Policy commitments and demographic pressures there may be limited scope for extra resources to non-priority areas. The underlying message for Local Government as a whole is that it is not in the “protected” element of the Scottish Budget and as such budgets will remain under pressure unless there is a combination of improved settlements, increased Scottish GDP or increases in Scottish Taxation relative to the rest of the UK.

4.7 Based on the above it is clear that Local Government faces a continued squeeze on resources for the foreseeable future which will require clear prioritisation and inevitably a review of some of the universal service provision policies at both a national and local level.

4.8 The UK election has thrown the usual Scottish Government Budget timetable into uncertainty. It is going to be challenging for Councils to get certainty on their proposed grant allocations before the end of January with the knock on consequences on Council Tax setting/billing and providing residents with clarity on service delivery levels in 2020/21.

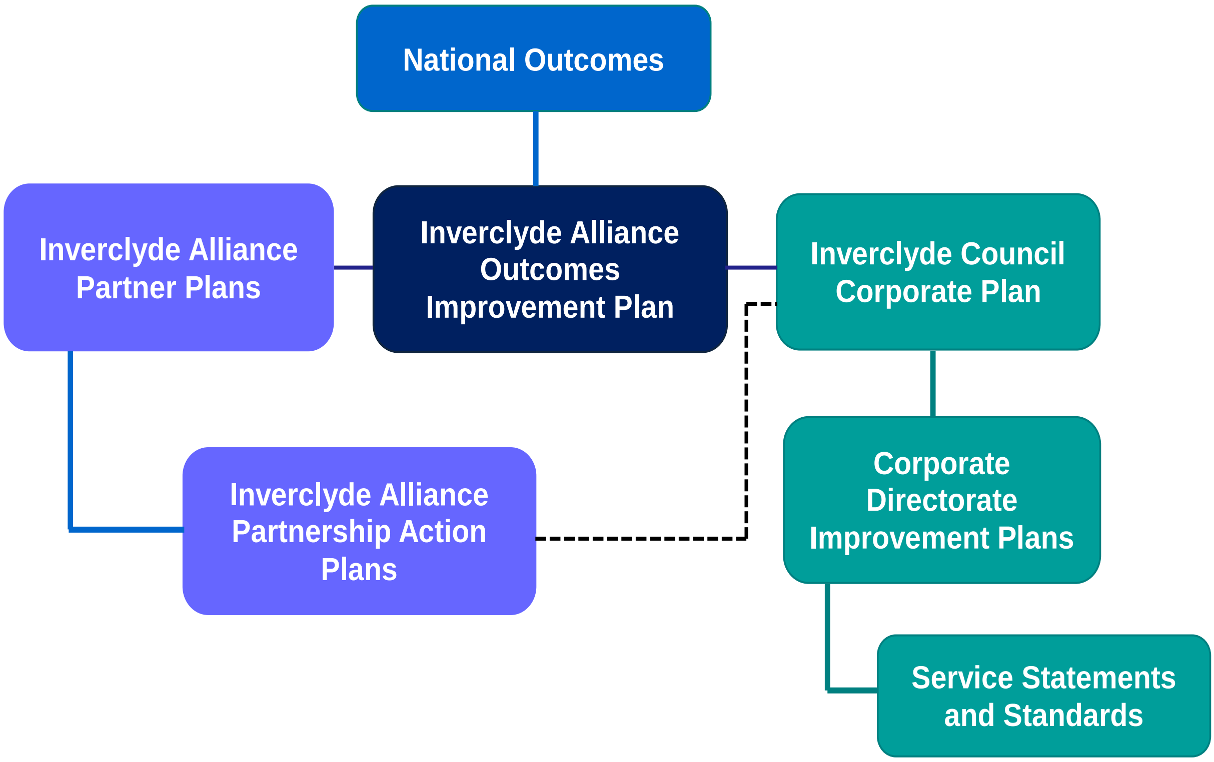
4.9 Brexit continues to be an area of considerable uncertainty with the UK leaving date still unclear. There is almost daily speculation and reports outlining potential impacts but the Financial Strategy is based on the latest approved budgetary information from both UK and Scottish Governments. Officers gave a broad estimate of £1.2 million for the extra inflationary impacts of a “No Deal” Brexit were inflation increases sustained for a 12 month period. A prudent level of inflation is included in the estimated funding gap calculations for 2020/23.

## 5.0 Local Context

5.1 The local environment within which the Council operates has changed significantly in recent years and will alter further in future years due to the impact of national legislation and policy, further economic turbulence, societal changes and developing customer expectations.

5.2 The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Performance Management Framework. The Framework includes the Local Outcome Improvement Plan, the Corporate Plan, Corporate Directorate Improvement Plans and the Financial Strategy.

5.3 The Strategic Planning and Performance Management Framework is shown in the Diagram below.




- **National Outcomes** are set by the Scottish Government and sit within a National Performance Framework. These 11 outcomes are an overarching guide for the local community planning partnership document, the Inverclyde Outcomes Improvement Plan.

- The **Inverclyde Alliance Outcomes Improvement Plan** (OIP) is a high level strategic partnership document setting out the vision and direction for the Inverclyde area, as agreed by all the Inverclyde Alliance partner organisations and communities. The outcomes are based on evidence of the key issues and challenges for the Inverclyde area and through community engagement. They set out what we want to achieve for all the communities of Inverclyde.

- The **Partnership Action Plans** set out the Partnership actions and projects which will contribute to the achievement of the OIP priorities and are expressed through the wellbeing indicators (see below in 5.4) to help better understand their impact on a crosscutting basis.

- The Council approved a new **Corporate Plan 2018/22** on 7 June 2018.

The Corporate Plan is a public facing document and sets out the ways in which Inverclyde Council hopes to deliver better outcomes for the people of Inverclyde through the delivery of 10 organisational priorities. The Plan reflects the wellbeing outcomes from the Outcomes Improvement Plan and sets out, at a high level, what the Council will do to help deliver the partnership priorities. The Plan also contains high level budget information for key services.

- **Corporate Directorate Improvement Plans (CDIPs)** set out the vision for each Directorate. New CDIPs have been produced for the period 2019/22. The Plan covers two broad areas, the first being corporate cross cutting improvement actions and the second Directorate Improvement actions. These improvement actions are based on robust self-evaluation and are mapped to the Corporate Plan organisational priorities. In addition the HSCP has recently developed a Strategic Plan 2019/24 which supports the Inverclyde Joint Board.

- **Service Statement and Standards** set out what services do on a day to day basis and will not change significantly year on year, but will be refreshed to reflect any structural or legislative changes. It is a public facing document which also sets out a summary of the financial and employee resources allocated to run the service. Service standards are also reflected in the Service Statements, setting out what quality standards the service follows and what customers can expect.

*Outcomes for Inverclyde*

The focus of the Strategic Planning and Performance Management Framework is on addressing the main challenges facing the area. The Inverclyde Outcomes Improvement Plan builds on the achievements of the SOA and contains three strategic priorities to be delivered in partnership:

- **Population:** Inverclyde's population will be stable and sustainable with an appropriate balance of socio-economic groups that is conducive to local economic prosperity and longer term population growth

- **Inequalities:** There will be low levels of poverty and deprivation and the gap between the richest and poorest members of our communities will be reduced

- **Environment Culture and Heritage:** Inverclyde's environment, culture and heritage will be protected and enhanced to create a better place for all Inverclyde residents and an attractive place in which to live, work and visit

5.4 The OIP continues to focus on the delivery of the **wellbeing outcomes**, which the Inverclyde Alliance, including the Council, has adopted. These wellbeing outcomes have been adapted and expanded from 'Getting it Right for Every Child', to help us work towards a Nurturing Inverclyde, 'Getting it Right for Every Child, Citizen and Community'. The wellbeing outcomes cover the core areas of Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included.

5.5 A key challenge for the Inverclyde Alliance, and the public agencies, operating in Inverclyde, over the next five years will be to ensure better alignment between available resources, across all agencies, and the outcomes and priorities identified in the Inverclyde Outcomes Improvement Plan.

5.6 Demographics and Population

The most significant challenge facing Inverclyde is depopulation and associated demographic change – this has been recognised by the Council and our Partners as a priority in the Inverclyde Outcomes Improvement Plan and the Council's Corporate Plan 2018/22.

5.7 The fundamental issue for the Council is that at some point if the decline in population continues at the current pace then the area could become no longer sustainable as a unit of administration which would have an associated impact on other services such as health, police and fire. Following encouraging signs that the population decline was stabilising, with out-migration levels falling year on year since 2013/14, the latest mid-year population estimates (2018) show an increase in the number of people leaving the area and a fall in the number of those moving into Inverclyde. Work around repopulation is led by the Inverclyde Alliance Repopulation Group and the potential reasons for this change in trend will be considered by the group and any resulting actions fed into the Repopulation Strategy and Action Plan that was approved by the Alliance Board on 18 March 2019.

5.8 In the 2011 Census the population for Inverclyde was 81,485, a decrease of 3.2% from 84,200 in the 2001 census. The most recent population estimates set out Inverclyde's population for 2018 at 78,150, a decrease of -0.77% from 78,760 in 2017. The population of Inverclyde accounts for 1.4% of the total population of Scotland.

5.9 The latest mid-year population estimates (2018) show that 16% of Inverclyde's population is aged between 0 – 15 years, which is slightly less than the percentage for Scotland, 17%. 63% of the population is aged 16 – 64 years, compared to 64% in Scotland. 21% of Inverclyde's population is aged 65 years and older compared to 19% in Scotland.

5.10 Since 1985, Inverclyde's total population has fallen overall whilst Scotland's population has risen over this period.

5.11 Official population projections continue to forecast a long term decline in Inverclyde's population. By 2041 the population of Inverclyde is projected to be 70,550, a decrease of 10.9% compared to the population in 2016. The population of Scotland is projected to increase by 5.3% per cent between 2016 and 2041.

5.12 Over the 25 year period the age group that is projected to increase the most in size in Inverclyde is the pensionable and over age group with a 14.1% increase. In Scotland, it is estimated that there will be a projected 25.1% increase in the pensionable age population by 2041.

5.13 The population aged under 16 in Inverclyde is projected to decline by 14.9% over the 25 year period, compared to a 1.5% decrease nationally.

5.14 Between SIMD12 and SIMD16, the number of Inverclyde data zones in the 5% most deprived in Scotland fell by 3 from 14 to 11. This equates to 9.6% of all 114 Inverclyde data zones in the 5% most deprived category.

Inverclyde has the second highest concentration of multiple deprivation in Scotland, sitting behind Glasgow.

5.15 Demographic change will have significant impact on services as funding allocated from the Scottish Government is partly based on the population of an area. Even with additional allocations to take account of deprivation the budget is expected to reduce in real terms over the next five years.

5.16 In terms of indicators of deprivation the profile for Inverclyde differs from the national picture, these include:

- 4.7% of working age benefit claimants are claiming unemployment benefits. Of this, a higher proportion of 18 – 24 year olds (7.8%) are claiming than 25 – 49 year olds (5.5 %) or 50+year olds ( 2.8%). (As at September 2019).

- Economic inactivity rates in Inverclyde are higher than the national rate 24.8% compared to 22.1% (July 2018 – June 2019)

- The percentage of workless households in Inverclyde is 19.2% compared to 17.1% in Scotland (January – December 2018)

- Approximately 80.8% of working age adults in Inverclyde have NVQ1 and above, or other formal qualifications. 83.5% of the Scottish population have NVQ1 and above or other formal qualifications (January 2018 – Dec 2018).

- Median earnings for full time workers living in the area (Gross Weekly Pay) in 2018 were £566.30, a significant increase from the 2007 rate of £382.10 per week, which placed Inverclyde 13% below the national average. Earnings in 2018 were approximately 0.6% higher than those for Scotland as a whole (£562.70). This is the second year that gross median earnings for workers living in Inverclyde have been higher than the Scottish average.

- Working age people account for 63% of all people in Inverclyde (2018 mid-year population estimates). This is 1% lower than for Scotland as a whole.

5.17 The projected population changes will have an impact on all service areas, particularly Education and Social Care, where there will be a need to actively manage the transition from current service delivery arrangements to new models that are built around the needs of the future population.

5.18 The deprivation profile will have major implications for services as research indicates that those most vulnerable to poverty are more likely to require greater interventions and experience greater levels of health inequalities and a targeted focus to move individuals out of poverty will come at a significant cost to public agencies.

5.19 The predicted demographic changes also have other implications. A decline in younger economically active people and a growth in the older, more vulnerable age group can mean there will be fewer informal carers which could result in a higher dependency on the services provided by the Health & Social Care Partnership.

*The public sector landscape in Inverclyde*

5.20 The public sector landscape has changed significantly over the last 10-15 years in Inverclyde The development of this mixed economy of public service provision presents new challenges for the Council as it seeks to ensure that outcomes are achieved and that resources are being deployed effectively and efficiently. This is particularly relevant in the context of the LOIP where there will need to be a robust appraisal of whether existing service delivery arrangements across all partner agencies can effectively deliver on the agreed outcomes.

5.21 Whilst the Council has to tackle the problems associated with poverty, health inequalities and deprivation now, it also has to look to the future, and ensure that effective intervention is put into place now, to prevent further problems from developing, which will ultimately require expensive interventions. Investment in the lives of our children and young people early on in their lives will result in a better outcomes and quality of life for them as they grow up in the Inverclyde area.

5.22 The Community Empowerment (Scotland) Bill received royal assent on 24 July 2015. The Act places new duties on the Council and its partners to provide new rights for community bodies. The Act came into effect in July 2016 and is beginning to have a significant impact on the way the Council interacts with the Community.

5.23 *Riverside Inverclyde*

Riverside Inverclyde is a joint initiative between the Council and Scottish Enterprise to regenerate 330 acres of the Clyde Waterfront scheduled to run from 2006/7 until 2017/18.

The Council's contribution towards Riverside Inverclyde was originally to be £24 million over the ten year period. In addition the Council has made contributions in kind by transferring specific assets to the Urban Regeneration Company which will count towards the £24 million contribution and a further £6.1 million financial support to specific major Regeneration projects led by Riverside Inverclyde.

Following the most recent governance review it was agreed by the Council and Scottish Enterprise to change the operational governance model due to the reduction in major regeneration projects being progressed by Riverside Inverclyde. The revised arrangements became operational in the summer of 2019.

5.24 *River Clyde Homes*

River Clyde Homes is a not-for-profit housing organisation, which is run by a Board of Tenants, Council nominees and community members. It is regulated by the Government to ensure that it manages housing in the best interests of the tenants of Inverclyde, and the community as a whole.

The transfer to River Clyde Homes of all the Council housing stock was based on significantly more money being available to invest in homes and neighbourhoods and give tenants a real say in the decisions that are made about their housing, with tenants on the Board influencing policies and investment decisions.

5.25 *Inverclyde Leisure*

Inverclyde Leisure is a 'company limited by guarantee', not having share capital and recognised by HMRC and OSCR as having charitable status. In October 2001, the Trust was asked to take responsibility for the management and delivery of Inverclyde Council's sport and recreational services.

The Leisure Trust works in close partnership with Inverclyde Council and other internal and external agencies in order to develop the optimum service for residents and visitors to Inverclyde and so to ensure the Trust's Mission Statement is implemented.

The Council's Community Facilities transferred to Inverclyde Leisure in April 2010 and the transfer of the management of Outdoor Leisure Facilities to Inverclyde Leisure took place in April 2015. Members agreed in November 2019 to the transfer of Whinhill Golf Course to Inverclyde Leisure from 2020/21 Season. Inverclyde Leisure has revised its Business Planning process and a new Business Plan is reviewed annually by the Council.

The Councils percentage contribution to the Leisure Trust has reduced considerably and is currently under 30% of the Leisure Trust turnover.

5.26 *Inverclyde Health and Social Care Partnership (HSCP)*

The Council and Greater Glasgow and Clyde Health Board established an integrated Community Health and Care Partnership (CHCP) in October 2010. This resulted in greater partnership working and efficiencies in line with the Government's stated objective of integrating aspects of Health & Social Care.

The Public Bodies (Joint Working) Act 2014 resulted in the creation of a HSCP Integrated Joint Board (IJB) during 2015/16 and required a revised Governance and Financial framework. The IJB is a separate legal entity and will receive resources from and delegate resources to the Council and Health Board. The Council was well placed to meet this challenge given the 4 successful years of CHCP operation.

The financial integration became live in April 2016 at a time of continued increasing demands on Council Budgets as the Partnership focuses on building community resources to support the delivery of health and social care services, including the acute sector. The early years have proven successful with the finances of the IJB being well managed with reserves increased in order to meet the demographic demands.

## 6.0 Financial Management

*Corporate Governance*

6.1 The Council positively promotes the principles of sound corporate governance within all aspects of its activities.

6.2 Corporate governance is about the structures and processes for decision-making, accountability, controls and behaviour throughout the Council. It is based around key principles of openness, equality, integrity and accountability.

6.3 The fundamental principles of corporate governance should be reflected in the various dimensions of Council business, including;

- Ensuring a community focus underpins the Council's vision and priorities;
- Ensuring the effective delivery of local services on a sustainable basis;
- Establishing effective management structures and processes which include clearly defined roles and responsibilities for officers;
- Developing and maintaining effective risk management systems that form part of the Council's strategic decision making process;
- Ensuring high standards of propriety and probity in the stewardship of the Council's funds and the management of the Council's affairs;
- A commitment to openness in the Council's affairs and the provision of full, accurate and clear information to all stakeholders.

6.4 The Chief Financial Officer has been designated as "the proper officer" and is responsible for advising the Council on all financial matters.

6.5 The Financial Regulations were refreshed and approved in September 2016 and are an essential component of the corporate governance of the Council.

6.6 The Financial Regulations are designed to facilitate the smooth running of the Council, protect its interests and the interests of members and officers, and ensure the proper administration of all the Council's financial affairs, including, Partnerships, The Common Good and Sundry Accounts.

6.7 Head Teachers must also comply with the Financial Regulations, with the exception of virement which is defined in the Devolved Management of Resources Scheme.

*Roles and Responsibilities*

6.8 It is important to set out clearly the roles and responsibilities of the key parties involved in the Financial Strategy and the management of overall financial resources of the Council.

*Elected Members*

6.9 Elected Members, through Full Council and Committees are responsible for considering and approving budgets and the Financial Strategy for the Council. Approved budgets must be financially balanced and demonstrate value for money and sustainability.

6.10 Throughout the year Committees receive reports which allow progress against approved budgets to be scrutinised. All members receive appropriate training in the areas of Financial Strategy, Local Government Finance and key specialist areas such as Treasury and Risk Management.

*Corporate Management Team*

6.11 The Chief Executive, Corporate Directors, Chief Financial Officer, Head of Legal & Property and Head of Organisational Development, Communications & Policy form the CMT, chaired by the Chief Executive, who are responsible, individually and collectively, for ensuring effective financial management across the organisation.

6.12 As Budget Holders the Corporate Directors are responsible for the budgets delegated to deliver the services within their Directorate in line with the priorities of the Council. Whilst they may delegate this responsibility within their Directorate they remain accountable in exercising overall financial control.

6.13 The CMT set aside time each reporting cycle to consider corporate financial matters including employee costs, key budget lines, earmarked reserves and savings delivery progress.

*Chief Financial Officer*

6.14 The Chief Financial Officer has a statutory role to ensure appropriate arrangements are in place for the proper administration of the financial affairs of the Council. He has the authority to comment and advise CMT, Chief Executive and Elected Members on all financial matters.

*Heads of Service*

6.15 Heads of Service are individually responsible for ensuring that the services within their remit are delivered in line with the agreed policy, and support the strategic direction of the Council. As Budget Holders they are responsible for the budgets delegated to them to deliver their service in a manner which demonstrates value for money in line with the priorities in the Corporate Directorate Improvement Plans.

*Budget Managers*

6.16 Responsibility for budgetary control lies with the Corporate Directors and as delegated budget holders, their Heads of Service and Service Managers. In recognition of the need to ensure budget holders are appropriately supported and trained, Finance Services delivers training to all Heads of Service and Managers on Financial Governance and budgetary control issues.

*Financial Support to Services*

6.17 Each Directorate has a dedicated Finance Manager and Principal Accountant who prepare and monitor the Directorate budget as well as providing a full range of financial advice to the Directorate.

*Internal Audit*

6.18 Internal Audit provide assurance to Elected Members, the Chief Executive and management that the internal processes of the Council are being managed appropriately in line with the overarching policies and outcomes are being delivered in an efficient and effective manner.

*External Audit*

6.19 The role of External Audit is to provide assurance to the Auditor General and the Accounts Commission that the Council has spent public money properly to deliver outcomes in an efficient and effective manner. They also provide assurance to the Elected Members, the CMT and general public that the Council's performance is reported in accordance with the financial standards and presents a fair account of the Council's activities.

*Managing the Budget*

6.20 Committees receive five budget monitoring reports throughout the year. These are jointly prepared by the Chief Financial Officer and the relevant Corporate Director.

6.21 The Corporate Management Team receive and discuss a budget overview every budget monitoring cycle covering key budget lines, employee costs, earmarked reserves, progress on the approved savings and key projects with financial implications.

6.22 All Services receive detailed budget information five times per year and in addition are sent system generated budget reports in intervening months plus having access to real time information held on the Council's Finance Management System.

6.23 The Council operates a risk based approach to budget monitoring ensuring that focus is given to larger and more volatile budgets. The identification of key budgets is agreed annually between Directorates and Finance.

## 7.0 Financial Outlook

7.1 Key financial issues are known or anticipated events and activities that have to be addressed within overall financial resources in the short-term (within 2 years), medium-term (within 4 years) or long-term (over 4 years).

7.2 Events and activities include efficiencies, planned savings, changes to service priorities and delivery, and known potential pressures. The financial impact of an event or activity may be one-off, recurring or time-limited.

7.3 The Council is due to receive Revenue Grant/Non-Domestic Rates Income of 160.575m in 2019/20.

7.4 When the Council's own projection of Council Tax Income based on 96.8% collection rate is added (£31.359m) then the income for the Council in 2019/20 is projected to be £191.934m

7.5 The level of resources available to the authority to fund its revenue expenditure is also dependent on Council Tax and the approved budget included a 4.79% increase in Band D Council Tax in 2019/20.

7.6 The Financial Strategy covers the period 2019/29 and beyond in terms of identifying potential issues, but the revenue forecasts are limited to the period which can be reasonably forecast. A new requirement from 2019/20 has been the production and approval of a Capital Strategy which covers a period beyond 2028/29. This examines a number of long term issues including the sustainability and affordability of borrowing and investment decisions.

7.7 The Council has agreed a Reserve Strategy which requires a minimum unallocated General Fund Reserve of 2% of turnover. Based on the 2019/20 Budget this equates to £3.8 million. The overall position of the Reserves shown in Appendix 5 and has been updated to reflect the latest projections. The Reserve Strategy was reviewed and approved by the Policy & Resources Committee in September 2019. Earmarked Reserves and the level of unallocated reserves are reviewed annual as part of the budget process.

7.8 The projected budget position in the short to medium term, is set out in the following tables and notes for both revenue and capital. Details of the short, medium and long-term issues identified in consultation with Services are contained at Appendices 1, 2 and 3.

Table 3

Finance Strategy - December 2019

| | 2019/20 £m | 2020/21 £m | 2021/22 £m |
|---|---|---|---|
| Base Budget for Prior Year | 190.379 | 191.934 | 191.184 |
| UPLIFTS FROM PRIOR YEAR | | | |
| Inflation (Note1) | | | |
| Pay Inflation | 4.347 | 3.150 | 3.000 |
| Other Inflation | 0.503 | 1.500 | 1.500 |
| Income | 0.000 | -0.130 | -0.130 |
| | 4.850 | 4.520 | 4.370 |
| Budget Increases (Note 2) | | | |
| General Pressures | 0.400 | 0.200 | 0.600 |
| Teachers Superannuation Allowance | 0.390 | 0.000 | 0.000 |
| | 0.790 | 0.200 | 0.600 |
| Adjustments (Note 3) | | | |
| Other Adjustments Applied | -0.033 | 0.096 | 0.018 |
| New Funding Per SG Settlement | 2.909 | 0.000 | 0.000 |
| Policy Pressure Approved (Feb/Mar 19) | 0.211 | 0.071 | 0.000 |
| Contribution from Reserves (Mar 19) | -0.830 | 0.830 | 0.000 |
| Net Revenue Budget Before Savings | 198.276 | 197.651 | 196.172 |
| Funded by: (Note 4) | | | |
| Revenue Grant/NDR Income | 160.575 | 159.575 | 158.575 |
| Council Tax Income (Net of CTR) | 31.359 | 31.609 | 31.609 |
| | 191.934 | 191.184 | 190.184 |
| Annual Budget Before Savings (Surplus)/Deficit | 6.342 | 6.467 | 5.988 |
| Cumulative Budget Gap before Savings | 6.342 | 12.809 | 18.797 |
| Savings Applied (Cumulative) | | | |
| Adjustments Approved September 2017 | -0.300 | -0.600 | -0.900 |
| Efficiencies Approved November 2017 | -0.197 | -0.197 | -0.197 |
| Adjustments Approved December 2017 | -0.241 | -0.241 | -0.241 |
| Service Committee Reports Approved March 2018 | -1.456 | -1.559 | -1.559 |
| Public Consultation Savings Approved March 2018 | -0.413 | -0.413 | -0.413 |
| Adjustments Approved September 2018 | -0.331 | -0.331 | -0.331 |
| Adjustments Approved November 2018 | -0.772 | -0.783 | -0.783 |
| Adjustments Approved February 2019 | -1.304 | -1.341 | -1.341 |
| Savings Approved February 2019 | -0.170 | -0.170 | -0.170 |
| Adjustments Approved March 2019 | 0.015 | 0.000 | 0.000 |
| Savings Approved March 2019 | -1.173 | -2.052 | -2.052 |
| Adjustments Approved September 2019 | 0.000 | -1.088 | -1.137 |
| Adjustments Approved November 2019 | 0.000 | -1.617 | -1.798 |
| Approved Budget (Surplus)/Deficit | 0.000 | 2.417 | 7.875 |

**Finance Strategy Notes – December 2019**

Note 1 Inflation

a) Pay – The allowance for pay inflation is an allowance available over the 3 year period to fund all pay related pressures including the annual pay award, Pay and Grading Model review, impacts of living wage, increases in employers national insurance/pension costs, and movement in service bottom up employee budgets. Figures for 2020/21 reflect budget decisions taken September 2019.

b) Other Inflation – Inflation had been at a low rate in recent times and as such the allowances have been greatly reduced. However, over the last 12 months inflation has gradually increased and the allowance will come under pressure in future. Figures for 2020/22 reflect reflect proposals identified in Finance Strategy approved May 2019.

c) Income – Reflects an annual increase of 3% on fees & charges income as part of the budget decisions approved November 2019.

Note 2 Budget Increases

a) General Pressures – Reflects pressures approved for 2019/20 in March 2019 and budget decisions approved September 2019.

b) Teachers Superannuation – Reflects allowance approved March 2019 to fund increase in Teachers' pension costs.

Note 3 Adjustments

a) Other Adjustments – Reflects minor prior year savings agreed offset by School Transport pressure approved November 2019.

b) New Funding – Reflects new funding received as part of the Settlement February 2019. The majority of the funding relates to the increased allocation for Social Care to fund Living Wage costs, Free Personal Care to U65's and additional funding towards the implementation of the Carers Act Scotland.

c) Policy Pressures – Reflects pressures approved as part of the 2019/20 budget process.

d) Contribution from Reserves – As part of the 2019/20 budget process, the Council approved use of reserves to fund the 2019/20 budget for 1 year.

Note 4 Funded By

a) Reflects 2019/20 Finance Settlement included in Scottish Government Circular 2/2019. The 2020/22 figures are estimated based on continuing grant loss due to Depopulation and estimated cash reductions per estimates by Fiscal Affairs Scotland. Figures reflect budget decisions taken September 2019.

b) Council Tax Income is shown net of Council Tax Reduction (CTR) Scheme. Grant is included within Council General Revenue Grant for CTR. Figures reflect decision to increase Council Tax by 4.79% on 21 February 2019. No increase is reflected for 2020/22.

*7.9 Other Short Term Revenue Issues*

The main remaining risks associated with the 2020/21 budget position will be around non-pay inflation allowances, the 2020/21 Grant settlement and increasing demand for certain services. Regular reporting to Committee will ensure officers report any significant variances at the earliest opportunity.

*7.10 Medium to Long Term Revenue Issues*

Looking beyond 2021 becomes increasingly difficult with uncertainty around the level of funding likely to be available, the impact of the Scotland Act, Brexit and the use the Scottish Government will make of its new powers. The Scottish Government had intended to issue a 3 year (2020/23) settlement in December 2019 but the calling of the General Election has prevented this and the 2020/21 Budget announcement will be later than usual.

The incremental impact of current major initiatives including Schools Estate Strategy, City Deal, and Asset Management Plans have been fully incorporated the overall Budget.

Post 2020/21 the main issues impacting on the revenue budget will be:

- **Funding will be impacted by future population change/demographic shifts and any changes to the way local government in Scotland is funded.**

- **Decisions of the new Scottish Government regarding any protection afforded to Local Government or other parts of the Budget plus the use that is made available tax raising powers.**

- **Welfare Reform changes and associated budget cuts will continue to impact on Council Services from both a demand and funding perspective.**

- **Health and Social Care integration continues to become embedded but the fundamental fact is that there is not enough money in current budgets to meet increasing demand.**

- **Pension costs influenced by the impact of auto-enrolment, the changes to LGPS and Teachers Pensions, plus costs associated with the Council resizing its workforce in order to balance its budgets and potential changes to Pension Tax Relief.**

- **Costs associated with sustainability including waste disposal and recycling, energy and fuel costs and general procurement inflation due to increased global demand for raw materials.**

- **Overall global economic situation and in particular the Brexit vote resulting in uncertainty interest rates, investment returns, inflation levels and further reductions in public sector funding.**

The fundamental issue for the Council is that at some point if the squeeze on public sector finances and the decline in population continues then the area could become unviable as a unit of administration and this will have an associated impact on other local services such as health, police and fire.

7.11 Table 4 shows the high level estimate of the 2020/23 budget gap based on the above. In line with good practice tables 4b and 4c provide two further scenarios based on different assumptions. Table 4b represents an “optimistic” scenario and Table 4c representing a “pessimistic” scenario.

**Table 4a**

## 2020/23 Budget Gap - Mid Range Estimate

| | | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2020/23 £m |
|---|---|---|---|---|---|
| 1/ | Estimated Block Grant Reduction | 0.0 | 0.0 | 0.0 | 0.0 |
| 2/ | Continuing cash cut due to Depopulation | 1.0 | 1.0 | 1.0 | 3.0 |
| 3/ | Inflation - Pay | 3.2 | 3.0 | 3.0 | 9.2 |
| | - Non-Pay | 1.5 | 1.5 | 1.5 | 4.5 |
| 4/ | Pressures | | | | |
| | -Use of reserves, 2019-20 | 0.8 | 0.0 | 0.0 | 0.8 |
| | - Approved Policy Pressures | 0.2 | 0.1 | 0.0 | 0.3 |
| | - General Pressures | 0.1 | 0.5 | 0.6 | 1.7 |
| 5/ | Savings Approved (March 2019) | (1.0) | - | | (1.0) |
| | Approved Loans Charges Adjustment | (0.3) | (0.3) | (0.3) | (0.9) |
| | Savings Approved (Sept/Nov P&R) | (3.1) | (0.4) | (0.2) | (3.7) |
| | | 2.4 | 5.4 | 5.6 | 13.4 |

a/ Assumes Government contribution to increased teachers pension is continued from 2020.

b/ Assumes no new Prudential Borrowing above that already contained in the Loans Charges model.

c/ Assumes no Council Tax increase. (3% annual increase would raise £0.9 million per year)

d/ The GRG/NDRI assumption excludes any hypothecated grant increases eg: Early Years as this is ring fenced to deliver new policies rather than fund existing service provision.

| | | 2020/21 % | 2021/22 % | 2022/23 % |
|---|---|---|---|---|
| e/ | Key Assumptions | | | |
| | GRG/NDRI | 0 | 0 | 0 |
| | Pay Inflation | 3.0 | 2.5 | 2.5 |

**Table 4b**

## 2020/23 Budget Gap - Optimistic Scenario

| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2020/23 £m |
|---|---|---|---|---|
| Block Grant Reduction | (2.4) | (2.4) | (2.4) | (7.2) |
| Continuing Impact of Depopulation | 1.0 | 1.0 | 1.0 | 3.0 |
| Inflation - Pay | 3.2 | 1.8 | 1.8 | 6.8 |
| - Non-Pay | 1.0 | 1.0 | 1.0 | 3.0 |
| Pressures | | | | |
| - Use of reserves-2019/20 | 0.8 | - | - | 0.8 |
| - Approved Policy Pressures | 0.2 | 0.1 | - | 0.3 |
| - General Pressures | 0.1 | 0.5 | 0.6 | 1.2 |
| Savings Approved (March 2019) | (1.0) | - | - | (1.0) |
| Approved Loans Charges Adjustment | (0.3) | (0.3) | (0.3) | (0.9) |
| Savings Approved (Sept/Nov P&R) | (3.1) | (0.4) | (0.2) | (3.7) |
| Funding Gap | (0.5) | 1.3 | 1.5 | 2.3 |

a/ Assumes Government contribution to increased teachers pension is continued from 2020.

b/ Assumes no new Prudential Borrowing above that already contained in the Loans Charges Model.

c/ Assumes no Council Tax increase (3% annual increase would raise £0.9million per year)

d/ The increase in Block Grant does excludes hypothecated funding increases eg Early Years etc

| e/ Key Assumptions | 2020/21 % | 2021/22 % | 2022/23 % |
|---|---|---|---|
| GRG/NDRI | 1.5 | 1.5 | 1.5 |
| Pay Inflation | 3.0 | 1.5 | 1.5 |

**Table 4c**

## 2020/23 Budget Gap - Pessimistic Scenario

| | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m | 2020/23<br>£m |
|---|---|---|---|---|
| Block Grant Reduction | 3.2 | 2.4 | 1.6 | 7.2 |
| Continuing Impact of Depopulation | 1.0 | 1.0 | 1.0 | 3.0 |
| Inflation - Pay | 3.2 | 3.6 | 3.6 | 10.4 |
| - Non-Pay | 2.0 | 2.0 | 2.0 | 6.0 |
| Pressures | | | | |
| -Use of reserves 2019/20 | 0.8 | 0 | 0 | 0.8 |
| -Approved Policy Pressures | 0.2 | 0.1 | 0 | 0.3 |
| - General Pressures | 0.1 | 1.0 | 1.1 | 2.2 |
| Savings Approved (March 2019) | (1.0) | 0 | 0 | (1.0) |
| Approved Loans Charges Adjustment | (0.3) | (0.3) | (0.3) | (0.9) |
| Savings Approved (Sept/Nov P&R) | (3.1) | (0.4) | (0.2) | (3.7) |
| Funding Gap | 6.1 | 9.4 | 8.8 | 24.3 |

a/ Assumes Government contribution to increased teachers pension is continued from 2020.

b/ Assumes no new Prudential Borrowing above that already outlined in the Loans Charges Model.

c/ Assumes no Council Tax increase. (3% increase would raise £0.9 million per year)

d/ The GRG/NDRI assumption excludes any hypothecated grant increases eg: Early Years as this is ring fenced to deliver new policies rather than fund existing service provision.

| e/ Key Assumptions | 2020/21<br>% | 2021/22<br>% | 2022/23<br>% |
|---|---|---|---|
| GRG/NDRI | -2.0 | -1.5 | -1.0 |
| Pay Inflation | 3.0 | 3.0 | 3.0 |

*7.12 Short to Medium Term Capital Projections*

The Council agreed a 4 year Capital Programme covering 2019/23 in March 2019. A 5% overprovision was built in to allow for increased resources/project cost reductions.

*7.13 Long-Term Capital Projections*

There is greater certainty around capital spend for the post 2022/23 period due to the fact that asset management plans will continue to utilise nearly all available funding i.e. Schools, Operational Properties, Roads, Lighting, Vehicles, Open Spaces and ICT.

Given the difficult position the Council faces on revenue expenditure, it is essential that future capital expenditure proposals are largely self–financing through the release of other capital assets, use of Reserves as well as delivering efficiencies which will secure ongoing revenue savings.

It is hoped that Local Government Capital Grants may increase in the medium term. Given the major revenue financial pressures the Council needs to seriously consider using any increase in grant to reduce prudential borrowing/use of reserves rather than identifying new projects.

## *Table 5 - Capital Programme 2019/2023 (Medium Term Capital Projections)*

Table 5

| Expenditure/Projects by Committee | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m | future £m | Totals £m |
|---|---|---|---|---|---|---|
| Policy & Resources | 0.51 | 0.37 | 0.36 | 0.36 | 0.00 | 1.60 |
| Environment & Regeneration | 12.00 | 19.58 | 6.97 | 6.42 | 0.00 | 44.97 |
| School Estate | 7.78 | 9.32 | 2.00 | 2.11 | 0.23 | 21.44 |
| Education & Communities (Exc School Estate | 1.49 | 0.90 | 0.28 | 0.14 | 1.00 | 3.81 |
| CHCP | 1.09 | 0.19 | 0.00 | 0.00 | 0.00 | 1.28 |
| | 22.87 | 30.36 | 9.61 | 9.03 | 1.23 | 73.10 |
| Financed By | | | | | | |
| Government Grant | 9.39 | 8.10 | 8.10 | 8.10 | 0.00 | 33.69 |
| Sales/Contributions | 0.28 | 0.54 | 0.15 | 0.10 | 0.00 | 1.07 |
| Other Income | 4.55 | 1.50 | 0.02 | 0.00 | 0.00 | 6.07 |
| Revenue | 2.19 | 0.93 | 0.23 | 0.23 | 0.00 | 3.58 |
| Prudential Borrowing | 3.93 | 3.64 | 0.46 | 0.33 | 0.23 | 8.59 |
| Resources Carried Forward | 17.66 | 0.00 | 0.00 | 0.00 | 0.00 | 17.66 |
| | 38.00 | 14.71 | 8.96 | 8.76 | 0.23 | 70.66 |
| Shortfall in Resources | | | | | | 2.44 |

Notes

1 As per Nov 2019 P&R Committee

## 8.0 Treasury Management

8.1 Inverclyde Council has adopted the CIPFA “Treasury Management in the Public Services – Code of Practice” which sets out good practice for treasury management governance. The Council complies with legal and regulatory requirements in relation to its Treasury Management activities and has appointed consultants to provide advice on Treasury Management issues, including technical issues and the formulation of views on interest rates.

8.2 In complying with the Code of Practice, the Council produces a Treasury Management Practices document which sets out how the Council will manage and control its Treasury Management activities. This document is submitted to Committee for approval every three years with approval also being sought for any amendments in the intervening period.

8.3 The requirements for Treasury Management reporting following the implementation of the revised CIPFA Treasury Management Code of Practice has resulted in the following:

(a) An annual Treasury Management Strategy submitted at the start of the financial year and which includes the Council’s Prudential Indicators and covers issues such as the economic situation, the prospects for interest rates, and the Council’s borrowing and investment strategy for the coming year.

(b) A mid-year review of the Strategy which include details of the Council’s debt and investment position, activity undertaken during the quarter, and performance to date against the Council’s Prudential Indicators and agreed policy limits.

(c) An Annual Report for Treasury Management which is submitted to Members before the end of September each year and which advises Members of the Treasury Management activities during the previous financial year.

(d) From 2018/19 there is also the requirement to produce a Capital Strategy which is also reviewed annually.

It should be noted that whilst all the above reports will go to the Policy & Resources Committee for initial scrutiny, all now require to go before the Full Council for approval.

8.4 Table 6 below shows the Council’s debt and investments position as at 31/10/19.

***Table 6 – Council’s Debt and Investment Position – 31/10/19***

The Council’s treasury portfolio position at 31/10/19 comprised:

| | | Principal | | Average Rate |
|---|---|---|---|---|
| | | £000 | £000 | |
| Fixed rate funding | PWLB | 104,180 | | |
| | Market | 55,000 | 159,180 | 3.64% |
| Variable rate funding | PWLB | 0 | | |
| | Market | 44,600 | 44,600 | 4.86% |
| **TOTAL DEBT** | | | **203,780** | **3.91%** |
| **TOTAL INVESTMENTS** | | | **26,223** | **0.75%** |

8.5 In October 2019 the Council undertook a detailed review of its Loan Charges focussing on debt repayment periods and future interest rates. The review identified a £1.4 million one off saving plus £400,000 recurring savings from 2019/20.

## 9.0 Reserves

9.1 A key aspect of the consideration of the Financial Strategy is the position of the General Fund Reserves. The Reserves Strategy was last reviewed and approved by Council in September 2019.

9.2 Reserves can be held for three main purposes:-

- A working balance to help cushion the impact of uneven cash flows - this forms part of General Reserves.
- A contingency to cushion the impact of unexpected events or emergencies which also forms part of General Reserves.
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

9.3 The Reserves Strategy is based on the core General Fund Reserve being maintained at a level of 2% of turnover. A turnover of approximately £190 million results in a core General Fund Reserve of £3.8 million. In the event that the Reserves are projected to fall below this level then Members must have a clear route for bringing Reserves back up to the level over the subsequent three financial years.

9.4 The Reserves Strategy also assumes the continued use of earmarked reserves. In this way, earmarked reserves can be separated from the core General Fund Reserve which should allow Members to more transparently track the underlying reserves position. A full review of existing Earmarked Reserves was undertaken following the 2017 Best Value Audit and Earmarked Reserves are reviewed annually as part of the budget process.

9.5 Within Inverclyde Council the main Reserves/Funds comprise; General Fund Reserve, Insurance Fund, Capital Fund and Repairs & Renewals Fund. The latest projected position is shown below.

9.6 (a) General Fund “Free” Reserves – This Reserve represents the Council’s contingency for unforeseen/unquantifiable events. The level of the Reserve is determined by the Reserve Strategy whilst the projected balance is reported to each Policy and Resources Committee. See Appendix 5.

Projected Balance 31/3/20 = £6.141 million

(b) Insurance Fund – The Insurance Fund balance is required to meet Insurance Liabilities not covered by external Insurance Policies. The balance on the Fund is reviewed every 3 years by an independent actuary who comments upon not only the balance of the Fund but also the on-going internal contributions to the Fund.

Balance 30/9/19 = £4.037 million

(c) Capital Fund – The Capital Fund is a Fund into which Capital Receipt income can be paid and used to fund either capital investment or repay the Principal element of debt repayments. The balance and planned usage of the Capital Fund is incorporated into the Financial Strategy. See Appendix 6.

Projected Balance 31/3/20 = £1.958 million

(d) Repairs & Renewals Fund – The Repairs & Renewals Fund consists of sums received from external parties or allocated directly from Council resources which are thereafter released on a phased basis to maintain specific assets. Use of specific allocations to the Fund are agreed by Policy & Resources Committee and the overall position will be reported as part of the Financial Strategy. See Appendix 7.

Projected Balance 31/3/20 = £3.259 million

## 10.0 Monitoring, Reporting and Review Processes

10.1 The Financial Strategy should be a dynamic, relevant document and will be monitored on an ongoing basis by Finance - it will also be formally reviewed twice yearly, in May and then in November.

10.2 The formal review of the Financial Strategy will be reported to CMT and Full Council on a six monthly basis – there will also be capacity to review the Strategy as and when required, particularly when a new issue arises or the impact of major policy or initiative becomes clearer.

10.3 The Financial Strategy will only be revised if there are material changes to estimates, projections or policy which will have a financial impact however issues which may impact will be flagged up in the regular General Fund Budget reports to Policy & Resources Committee.

10.4 The deminimus level for a major impact requiring immediate review is 50% of the core General Fund reserves, £1.9 million, subject to the opinion of the Chief Financial Officer.

10.5 The financial management principles and expectations have been communicated and are understood by all Chief Officers and budget holders.

10.6 The Financial Strategy has been drawn up with the full involvement of the CMT and, will be communicated throughout the organisation.

## 11.0 Risk Management

11.1 The Council has developed a Corporate Risk Register, Directorate Risk Registers and individual service risk registers where appropriate.

11.2 Further work has also been undertaken to develop a Risk Register for the Financial Strategy and the required actions to mitigate risks – these are set out in the table below.

11.3 The risk assessment below considers the risks to our financial position arising out of matters considered in this Financial Strategy and utilises the same methodology used for the Corporate, Directorate and Service Risk Registers.

| Risk | Management of Risk |
|---|---|
| The Financial Strategy does not reflect in financial terms the objectives set out in other strategic plans of the Council. | The Financial Strategy provides a high level overview of the various strategic plans the Council has signed up to – it acknowledges that there will inevitably be financial implications arising from the Corporate Plan but it is not possible to quantify all of these at present.<br><br>The Financial Strategy is updated as further information becomes available regarding these strategic plans. |
| 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 Financial Strategy prior to the preparation of the CDIP. |
| Forecasts within the Financial Strategy are not accurately determined or reviewed on a regular basis. | The Budget and Financial Strategy set out the expected levels of expenditure and income for the future. The forecasts are arrived at through careful consideration of historic trends and actual expenditure levels and any factors which may have an impact in the future.<br><br>Three scenarios are included in the Strategy based on Pessimistic, Mid-Range and Optimistic. This provided a broad range of potential outcomes.<br><br>Throughout the financial year, the Council regularly monitors its financial performance against its budgets and will revise them where necessary, subject to remaining within the agreed overall budget for the Council. |
| There is a continuing need to deliver significant cuts and efficiencies over the medium to long term. Robust and detailed plans will be required on an operational level to ensure that this risk is mitigated and savings are duly delivered. | The risks relating to the delivery of savings will be mitigated by robust monitoring and financial control through the budget monitoring process, with action plans being required to find compensating savings for any overspends identified.<br><br>Individual savings are reviewed by Change Boards and lead officers on a regular basis with material issues reported to the CMT and if required, Committee. |

| | |
|---|---|
| Income budgets not achieved or become unsustainable. | Chief Officers are consulted on proposed increases in income budgets/fees and charges and have the opportunity determine the levels of individual charges to achieve the budgeted income target.<br><br>Equally, income budgets are monitored throughout the financial year and where a shortfall in income is anticipated, this is highlighted in reports to Committee.<br><br>Proposals to increase fees and charges are reviewed in line with the Council's Charging Policy prior to reporting to Committee. |
| The Council has insufficient capital resources to sustain capital commitments. | The Council has already identified through the Financial Strategy a reduced reliance on capital receipts and Government Grants in the medium term.<br><br>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.<br><br>The Council has Asset Management Plans for all it's assets with all the above issues captured within the Financial Strategy.<br><br>The Council produces a Capital Strategy which looks at the longer term need, funding & sustainability of the capital programme. |
| Bankruptcy of a major supplier or customer which could result in the Council having to pay twice for the same service or see artificially inflated prices if a replacement service needs to be obtained at very short notice. | The Council has reviewed its procurement process and a procurement manual has been developed which includes supplier financial appraisal at PQQ stage. This will ensure that the financial position of new contractors is vetted prior to ITT stage and entering into any large contracts.<br><br>The Council only pays in advance for Services by exception.<br><br>Regular reviews of financial position are undertaken for key suppliers on an ongoing basis. |
| Legislative changes are not anticipated and the financial impact is not addressed through the budget process of Financial Strategy. | Chief Officers are required to highlight the impact of legislative changes through the strategic planning and budgeting process and the likely resource requirement.<br><br>In addition COSLA has a key role in assessing the financial impact of changes in legislation and lobbying for Councils to be funded appropriately. |

| | |
|---|---|
| Interest rates on borrowing may be higher than forecast. | Regular review of treasury management decisions. Prudent assumptions on likely interest rates have been incorporated into Financial Strategy. Borrowing is spread to reduce impact of short-term changes. |
| Reserves are required to cashflow unanticipated budget shortfalls and fall below minimum recommended level. | Reserve Strategy is in place which clearly states that there must be a clear route to bring reserves back up to the minimum level over the subsequent 3 financial years. |
| Revenue implications of capital programme/projects are not fully anticipated. | All capital projects identify revenue implications and link into Council priorities. All capital projects are subject to a robust approval process which includes a review of revenue implications. |
| The decision to leave the European Union will provide impacts which are not fully reflected in the Financial Strategy. | The Council engages with partners in assessing potential risks and impacts. The Scottish Planning Assumptions were recently reported to the Environment & Regeneration Committee. |

**Appendix 1**

## Short-Term Issues (2019/21)

The tables in Appendices 1, 2 and 3 have been developed through ongoing consultation with the CMT by the Chief Financial Officer to develop detailed knowledge of the issues to inform the Financial Strategy and future budget setting.

| Service | Issues Identified | Issues & Potential Impacts | Action Taken | Responsible Officer | Timescale to report back |
|---|---|---|---|---|---|
| Corporate | Equal Pay | Provision for outstanding claims may not be sufficient. | Offers issued and payments made to address the vast majority of outstanding claims. Provision will continue to be monitored and reviewed taking account of relevant legal judgements and advice from the Council's legal advisors. | Steven McNab | Ongoing |
| | Inflation | Uncertainty over non-pay inflation pressures are not fully clear over the period. | Inflation allowances are regularly reviewed. Regular monitoring and reporting to CMT/Members. | Alan Puckrin | Ongoing |
| | Auto-enrolment | Amount set aside for auto-enrolment is an estimate and full cost may be greater than estimated. | Monitored via the Bottom Up Budget. | Steven McNab | February 2020 |
| | Brexit | There could be an immediate impact of the UK leaving the EU and this may result in funding pressures from 2020/21. | The CMT will monitor the situation and will present reports to Committee as required. | Scott Allan | Ongoing |

| | | | | | |
|---|---|---|---|---|---|
| Social Care | Health/Social Care Integration | Impacts on Governance/Funding could be significant. | Monitor developments and report to relevant Committees. Increased Government Funding will help offset some pressures. | Louise Long | Ongoing |
| | Continuing Care | The financial impact of the Council meeting its statutory requirements to provide support to young people under its care is not adequately funded. | Report to Committee in January 2020. | Louise Long | Jan 2020 |
| | Relationship with Service Providers. | Managing provider expectations whilst in a period of uncertainty over the future of the National Care Home Contract along with expectations from those providers out with this contract to fund inflation/impact of pensions/living wage. | As above | Louise Long | Ongoing |
| Education & Communities | Teacher Numbers | The Government threat of sanctions if teacher numbers are reduced limits options to balance the budget. | Continue to lobby for flexibility and monitor developments. | Ruth Binks | December 2019 |
| Environment & Regeneration | Biodegradable Waste diversion from Landfill. | From January 2021 all biodegradable waste is to be diverted from landfill. The financial implications could be significant. | Monitor and develop options and report to Committee via CMT during 2019. | Scott Allan | March 2020 |

**Appendix 2**

**Medium-Term Issues (2021/23)**

| Service | Issues Identified | Issues & Potential Impacts | Action to be Taken | Responsible Officer | Timescale to report back |
|---|---|---|---|---|---|
| Corporate | Reductions in other public sector partner's funding streams | As Public Sector funding reductions continue, partners are reducing their contributions to key Council priorities. | Continue dialogue with partners. | Corporate Directors | Ongoing |
| | Reduction in Council Funding | Funding over 2021/23 likely to be further reduced in real terms in line with UK Fiscal Policy and increasing ring fencing by the Scottish Government. | Await next Scottish Government Spending Review figures and factor into revised Financial Strategy. | Alan Puckrin | December 2020 |
| | Government needs to reduce Public Sector Borrowing | Prudential Borrowing Capping would require revision of capital plans. Borrowing interest rate increases will increase loans charges. | Rolling Capital Programme developed annually and longer term loan charges projections undertaken. | Alan Puckrin | Ongoing |
| | Welfare Reform | Impact of Welfare Reform and increase in demand for Services can only be estimated. | Update reports going to Committee each cycle. | Alan Puckrin | Ongoing |
| | Removal of key services from Council control. | Scottish Government could review Public Sector landscape which could result in loss of large parts of the Council remit and resultant impact on corporate viability. | Keep track of developments and report to Committee as required. | Aubrey Fawcett | Ongoing |
| | Increased cost for externally provided contracts and services due to the Living Wage. | There is a clear desire to ensure suppliers of Council Services pay the Living Wage. This could add significant costs to the Council if passed on by suppliers. | Monitor developments and report to Committee when required. | Corporate Management Team | Ongoing |
| | Potential changes to funding of Local Government | Scottish Government continues to cap Council Tax but may introduce local taxation flexibility. | Monitor National developments and report as required. | Alan Puckrin | Ongoing |
| | Further increase in Pension Costs | Potential changes to Pension Tax Relief would add costs to both to Council and employees. | Monitor development and report to Committee when required. | Steven McNab | Ongoing |
| | Brexit | In addition to the immediate impact of the UK leaving the EU and this may result in funding pressures in the medium term. | The CMT will monitor the situation and will present reports to Committee as required. | Scott Allan | Ongoing |

| Service | Issues Identified | Issues & Potential Impacts | Action to be Taken | Responsible Officer | Timescale to report |
|---|---|---|---|---|---|
| Social Care | Ongoing Demographic demand pressures across many Social Care areas and ongoing drive towards Self-Directed Support and Independent Living | Continuing increased demand will put considerable pressure on "flat cash" budgets. | Await detail of future settlements and model potential scenarios. | Louise Long/Alan Puckrin | December 2020 |
| | Impact of inclusion of elements of the Acute Health Services within the IJB Budget. | Potential for the Council to have to meet a proportion of any overspend caused by increasing pressure on Health Budgets. | Regular monitoring of the IJB Strategic Plan and financial projections added to supporting robust financial scrutiny by the IJB. | Louise Long | On Going |
| Education & Communities | School Estate Management Plan | Reduced Capital resources and corporate cost pressures may make current planned investment in SEMP post 2020 unsustainable. | Six monthly review of all aspects of SEMP to continue. Recent review reflects approved acceleration programme is still affordable in line with plan for completion | Ruth Binks/ Alan Puckrin | On Going |
| | Early Years – Increase to 1140 hours. | Current funding is not sufficient to meet all the requirements in the legislation. | Funding now known to 2022. Council Costs to be contained within this sum. | Ruth Binks | August 2020 |
| | Inverclyde Leisure – Reduction in Income | A major source of income for IL comes from its fitness gyms. Competitors are due to move into the area and this could lead to an increase in Council funding. | Monitor via regular meetings with IL and identify financial implications at an early stage. | Ruth Binks/Alan Puckrin | November 2020 |

## Long-Term Issues (Post 2023)

**Appendix 3**

| Service | Issues Identified | Issues & Potential Impacts | Action to be Taken | Responsible Officer | Timescale to report |
|---|---|---|---|---|---|
| Corporate | Depopulation and Change of Demographics | Continued loss of grant income, over provision of infrastructure. Viability of area under threat. | Population/Demographic trends to be monitored and reported to the Council and Alliance on a regular basis. | Steven McNab | Ongoing |
| Social Care | Increase in number of Elderly and Adults with Learning Difficulties and resource implications of policy direction of Independent Living and Self Directed Support. | Significant costs associated with reshaping, expanding delivery models. | Develop as part of HSCP Strategic Plan. | Louise Long | Ongoing |
| Environment & Regeneration | Regeneration of Greenock and Port Glasgow Town Centres. | Reports to Committee have identified significant investment needs within the Greenock and Port Glasgow Town Centre areas. Whilst contributions will be sought from Partners and the Private Sector the Council will require to provide a large amount of the funding. | Develop a funding model with clear outputs and funding sources. | Scott Allan | Ongoing |
| | Global Warming/Climate Change leading to rising sea levels | Significant impact on Council area with increased flooding and expenditure on sea defences. | 6 year SEPA Flood Plan includes funding for a number of Council projects approved in Summer 2016. | Scott Allan | Ongoing |
| | Closure of major local employer | Could further increase rate of depopulation and would significantly impact of areas regeneration efforts. | Work with all partners to identify areas of risk and mitigating actions. | Scott Allan/Stuart Jamieson | As required |

**November 2019 SEMP Funding Model Review**

Inverclyde council

**Jan 19 RPI**

**Appendix 4**

School Estate - Earmarked Reserves

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Earmarked Reserve b/fwd | 1,932 | 1,073 | 595 | 933 | 1,255 | 1,398 | 1,602 | 1,708 | 1,718 | 1,636 | 1,464 |
| Available Savings added (a) | 4,682 | 4,682 | 4,682 | 4,682 | 4,682 | 4,682 | 4,682 | 4,682 | 4,682 | 4,682 | 4,682 |
| Extra Financing (b) | 2,745 | 2,505 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 |
| Prudential Schools Loan Charges (c) | -4,639 | -4,608 | -4,623 | -4,639 | -4,698 | -4,757 | -4,855 | -4,951 | -5,043 | -5,133 | -5,256 |
| Unitary Charge Payment (d) | -8,742 | -8,742 | -8,742 | -8,742 | -8,742 | -8,742 | -8,742 | -8,742 | -8,742 | -8,742 | -8,742 |
| Unitary Charge Inflation Element (e) | -1,274 | -1,544 | -1,820 | -2,105 | -2,397 | -2,696 | -3,004 | -3,420 | -3,744 | -4,077 | -4,419 |
| Unitary Charge Funding from Inflation Contingency | 1,274 | 1,544 | 1,820 | 2,105 | 2,397 | 2,696 | 3,004 | 3,420 | 3,744 | 4,077 | 4,419 |
| One Off Costs (f) | -780 | -181 | 0 | 0 | -120 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extra Revenue Repairs (g) | -221 | -230 | -230 | -230 | -230 | -230 | -230 | -230 | -230 | -230 | -230 |
| Unitary Charge RSG | 6,096 | 6,096 | 6,096 | 6,096 | 6,096 | 6,096 | 6,096 | 6,096 | 6,096 | 6,096 | 6,096 |
| Written Back to / from General Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Earmarked Reserve c/fwd | 1,073 | 595 | 933 | 1,255 | 1,398 | 1,602 | 1,708 | 1,718 | 1,636 | 1,464 | 1,169 |

(a) Savings now completed.
(b) 650k increase from 2021/22 to fund acceleration of programme. £240k reduction proposed from 2020/21 due to Capital Fund contibution in lieu of receipts ceasing.
(c) Uses a pool fund rate of 3.55% for 19/20, 3.50% for 20/21 to 22/23, 3.55% for 23/24, 3.60% for 24/25, 3.70% for 25/26, 3.80% for 26/27. 3.90% for 27/28, 4.00% for 28/29, 4.15% 29/30, 4.25% 30/31, 4.25% 30/31 and 4.40% 31/32. No contingency. Reflects costs of acceleration of programme.
(d) Based on Actual Unitary Charge at Jan 2011 RPI of £8.842 million less £100k saving from 2018/19.
(e) Base at Jan 2019 RPI. Assumes 2.7% annual inflation (4% RPI discounted by factor of 1.5).
(f) £375k per year added for additional school buses up to Aug 20, £10k Hillend Costs moved from 19/20 to 20/21, £45k added 2020/21 for 3 additional months hire of Modular Buildings at Gourock PS. After 2023/24 all one-off costs cease.
(g) Extra revenue repairs budget set aside for School buildings life cycle works as per Property Services schedule.

Inverclyde council

Appendix 5

Finance Strategy
General Fund "Free" Reserves
December 2019

| | | £000 |
|---|---|---|
| Reserves Balance at 31st March 2019 | | 5,087 |
| Budgeted Contribution to Reserves: **Note 1** | | |
| 2018/19 Outturn Earmarked for 2019/22 | 12,115 | |
| 2019/20 | 0 | 12,115 |
| Planned Use of Reserves 2019/22 **Note 2** | | (12,735) |
| Projected Surplus (Deficit) 2019/20 **Note 3** | | 1,674 |
| Projected Free Reserves Balance 31st March 2020 | | 6,141 |

GRG/NDR/Council Tax is approximately £190 million. Recommended minimum level of reserves is 2% / £3.8 million.

Notes:

1/ 2019/20 figures reflect a balanced budget set at 2019/20 budget setting process.

2/ Represents decisions taken between February 2015 and September 2019 and based on latest phasings.

| Approved Use of Reserves | 2019/20 £000 | 2020/21 £000 | 2021/22 £'000 | Total £000 |
|---|---|---|---|---|
| February 2015 - £5.305m | (250) | 0 | 0 | (250) |
| February 2017 - £5.500m | (80) | (1,198) | (1,200) | (2,478) |
| December 2017 - Continuing Care | (134) | (200) | (160) | (494) |
| March 2018 - £8.858m | (1,662) | (1,554) | (1,508) | (4,724) |
| January 2019 | (169) | 0 | 0 | (169) |
| March 2019 - £4m | (2,787) | (158) | (1,055) | (4,000) |
| May 2019 - £0.12m | (120) | 0 | 0 | (120) |
| September 2019 - £0.5m | (500) | 0 | 0 | (500) |
| | (5,702) | (3,110) | (3,923) | (12,735) |

3/ Figure reflects projected surplus reported to Policy & Resources Committee September 2019:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | Total £000 |
|---|---|---|---|---|
| Projected Surplus (Nov 2019 P&R) | 1674 | 0 | 0 | 1,674 |
| Approved write back Earmarked Reserves | 0 | 0 | 0 | 0 |
| | 1,674 | 0 | 0 | 1,674 |

Inverclyde council

Appendix 6

# Finance Strategy
# Capital Fund

| | | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance B/fwd** | | (2,236) | (1,958) | (3,904) | (3,941) | (4,075) | (4,136) | (4,198) |
| Additions (Estimate) | a | 54 | (2,530) | 0 | (75) | 0 | 0 | 0 |
| Interest (Estimate) | | (16) | (16) | (37) | (59) | (61) | (62) | (63) |
| Principal Repayments | b | 240 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Payments | c | 0 | 600 | 0 | 0 | 0 | 0 | 0 |
| **Balance at Year End** | | **(1,958)** | **(3,904)** | **(3,941)** | **(4,075)** | **(4,136)** | **(4,198)** | **(4,261)** |

Notes

a Estimated Receipts:

2019/20 SEMP Receipts, £0.025, Kings Glen House plot.
SEMP Receipts, return of £1.1m, St Stephens, Kings Gen & Barmoss, due to site abnormals.
Other Receipts, £0.250m, Business Store
Recovery of Scottish Enterprise Clawback, £0.731m
Contribution from Affordable Housing Fund, Cumberland Walk, £0.040m

2020/21 SEMP Receipts, £1.285m remainder of Greenock Academy Site, £.0.525m, remainder of Sacred Heart Site
AMP Receipts, £0.050m, Glenbrae
Other Receipts, £0.670m, Golf Road, Bank St & McPherson Centre

2022/23 Other Receipts, £0.075m, Former Garvel Centre

b £240k SEMP from 2015/16 to 2019/20

c Other Payments:

2020/21 £0.6m payment to fund Capital Programme (approved March 2019)

Appendix 7

**Finance Strategy**
**Repairs & Renewals Fund**

| | | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance B/fwd** | | (3,256) | (3,259) | (3,229) | (3,171) | (2,407) | (2,410) | (2,306) |
| Additions: | | | | | | | | |
| Environmental Maintenance | | | | | | | | |
| Leisure Strategy | a | (134) | | | | | | |
| Central Energy Efficiency Fund | | (1) | (1) | (9) | (9) | (9) | (9) | (9) |
| Maintenance Payments: | | | | | | | | |
| Environmental Maintenance | | 36 | 36 | 71 | 36 | 41 | 36 | 36 |
| Leisure Strategy | b | | | 27 | 785 | | 115 | 210 |
| Former Housing Repairs & Renewals Fund | | 80 | | | | | | |
| Affordable Housing Fund | | 40 | | | | | | |
| Contribution to Energy Efficiency Administration | c | | 21 | | | | | |
| Interest | | | | | | | | |
| Environmental Maintenance | | (5) | (5) | (6) | (8) | (7) | (7) | (6) |
| Leisure Strategy | | (9) | (11) | (13) | (21) | (9) | (10) | (8) |
| Former Housing Repairs & Renewals Fund | | (8) | (9) | (11) | (17) | (17) | (18) | (18) |
| Affordable Housing Fund | | (1) | | 0 | 0 | 0 | (1) | (1) |
| Central Energy Efficiency Fund | | (1) | (1) | (1) | (2) | (2) | (2) | (2) |
| Balance: | | | | | | | | |
| Environmental Maintenance | d | (608) | (577) | (512) | (484) | (450) | (421) | (391) |
| Leisure Strategy | | (1,394) | (1,405) | (1,391) | (627) | (636) | (531) | (329) |
| Former Housing Repairs & Renewals Fund | | (1,119) | (1,128) | (1,139) | (1,156) | (1,173) | (1,191) | (1,209) |
| Affordable Housing Fund | | (29) | (29) | (29) | (29) | (29) | (30) | (31) |
| Central Energy Efficiency Fund | | (109) | (90) | (100) | (111) | (122) | (133) | (144) |
| **Balance at Year End** | | **(3,259)** | **(3,229)** | **(3,171)** | **(2,407)** | **(2,410)** | **(2,306)** | **(2,104)** |

Appendix 7

**Finance Strategy**
**Repairs & Renewals Fund**

Notes

a Future contribution to Leisure Strategy subject to confirmation of available funds.

b Leisure Strategy commitments:

| | |
|---|---|
| 2017-25 | Pitches/MUGA's Lifecycle costs in excess of recurring £120k Leisure Strategy AMP budget. |

c Central Energy Efficiency Fund commitments:

| | |
|---|---|
| 2020/21 | £17k LED Lighting, Inglseton MRF |
| 2020/21 | £4k LED Lighting, GMB Carraigeway |

d Environmental Maintenance is a combined fund used for ongoing maintenance of Greenock Cut, Gallaghers (Port Glasgow) Development and Inverkip Footbridge.

Appendix 8a

# Finance Strategy
## Asset Management Plan - Offices

| **Earmarked Reserve Offices** | **2019/20 £000's** |
|---|---|
| Earmarked Reserve b/fwd | 197 |
| Additional Funding (Note d) | 305 |
| Available Savings/(Cost) Added (Note a) | 302 |
| Loan Charges (Note b) | (599) |
| Further One Off Costs (Note c) | (180) |
| Net Saving/(cost) for year | (172) |
| Earmarked Reserve c/fwd | 25 |

Notes

a Net Revenue Savings & Costs Excluding Loan Charges

b Assumes interest rate matches pool rate.

c Further One Off costs relate to the temporary appointment of an Asset Manager to 2017, costs for various decants, demolitions and rental of storage area as well as an allowance for dilapidations of leased properties, a £300k contribution towards William St refurb, a £203k contribution to the refurbishment of the District Court and a £130k contribution to the GMB Finance corridor works.
£50k of the one off costs in 19/20 relates to uncommitted dilapidations budgets and may not be required.

d Additional funding consists of original funding allocation of £1m adjusted for:
- £200k Workstream Saving from 2011/12
- £30k Topslice saving from 2012/13
- £60k Workstream Saving from 2013/14
- £100k Workstream Saving from 2014/15
- £45k BPRA scheme saving from 2015/16
- £65k Revenue saving from 2015/16
- £125k further Revenue saving from 2016/17
- £34k balance of BPRA scheme added to Reserve 2017/18
- £70k Revenue saving agreed Nov 2018 from 2019/20

e All Office refurbishments are now complete, ongoing net saving of £3k will be returned to the Revenue Contingency. The remaining £25k Earmarked Reserve along with any of the remaining Dilapidations budget that is not required will be used to help offset the deficit in the capital programme.

Appendix 8b

## Finance Strategy
## Asset Management Plan - Depots

| **Earmarked Reserve Depots** | **2019/20 £000's** | **2020/21 £000's** |
|---|---|---|
| Earmarked Reserve b/fwd | 377 | 326 |
| Additional Funding (Note d) | 800 | 600 |
| Available Savings/(Cost) Added (Note a) | 54 | 54 |
| Loan Charges (Note b) | (575) | (609) |
| Further One Off Costs (Note c) | (330) | (25) |
| Net Saving/(cost) for year | (51) | 20 |
| Earmarked Reserve c/fwd | 326 | 346 |

Notes

a Net Revenue Savings & Costs Excluding Loan Charges

b Assumes interest rate matches pool rate.
Review of repayment periods and interest rates within Loan Charges has resulted in a reduction in loan charges of approxuimately £200k per annum from 2019/20 onwards.

c Further One Off costs relate to the temporary appointment of an Asset Manager to 2017 and cost of decants etc as well as a £250k allowance for demolitions of obsolete Depots and £30k additional Health & Safety works at Pottery St.

d Additional funding made up of:

| | | |
|---|---|---|
| Contribution from Zero Waste Fund | £200k | From 2010/11 |
| Contribution from Revenue Budget | £300k | From 2012/13, original £500k allocation reduced by £200k Workstream Saving |
| Reduction in funding | £(100)k | from 2016/17 & as a result of reduction in capital spend of £1.5m |
| Additional Contribution from Revenue Budget | £400k | From 2017/18, diversion of Riverside Inverclyde budget. |
| Loan Charges Saving | £(200)k | From 2020/21 based on lower interest rates. |

Inverclyde council

**Finance Strategy**
**Vehicle Replacement Programme**

**Appendix 9**

| **Earmarked Reserve** | **2019/20** £000's | **2020/21** £000's | **2021/22** £000's | **2022/23** £000's | **2023/24** £000's | **2024/25** £000's | **2025/26** £000's |
|---|---|---|---|---|---|---|---|
| Capital Requirements: | | | | | | | |
| Vehicle Purchases | 1,301 | 2,421 | 680 | 477 | 1,075 | 1,579 | 3,056 |
| Grant Funding | (33) | 0 | (19) | 0 | 0 | 0 | 0 |
| Residual Value | (454) | (543) | (148) | (95) | (296) | (443) | (723) |
| Net Capital Requirement | 814 | 1,878 | 513 | 382 | 779 | 1,136 | 2,333 |
| | | | | | | | |
| Earmarked Reserve b/fwd | 193 | 157 | 236 | 292 | 303 | 343 | 289 |
| | | | | | | | |
| Loan Charges | (1,067) | (1,043) | (1,066) | (1,111) | (1,082) | (1,176) | (1,221) |
| Additional Revenue Costs, Tracking System | (28) | (28) | (28) | (28) | (28) | (28) | (28) |
| | (1,095) | (1,071) | (1,094) | (1,139) | (1,110) | (1,204) | (1,249) |
| | | | | | | | |
| Funding Available | | | | | | | |
| Loan Charges | 1,059 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 |
| Other Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funding Available | 1,059 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 |
| | | | | | | | |
| Annual Funding Surplus/(Shortfall) | (36) | 79 | 56 | 11 | 40 | (54) | (99) |
| | | | | | | | |
| Earmarked Reserve c/fwd | 157 | 236 | 292 | 303 | 343 | 289 | 190 |

It should be noted that the model:

a Assumes continuation of Food Waste collection and includes replacement of Food Waste Vehicles, 2018/19.

b Includes Low Carbon Vehicles, 2016/17 funded from a combination of Government grant and reductions in Service Revenue budgets.
In 2018/19 & 2019/20 a further 28 vehicles will be replaced with Low Carbon Vehicles, funded from Government grant and existing replacement budget.

Inverclyde council

**Appendix 10**

**Finance Strategy**
**Roads Asset Management Plan**

| | | 2012/18 Actual £000's | 2018/19 Actual £000's | 2019/20 Approved £000's | 2020/21 Approved £000's | 2021/22 Approved £000's | 2022/23 Approved £000's | 2013/18 5 Year £000's | 2018/23 5 Year £000's | 2013/23 10 Year £000's |
|---|---|---|---|---|---|---|---|---|---|---|
| Funding Available | | | | | | | | | | |
| Core/Supported Borrowing | a | 6,700 | 2,683 | 2,819 | 2,959 | 3,000 | 3,000 | 6,700 | 14,461 | 21,161 |
| Prudential Borrowing | | 13,400 | | | | | | 13,400 | | 13,400 |
| CFCR: | | | | | | | | | | |
| Early Allocation (Feb 2012) | b | 3,000 | | | | | | 3,000 | | 3,000 |
| Further Allocation (Feb 2013) | c | 5,900 | | | | | | 5,900 | | 5,900 |
| Further Allocation (March 2018) | d | | | 620 | | | | | 620 | 620 |
| Total Funding Available | | 29,000 | 2,683 | 3,439 | 2,959 | 3,000 | 3,000 | 29,000 | 15,081 | 44,081 |
| Allocation of Expenditure | | | | | | | | | | |
| Carraigeways | | 17,095 | 1,723 | 1,459 | 1,759 | 1,554 | 1,558 | 17,095 | 8,053 | 25,148 |
| Footways | | 3,189 | 421 | 237 | 326 | 330 | 329 | 3,189 | 1,643 | 4,832 |
| Lighting | | 3,483 | 1,203 | 670 | 411 | 416 | 415 | 3,483 | 3,115 | 6,598 |
| Drainage | | 325 | 166 | 125 | 260 | 203 | 202 | 325 | 956 | 1,281 |
| Structures | | 1,020 | 105 | 407 | 675 | 176 | 175 | 1,020 | 1,538 | 2,558 |
| Fees & Staffing Costs | e | 1,977 | 399 | 325 | 321 | 321 | 321 | 1,977 | 1,687 | 3,664 |
| Total Allocation of Expenditure | | 27,089 | 4,017 | 3,223 | 3,752 | 3,000 | 3,000 | 27,089 | 16,992 | 44,081 |
| Over/(Under) Allocation | | (1,911) | 1,334 | (216) | 793 | 0 | 0 | (1,911) | 1,911 | 0 |

Notes

a 2019/23 funding approved March 2019.
b Funds were set aside during February 2012 budget process prior to the formal approval of the RAMP model.
c CFCR part funded from underspends due to reduced requirement for Loan Charges in early years.
d Additional CFCR allocation to fund final phase of lighting programme.
e Staffing requirements from 2019/20 onwards confirmed and built into core roads establishment as part of the budget process, Capital/RAMP Fees have been increased accordingly.

Inverclyde council

**Appendix 11**

## City Deal - First 10 Years

| **Capital** | £m 15/18 | £m 18/19 | £m 19/20 | £m 20/21 | £m 21/22 | £m 22/23 | £m 23/24 | £m 24/25 | £m Total |
|---|---|---|---|---|---|---|---|---|---|
| Overall Grant | 90 | 30 | 30 | 30 | 30 | 70 | 60 | 60 | 400 |
| Regional Projects | 1.944 | 0.46 | 0.7 | 18.8 | 30 | 34 | 45 | 33 | 163.904 |
| Grant Available | 88.056 | 29.54 | 29.3 | 11.2 | 0 | 36 | 15 | 27 | 236.096 |
| **Inverclyde's Grant Share** | **2.554** | **0.857** | **0.850** | **0.325** | **0.000** | **1.044** | **0.435** | **0.783** | **6.847** |
| Project Spend | | | | | | | | | |
| Ocean Terminal | 0.254 | 0.239 | 5.378 | 3.500 | 0.358 | 0 | 0 | 0 | 9.729 |
| Inverkip | 0.008 | 0.000 | 0.300 | 2.942 | 0 | 0 | 0 | 0 | 3.250 |
| Inchgreen | 0 | 0.001 | 0.150 | 0 | 4.713 | 4.563 | 0 | 0 | 9.427 |
| Borrowing | 0 | 0 | 0 | 0 | 0 | (1.320) | 0 | 0 | (1.320) |
| **Grant Eligible Costs** | **0.262** | **0.240** | **5.828** | **6.442** | **5.071** | **3.243** | **0** | **0** | **21.086** |
| Annual Grant (Shortfall)/Surplus | 2.292 | 0.617 | -4.978 | -6.117 | -5.071 | -2.199 | 0.435 | 0.783 | -14.239 |
| Cumulative (Shortfall)/Surplus | 2.292 | 2.908 | -2.070 | -8.187 | -13.258 | -15.457 | -15.022 | -14.239 | |

| **Revenue** | £m 15/18 | £m 18/19 | £m 19/20 | £m 20/21 | £m 21/22 | £m 22/23 | £m 23/24 | £m 24/25 |
|---|---|---|---|---|---|---|---|---|
| Revenue Budget | 331 | 400 | 400 | 400 | 360 | 320 | 320 | 320 |
| PMO Central Team Costs | 0 | (74) | (60) | (60) | (62) | (64) | (66) | (68) |
| Interest Charge | 0 | 0 | (9) | (77) | (161) | (288) | (308) | (300) |
| Loans Charges (Inchgreen) | 0 | 0 | 0 | 0 | 0 | (26) | (81) | (81) |
| **Balance at Year End** | **331** | **657** | **988** | **1,251** | **1,388** | **1,330** | **1,195** | **1,066** |

Notes

1/ The project spend profiles reflect the FBC figures for Greenock Ocean Terminal, OBC for Inverkip and initial project allowance for Inchgreen. Costs will be firmed up as part of the detailed Business Case preparation. Figures exclude partner contributions. Phasings per October FSG.

2/ The Council will require to finance the interest costs associated with the grant shortfall and has set aside up to £400,000 per year for this purpose of which £60,000 is currently set aside for the Programme Management Office. A saving approved by the Sept P&R Committee reduced the £400k budget by £80k from 2022/23 on the assumption that loans charges will be met from the earmarked reserve balance

3/ Assumes that the City Deal will pass the first 2 milestones (2019 & 2024) and as such the UK and Scottish Government will honour their grant commitments.

4/ Regional projects have first call on the grant and total £174.3million. Phasing of these for 2020/21 and beyond is indicative at this stage.

5/ The Interest Charge is based on the investment return foregone by the Council on the assumption the capital investment will be funded from cash balances and fully repaid by 2035. Interest rates used , 19/20(0.85%), 20/22(1.5%) and 22/23 onwards (2.0%)

Appendix 12

**Finance Strategy**
**Loan Charges**

| | | 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 | 2030/31 £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance B/fwd** | | 6,086 | 5,399 | 2,487 | 1,982 | 1,516 | 1,408 | 1,647 | 1,880 | 2,112 | 2,443 | 2,724 | 3,269 |
| Projected Loan Charges | a | 13,762 | 14,257 | 10,900 | 10,561 | 10,303 | 10,056 | 10,162 | 10,263 | 10,264 | 10,414 | 10,250 | 10,117 |
| Available Budget | b | 11,675 | 11,345 | 10,395 | 10,095 | 10,195 | 10,295 | 10,395 | 10,495 | 10,595 | 10,695 | 10,795 | 10,895 |
| Loan Charge Surplus/(Deficit) | | (2,087) | (2,912) | (505) | (466) | (108) | 239 | 233 | 232 | 331 | 281 | 545 | 778 |
| Additional Funding: One-Off Prior Year Adjustment | c | 1,400 | | | | | | | | | | | |
| **Balance at Year End** | | **5,399** | **2,487** | **1,982** | **1,516** | **1,408** | **1,647** | **1,880** | **2,112** | **2,443** | **2,724** | **3,269** | **4,047** |
| Interest Rate (Assumed): | | 3.55% | 3.50% | 3.50% | 3.50% | 3.55% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | 4.15% | 4.25% |

Notes

Revised projections as at November 2019 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).

a £360k annual cost increase from 2021/22 for new LD Centre.
£100k annual cost increase from 2023/24 to reflect increased prudential borrowing of £1,400k.

b Adjustments to Available Budget:
For 2019/20
£30k removed for ICT saving agreed February 2015 (additional sum removed each year until last year 2020/21).
Budget from 2018/19 onwards reduced by £300k annually to 2022/23 to reflect reduction in Scottish Government grant support resulting from repayment of historic debt.
£30k removed from ongoing budget for saving due to debt restructuring undertaken in February 2019.
Budget from 2019/20 onwards reduced by £70k due to use of reserves for premiums write-off in 2018/19.
£30k removed from ongoing budget for loan charges saving by using reserves to balance 2019/23 Capital Programme (agreed March 2019).
£400k removed from ongoing budget from 2019/20 following the Loan Charges review in 2019.
For 2021/22
£650k removed from ongoing budget and transferred to SEMP relating to SEMP acceleration, as agreed in March 2016.
For 2023/24
Budget from 2023/24 onwards increased by £100k annually for annual Prudential Borrowing.

c This is a one-off prior year adjustment for charges made in previous years and follows the Loan Charges review in 2019.

Finance Services
November 2019.