Inverclyde council
Municipal Buildings, Greenock PA15 1LY

Ref: SL

Date: 16 September 2020

A meeting of the Inverclyde Council will be held on Thursday 24 September 2020 at 4pm within the Municipal Buildings, Greenock.

This meeting is by remote online access only through the videoconferencing facilities which are available to Members and relevant Officers. The joining details will be sent to Members and Officers prior to the meeting.

In the event of connectivity issues, Members are asked to use the *join by phone* number in the Webex invitation.

Please note that this meeting will be recorded.

GERARD MALONE
Head of Legal and Property Services

BUSINESS

****Copy to follow**

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1.	**Apologies and Declarations of Interest**		
NEW BUSINESS			
2.	**Minutes of Meetings of The Inverclyde Council, Committees, Sub-Committees and Boards**		
	Inverclyde Council	(pp 43 – 48)	
	Audit Committee	(pp 49 – 50)	
	Health & Social Care Committee	(pp 51 – 55)	
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	Environment & Regeneration Committee	(pp 65 – 71)	
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3.	**20mph Speed Limits in Inverclyde – Notice of Motion by Councillor Curley** Report by Corporate Director Environment, Regeneration & Resources	**p**
4.	**SNP Group – Proposed Membership Changes to Outside Body** Report by Head of Legal & Property Services	**p**
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REMITS FROM COMMITTEES		
7.	**Capital Strategy 2020/30 and Treasury Management Strategy Statement and Annual Investment Strategy 2020/21 – 2023/24 – Remit from Policy & Resources Committee** Report by Corporate Director Environment, Regeneration & Resources	
8.	**Treasury Management – Annual Report 2019/20 – Remit from Policy & Resources Committee** Report by Corporate Director Environment, Regeneration & Resources	
9.	**Proposed Redetermination Order – The Inverclyde Council, Campsie Road, Port Glasgow (Redetermination of Means of Exercise of Public Right of Passage) Order 2020 – Remit from Environment & Regeneration Committee** Report by Corporate Director Environment, Regeneration & Resources	
The documentation relative to the following items has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information in respect of item 10 being that set out in paragraph 1 of Part I of Schedule 7A of the Act and the nature of the exempt information in relation to item 11 being as detailed in the minute of the relevant Committee, Sub-Committee or Board.		
NEW BUSINESS		
10.	**Joint Collaboration – Inverclyde and West Dunbartonshire Council** Report by Corporate Director Education, Communities & Organisational Development on discussions which have taken place between senior officers of Inverclyde and West Dunbartonshire Councils regarding collaboration opportunities around a particular role.	**p**

11.	**Business in the Appendix**	

Please note that because of the current COVID-19 (Coronavirus) emergency, this meeting will not be open to members of the public.

The reports are available publicly on the Council's website and the minute of the meeting will be submitted to the next standing meeting of the Inverclyde Council. The agenda for the meeting of the Inverclyde Council will be available publicly on the Council's website.

In terms of Section 50A(3A) of the Local Government (Scotland) Act 1973, as introduced by Schedule 6, Paragraph 13 of the Coronavirus (Scotland) Act 2020, it is necessary to exclude the public from the meetings of the Council on public health grounds. The Council considers that, if members of the public were to be present, this would create a real or substantial risk to public health, specifically relating to infection or contamination by Coronavirus.

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

Inverclyde council

AGENDA ITEM NO: 3

Report To:	**Inverclyde Council**	**Date:**	**24 September 2020**
Report By:	**Corporate Director Environment, Regeneration & Resources**	**Report No:**	**SL/LP/106/20**
Contact Officer:	**Sharon Lang**	**Contact No:**	**01475 712112**
Subject:	**20mph Speed Limits in Inverclyde – Notice of Motion by Councillor Curley**		

1.0 PURPOSE

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

1.2 "Inverclyde Council notes that:

i) The reduction in traffic speed contributes to a significant reduction in the likelihood of accidents and the injuries caused by accidents.

ii) That traffic speed acts as an inhibiter to active travel in urban settings.

Accordingly, the Council resolves in principle that 20mph speed limit should be the default speed limit within housing areas of Inverclyde and remits officers to bring forward a report to the appropriate committee outlining the options for implementing such 20mph speed limits in Inverclyde".

2.0 RECOMMENDATION

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

Gerard Malone
Head of Legal & Property Services

Inverclyde council

AGENDA ITEM NO: 4

Report To:	**Inverclyde Council**	**Date:**	**24 September 2020**
Report By:	**Head of Legal & Property Services**	**Report No:**	**GM/LP/100/20**
Contact Officer:	**Gerard Malone**	**Contact No:**	**01475 712710**
Subject:	**SNP Group – Proposed Membership Changes**		

1.0 PURPOSE

1.1 The purpose of this report is to ask the Council: (a) to note the appointment of Councillor Robertson as SNP Group Leader from 5 August 2020; and (b) to consider a number of changes proposed by the SNP Group to membership of Committees, Outside Bodies, the Women's Forum and one of the Member Champions. These are as follows.

<u>Committees</u>

Policy & Resources Committee
Councillors C McEleny and MacLeod to be replaced by Councillors Curley and Crowther.

Policy & Resources Executive Sub-Committee
Councillor C McEleny to be replaced by Councillor Curley.

Licensing Board
Councillor Robertson to be replaced by Councillor Curley.

<u>Outside Bodies</u>

Inverclyde Alcohol and Drugs Partnership
Councillor Crowther to be replaced by Councillor MacLeod.

Renfrewshire Educational Trust – Trustees
Councillor Robertson to be replaced by Councillor Curley.

Fair Trade Steering Group
Councillor Nelson to stand down from this group (resultant vacancy).

<u>Working Groups</u>

Women's Forum
Councillor C McEleny to stand down from this forum (resultant vacancy).

<u>Member Champions</u>

Healthy Lifestyles Champion
Councillor Robertson to be replaced by Councillor Curley.

1.2 **Leader of Minority Groups**

Councillor Robertson was appointed SNP Group Leader as from 5 August 2020 and, as Leader of the largest non-Administration political party, is the Leader of the Minority Groups from that date.

1.3 **CoSLA**

It was agreed by Inverclyde Council at its meeting on 6 December 2007 that the Council's representation on the Convention of Scottish Local Authorities be the Council Leader, Council Depute Leader and Leader of the largest opposition group and CoSLA has been informed of the change in representation following Councillor Robertson's appointment as SNP Group Leader.

1.4 In relation to Committee and Outside Body appointments, the proposed changes outlined above are nominating party group replacements and fulfil the requirements in respect of political balance. The SNP Group has not nominated replacements for Councillor Nelson on the Fair Trade Steering Group or Councillor C McEleny on the Women's Forum and therefore vacancies exist on both these bodies.

1.5 In relation to the appointment of Member Champions, there is no political balance requirement and the Council can determine its appointment of the Healthy Lifestyles Champion.

2.0 RECOMMENDATION

2.1 That the Council notes the appointment of Councillor Elizabeth Robertson as SNP Group Leader from 5 August 2020;

2.2 That the Council considers the proposed changes to SNP Group representation as set out above;

2.3 That the Council fills the vacancy on the Fair Trade Steering Group following the resignation of Councillors Nelson, having regard to the political balance of the Council;

2.4 That the Council fills the vacancy on the Women's Forum following the resignation of Councillor C McEleny: and

2.5 That the Council decides on the appointment of the Healthy Lifestyles Champion.

Gerard Malone
Head of Legal & Property Services

Inverclyde council

AGENDA ITEM NO: 5

Report To:	**Inverclyde Council**	**Date:**	**24 September 2020**
Report By:	**Head of Legal & Property Services**	**Report No:**	**GM/LP/103/20**
Contact Officer:	**Gerard Malone**	**Contact No:**	**01475 712710**
Subject:	**Online Remote Council and Committee Meetings**		

1.0 PURPOSE

1.1 This report updates the Council on the remote online operation of the September 2020 cycle of meetings and recommends continuation of this until the implementation of Phase 4 of the Scottish Government Route Map – Through The Crisis.

2.0 SUMMARY

2.1 It was the decision of the Policy & Resources Executive Sub-Committee at its meeting on 2 June 2020 to approve all meetings of the Council, Committees, Sub-Committees and Board being held on a remote online only basis for one cycle ending with the meeting of the Council on 24 September 2020. It was requested that a report be submitted to this Council meeting, in consultation with Members, with views on the operation of the online meetings in the September 2020 cycle. This report recommends the continuation of remote online access until Phase 4, in the light of Members' experiences and in respect of the continuing impact of the COVID-19 public health emergency and in compliance with the Scottish Government's Route Map – Through The Crisis.

2.2 The operation of the September 2020 cycle has been positive. It is not possible with regard to the Scottish Government's guidance to recommence public meetings, as yet. In view of the effectiveness and general satisfaction with remote online access, it is recommended that the current arrangements be continued to the implementation of Phase 4. A protocol for remote meetings has been developed in consultation with Elected Members and Officers and its approval is requested.

3.0 RECOMMENDATION

It is recommended that:

3.1 the Council considers the terms of this report;

3.2 approval be given to all meetings of the Council, Committees, Sub-Committees and Boards being held on a remote online only basis until the implementation of Phase 4 of the Scottish Government Route Map – Through The Crisis, subject to the Council's review at that time; and

3.3 the Protocol for remote online meetings be approved.

Gerard Malone
Head of Legal & Property Services

4.0 BACKGROUND

4.1 This report reviews the administrative arrangements for committee meetings for the annual cycle of Council, Committee, Sub-Committee and Board meetings to June 2021 in the light of the COVID-19 emergency arrangements and the Scottish Government Route Map – Through The Crisis.

4.2 The Policy & Resources Committee at its meeting on 24 March 2020 authorised the suspension of all Council, Committee and Sub-Committee meetings for the duration of the emergency and delegated full powers of all Committees to the Executive Sub-Committee which met in the period from April to July as an emergency business Committee.

4.3 At the 2 June 2020 meeting of the Executive Sub-Committee, approval was given to the dates set out in the administrative arrangements for the Council's committee cycle 2020/21 and Members and officers are working to that agreed timetable for meetings.

4.4 At the 2 June 2020 meeting, approval was given to all meetings of the Council, Committees, Sub-Committees and Board being held on a remote online basis for one cycle ending with today's meeting of the Council on 24 September. A report has been requested to this meeting to review the operation of the remote online meeting arrangements with Members' views. This report sets out proposals for the convening of future meetings in the light of the COVID-19 public health emergency and the Scottish Government's Route Map – Through The Crisis.

4.5 A draft Protocol for remote online meeting arrangements has been the subject of Member and officer consultation. A finalised draft, which seeks to take into account the comments made, is attached as **Appendix 1.**

5.0 RESUMPTION OF COUNCIL COMMITTEE CYCLE ON REMOTE ONLINE BASIS

5.1 Following the decision of the Executive Sub-Committee, the Council has resumed its usual cycle of Committee meetings. The September 2020 cycle has been on a remote online basis only and the experience thus far for Members and officers has been positive.

5.2 As requested by the Executive Sub-Committee, the views of Members were sought as a consultation. From the responses received, it is evident that Council business has been considered, debated and scrutinised effectively during this cycle. It is evident from experience to date that the terms and form of Member and officer engagement in discussing and reviewing items during online meetings have been relevant and effective. There have been no fundamental issues in respect of participation or communication identified. On occasions, there are temporary connectivity problems that have been experienced for brief occasions from time to time but none such as to adversely or materially affect the participation of Members nor impede the efficient progress of Council business.

5.3 Training has been made available to all Members and also to Conveners. If there are any further training needs identified, officers will ensure this is implemented for any Member or Members, as wished.

5.4 From the experiences over the September 2020 cycle, it is fair to observe that the video conferencing platform meets all of the requirements of the Council for purposes of its administrative and governance arrangements.

5.5 It is fully accepted that Elected Member confidence is necessary in all aspects of remote online meetings. The experience over the September 2020 cycle, it is suggested, justifies the Council in continuing this practice until implementation of Phase 4, subject to a review at that time.

5.6 In this regard, the Scottish Government's guidance in terms of public gatherings and meetings is critical. The guidance provided by the Scottish Government's Route Map – Through The Crisis indicates that public access to meetings may only be reinstated during the course of

Phase 4. At present, members of the public are excluded from all Council meetings on public health grounds. This is indeed a key and salient issue and is relevant, also, to the attendance of any person, Member, officer or member of the public at a meeting. It is especially important to note that the remote online access allows for effective and efficient governance arrangements as a reasonable and suitable alternative to physical meetings.

5.7 The general principles of the public health restrictions to avoid or minimise physical contact at gatherings are crucial for purposes of fairness and inclusivity for all Elected Members as some are within groups in the community that cannot attend meetings because of health issues. A number of our Members in terms of risk assessments should not be expected to attend meetings and, in compliance with the current advice, should be alert to the risks of attending formal meetings within the Chambers and in recognition of fairness and inclusivity for all Members it is requested that online participation at Committees be approved until implementation of Phase 4.

6.0 PUBLIC ACCESS TO COMMITTEE MEETINGS

6.1 Public access to Committee meetings has been restricted by the terms of the Coronavirus Act 2020. The current position is contained in Schedule 6 of the Act, in terms of which the public are excluded from Council and Committee meetings on health grounds. The provisions of the Act expire on 30 September 2020. However, the Act allows for the Scottish Ministers to make regulations to extend the expiry to 31 March 2021 and again to 30 September 2021, but these regulations can only be made after 30 September 2020. Relevant updates on any legislative alterations will, of course, be given to the Council.

6.2 With any decision by the Council to continue with remote online meetings until implementation of Phase 4, it will be possible to develop and improve public access to the meetings that are set out in the Council's administrative arrangements.

6.3 In order to ensure there is transparency of decision-making and provide the community with an opportunity to engage with the business of the Council, all online meetings are being recorded and will be made available through the Inverclyde Council website for purposes of public record for all relevant items and business. Additionally, for purposes of public interest relative to the Planning Board and Local Review Body, where applicants have no right or entitlement to make representations, it is proposed that officers investigate and implement as soon as possible means to live webcast at these meetings and, pending this, all meetings will also be recorded and made available through the Council's website.

6.4 At present, for purposes of transparency and public engagement, press representation at any scheduled meetings has been offered and this has been made available online to local and national press representatives.

6.5 Arrangements have been put in place for the quasi-judicial tribunals and there has been effective use of the secure Council facilities within the Municipal Buildings, Greenock so that applicants or members of the public who are entitled to be heard have available suitable facilities for purposes of participating at these meetings. Formal hearings have taken place in these terms and the use of the online platform and accessibility from external parties and from external users within the Municipal Buildings, Greenock have been successful. In this way, these meetings have been arranged to ensure there is a fairness of access by electronic means to all applicants so that no party is disadvantaged either in putting their case or in putting forward a representation (whether of support or objection) to any relevant item. The quasi-judicial tribunals of the Council have recommenced as from September 2020. These meetings have been conducted online and are in compliance with the various legislative responses to the COVID emergency. The quasi-judicial function of relevant Boards and the means to ensure fairness and compliance can be testing in practice and these important elements of Council and Licensing Board activities continue to receive considerable officer attention.

7.0 PROTOCOL

7.1 Following the 2 June 2020 Executive Sub-Committee meeting, a Protocol for remote meetings has been drafted and has been circulated to Members and officers (**Appendix 1**).

7.2 The updated draft Protocol has incorporated, as far as possible, the representations which have been made. There are two significant alterations that are contained within the draft in **Appendix 1**

- the original consultative draft suggested that if two Members accidentally lost connectivity on a non-judicial item then an adjournment of up to 30 minutes would be implemented. In the light of experience to date, very temporary interruptions can occur without significant detriment to the conduct of normal business. It is proposed in the final draft that the Conveners have the discretion to deal with such temporary gaps in connectivity and that a formal adjournment, or prescribed time for such, is not needed.
- From the practical experience of the meetings to date, it would be helpful for Members and Officers to intimate through the chat function or verbally, if participating by phone access, prior to leaving the meeting either temporarily or permanently. Members and Officers are asked, similarly, to intimate any return to the meeting.

7.3 In general, the level of engagement and the Members' use of the video conferencing platform has been positive. The arrangements suggested within the Protocol, e.g. using the chat function to indicate questions and comments have been well-observed and used by all Members and there is an overall general satisfaction and acceptance of the arrangements which are set out in the Protocol.

8.0 IMPLICATIONS

8.1 Finance

There are no financial implications.

<u>Financial Implications:</u>

One off Costs

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

Annually Recurring Costs/ (Savings)

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

8.2 Legal

The legal issues are contained within this report.

8.3 Human Resources

There are no HR implications related to this proposal.

8.4 Equalities

<u>Equalities</u>

(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

8.5 **Repopulation**

There are no direct repopulation issues within this report.

9.0 CONSULTATIONS

9.1 There have been consultations with the CMT and with the Interim Head of Service – COVID Response.

10.0 BACKGROUND PAPERS

10.1 None.

APPENDIX

REMOTE MEETINGS PROCEDURE AND PROTOCOL FOR COMMITTEES

This protocol and procedure rules provide guidance for the conduct of any remote online meeting of the Council and its various Committees and Sub-Committees and Boards.

This protocol and procedure should be read in conjunction with the Council's Standing Orders and Scheme of Administration.

1. Advance Questions

All Members are encouraged to support the meeting arrangements by asking questions of clarification or detail in advance of the meeting. This may assist Members on points of clarification before the meeting and will allow Members to focus on the key issues and items for decision at the online meeting. Questions can still of course be asked at the meeting.

2. Meeting Management

a. All Members have been provided with the Webex meeting guide for attendees and have been invited to participate in Webex training. Any training requests will be supported by officers.

b. At their discretion, Members can choose a neutral background for the meeting but Members should note that this may affect their connectivity.

c. To support the videoconferencing meeting, the Committee Officer's role will be to issue Webex invites, to host the meeting, to manage declarations of interest by moving Members to the lobby and re-admitting them to the meeting at the appropriate time and expelling the public and press from the meeting at the appropriate juncture.

d. The Convener will, at the beginning of the meeting, briefly recap the protocol for participation in the meeting. A roll call of Members will then be taken by the Committee Officer and declarations of interest will be requested. If a Member joins the meeting after the roll call, he/she is requested to use the chat function to notify everyone.

e. The normal quorum requirements for meetings as set out in the Council's Standing Orders and Scheme of Administration shall apply to remote meetings.

f. Members should not leave the meeting during any item of business. If Members do leave, they should not take part in the decision on any item of business they are not present for. If the item of business is of a quasi-judicial nature, the Member must be present throughout its consideration and, if not present continuously for that item, the Member cannot participate in the decision-making on that item. Failure of the remote meeting connection is dealt with later in this note.

g. It assists meeting management for Members to be logged in to all meetings as “Cllr” NAME.

3. Meeting Procedure

Members should follow the meeting procedure below. This procedure also applies to the outside representatives on the Education & Communities Committee.

- The Committee Officer will open the meeting 15 minutes prior to its commencement and Members are asked to co-operate by joining the meeting as early as possible prior to the stated commencement time.
- All Members should ensure their automatic Webex identifier clearly states their name.
- Members must not allow exempt or confidential papers to be seen in the video feed.
- All Members on video should have their microphones muted when not talking.
- Any Members participating by phone should, if possible, mute their telephone microphone when not speaking.
- Members should use the chat facility “to everyone” to indicate to the Convener that they wish to speak. This can be facilitated by sending a message to all participants. The chat facility “to everyone” is part of the public record.
- Members should unmute their microphone when the Convener invites them to speak.
- Only one person may speak at any one time.
- If a Member requires to leave the remote meeting temporarily for any reason other than connection failure, the Member must send a message through the chat to everyone facility to ensure their temporary absence can be noted and the Member must send a similar message when returning to the meeting to ensure this is recorded in the minute.
- The chat record is the official record of attendance.
- Any Member participating by phone who requires to leave the remote meeting temporarily must state this when departing from and rejoining the meeting.
- If a Member requires to leave the remote meeting early, the Member must send a message through the chat to everyone facility to ensure this is recorded in the minute.
- Any Member participating by phone who requires to leave the remote meeting early must state this when departing from the meeting.
- Any Officer who leaves the meeting must advise the Committee of their departure by using the chat to everyone facility.

4. Debate and Voting

a. The Convener will introduce each item on the agenda and manage the business on the agenda.

b. Normal Council and Committee procedures will be followed in terms of questions, discussions**,** motions, amendments etc. As stated above, Members on video feed must use the chat facility on Webex to indicate to the Convener that they wish to speak. The Convener will regularly monitor the chat function to ensure that Members are engaged. The chat function will not be available to Members who have joined the meeting by phone. The Convener will therefore ask those Members individually at each item if they wish to speak. Members who wish privacy for any reason can choose to disable temporarily, or for the whole duration of the meeting, their own video function but in this situation the chat function remains available to them for their participation in the progress of the meeting. If Members disable their video function temporarily to retrieve papers or to relocate their seating/access location this will not constitute leaving the meeting unless they are not able to hear meeting progress or participate in the meeting in which case they should instead notify everyone they are temporarily leaving the meeting as noted above.

c. When the Convener is satisfied that there has been sufficient debate, the Convener will progress to making a decision.

d. If there is a vote on an agenda item, the vote will be taken by roll call and the number of votes for or against the motion or amendment or abstaining from voting will be recorded.

e. The Legal Adviser to the Committee will call out the name of each Member present with:

   - Members stating “motion” or “amendment” to indicate their vote when their name is called or otherwise to “abstain”;
   - the Legal Adviser to the Committee will clearly state the result of the vote and the Convener will then move onto the next agenda item.

5. Declarations of Interest

Any Member who declares an interest in any item of business which would normally require them to leave the room, must also leave the remote meeting. The Committee Officer will move that Member to the lobby and readmit the Member to the meeting at the appropriate time.

6. Exclusion of Public and Press

a. Where a confidential or “exempt” item is under consideration, the Committee Officer and Legal Adviser to the Committee will ensure that there are no members of the public or press in remote attendance or remotely accessing the meeting and able to hear or see the proceedings once the exclusion has been agreed by the meeting and the Legal Adviser to the Committee will confirm this to the Convener prior to any private business being conducted.

b. Members must ensure that there are no other persons present at their location who are not entitled to be (either hearing or seeing) consideration of such items, and/or recording the proceedings.

7. Connection Failure

a. If any Member loses connection they should try to rejoin the meeting. If unsuccessful, Members should call the *join by phone* number provided in the Webex meeting invitation.

b. When it appears there has been a remote meeting connection failure affecting a Member or Members, the Convener should immediately determine if the meeting is still quorate:

- If it is, then at the discretion of the Convener the business of the meeting will continue; or
- If there is no quorum, then the meeting shall adjourn for a period specified by the Convener, expected to be no more than 15 minutes, to allow the connection to be re-established.

The presumption is that a quorate meeting will continue to deal with business.

c. If the connection is successfully re-established, then the remote Member(s) will be deemed to have returned at the point of re-establishment.

d. If a Member has a connection failure and is able to rejoin the meeting, the Member must use the chat to everyone facility to advise the Committee and to indicate the items for which they were not present.

e. If the connection to a Convener is lost, the Vice-Convener will exercise discretion it terms above. If the Vice-Convener is not present (or connection is lost), the remaining Members will elect a replacement Chair for the purpose only of exercising the Convener’s discretion in terms above.

f. If a connection to a Member is lost during a meeting of a Quasi-Judicial Board, the Chair will stop the meeting to enable the connection to be restored. If the connection cannot be restored within a reasonable time, the meeting will only proceed at the discretion of the Chair, but the Member who was disconnected will not be able to take part in the decision on the matter under discussion. If the Chair so chooses, the quasi-judicial item may be adjourned to an appropriate later time or day. In the event of connection failure of more than one Member for a quasi-judicial item, the presumption will be that the Chair adjourns the meeting to an appropriate later time or day.

8. Attendance of the Public

a. Meetings will be held remotely and the public will therefore be excluded from meetings in terms of paragraph 13 of Schedule 6 of the Coronavirus (Scotland) Act 2020.

b. For quasi-judicial meetings where there is no legal entitlement for applicants or others to make representations, arrangements will be made in the interests of transparency and community engagement to webcast live the proceedings of the Planning Board and Local Review Body (to be introduced as soon as arrangements can be made).

c. For those other quasi-judicial meetings where there are legal entitlements for applicants or others to make representations, arrangements will be made for online participation for parties involved. A secure, safe room with online meeting availability has been made available for applicants and those who may make representations. In this way, meetings of the General Purposes Board, Education Appeals Committee (Placing Requests & Exclusions) and HR Appeals Board etc. and, separate from the Council, the Licensing Board will be facilitated.

d. The meeting room availability will be given to any parties making representations to the Petitions Committee.

Inverclyde council

AGENDA ITEM NO: 6

Report To:	**Inverclyde Council**	**Date:**	**24 September 2020**
Report By:	**Head of Legal & Property Services**	**Report No:**	**GM/SL/LP/105/20**
Contact Officer:	**Gerard Malone**	**Contact No:**	**01475 712710**
Subject:	**Short-Life Working Group to Establish Museum of Human Rights in Inverclyde**		

1.0 PURPOSE

1.1 This report requests the Council: (a) to support proposals to establish a Museum of Human Rights in Inverclyde; and (b) to nominate an Elected Member to represent the Council on an intended short-life working group.

2.0 SUMMARY

2.1 An invitation has been received by the Leader of the Council from Mr Stuart McMillan MSP to participate in a short-life working group to develop an initial proposal to present to the Scottish Government, Museums Galleries Scotland and Historic Environment Scotland.

2.2 The proposal is to form a cross-party group with the aim of establishing a national museum in Inverclyde which recognises and highlights Scotland's former role in the slave trade and colonialism.

2.3 The Council is asked to consider its support of the proposal and, if agreed, to nominate a member to the short-life working group.

3.0 RECOMMENDATION

3.1 That the Council considers the request received from Mr Stuart McMillan MSP, decides whether to support the proposal and, if agreed, nominates its representative.

Gerard Malone
Head of Legal & Property Services

4.0 BACKGROUND

4.1 A request has been made that the Leader of the Council participates in the short-life working group and Councillor McCabe has received Mr McMillan's invitation and proposal which are set out in Appendix 1 to the report.

4.2 On 16 June 2020, the Policy & Resources Executive Sub-Committee, following a request by the Leader of the Council, agreed to a report being submitted on Inverclyde's historical connections to the slave trade and the ways in which these connections can be recognised in today's society. The scope of report was to include recommendations as to how community reparations can be made and also reflect the existence and impact of modern-day slavery.

4.3 Following this decision, a report was submitted to the Education & Communities Committee on 1 September 2020 setting out plans to examine Inverclyde's historical connections to the slave trade and the ways in which these connections can be recognised in today's society.

4.4 Approval was given by the Education & Communities Committee to the formation of a working group to look at these issues and it was remitted to the Head of Culture, Communities & Educational Resources to determine the remit, participation and terms of reference of the working group, with the final report, including recommendations, being submitted to a future meeting of the Committee.

4.5 The Council is asked to consider its support of the proposals set out in Appendix 1 and, if so, to nominate a Member as its representative on the intended short-life working group.

5.0 IMPLICATIONS

Finance

5.1 There are no financial implications arising from this report.

<u>Financial Implications:</u>

One Off Costs

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

Annually Recurring Costs/ (Savings)

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

Legal

5.2 There are no legal implications relating to this proposal.

Human Resources

5.3 There are no HR implications relating to this proposal.

Equalities

5.4 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

Repopulation

5.5 There are no direct repopulation issues within this report.

6.0 CONSULTATIONS

6.1 None.

7.0 BACKGROUND PAPERS

7.1 None.

APPENDIX

Dear Stephen,

Re.: Working Group: Museum for Human Rights

I hope you are well.

I write seeking your support for a project I am progressing which already has growing public support. You will be aware that on 10th June the Scottish Parliament passed a resolution agreeing to have a museum to remember the slave trade and past historical events.

I have called for such a museum to be based in Greenock using the Sugar Warehouses at the James Watt Dock as the location.

Inverclyde has a history, sadly, in the slave trade and the triangular trade and as such, I believe my constituency is the perfect location for such a facility. Furthermore, Inverclyde's links involving the exporting of people, the Highland Clearances, it's role in the 1820 insurrection amongst others provide three additional examples highlighting how Inverclyde's history is intertwined with that of Scotland's role in past events.

I believe such a facility could be designed and delivered in such a way that it provides a national facility of standing which can tell the story of the past to the present to help the future. It can be an educational facility of world standing which can have a positive effect socially and economically.

I am bringing together a short-life working party to bring together what we agree can be the foundation for making this suggestion a reality for Inverclyde. Operating as Team Inverclyde can ensure we put forward the strongest possible case to the Scottish Government.

I would be delighted if you will agree to become a member of the cross-party short life working party please? I already have representation from Scottish Enterprise, West College Scotland, Inverclyde Chamber of Commerce and Creative Inverclyde and people from the creative sector on-board.

I am happy to discuss further if you have any questions.

Short-Life Working group to Establish Museum of Human Rights in Inverclyde

The Short-Life Working Group to Establish a Museum of Human Rights in Inverclyde (The Group) to a seek to develop an initial proposal to present to the Scottish Government and its agencies: Museums Galleries Scotland (MGS) and Historic Environment Scotland (HES) for consideration, and in accordance with, Motion S5M-22004 (as amended) on 10 June 2020 in the Scottish Parliament which agreed that the Scottish Government would work to create a national museum to highlight Scotland's role in the slave trade and colonialism.

The Group note the Scottish Government Programme for Government published on 2nd September 2020 announced that the Scottish Government ***'will sponsor an independent expert group to make recommendations on how Scotland's existing and future museum collections (we) can better recognise and represent a more accurate portrayal of Scotland's colonial and slavery history and what further steps should be taken to ensure people in Scotland are aware of the role Scotland played and how that manifests itself in our society today'.***

The Group also note that MGS are undertaking the review for the Scottish Government whilst HES had previously indicated their own review into this part of Scottish history with regards the estate they manage.

The Group understands that such a facility incorporating a range of humanitarian aspects of history including the importance of the maritime history can best highlight Scotland's role in the slave trade and colonialism.

Finally, the Group considers there will be a wider educational, social and economic development impact for Inverclyde, which can assist with some of the long term challenges that have existed.

Links

1. Scottish Parliament Official Report, 10th June
   - http://www.parliament.scot/parliamentarybusiness/report.aspx?r=12685&i=114774

2. Programme for Government - https://www.gov.scot/publications/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021/ (page 110)
3. Museums Galleries Scotland - https://www.museumsgalleriesscotland.org.uk/stories/museums-galleries-scotland-to-coordinate-consultation-on-scotland-s-colonial-and-slavery-history-in-museum-collections/
4. Culture, Tourism, Europe and external Affairs Committee, Scottish Parliament Official Report, 3rd September. http://www.parliament.scot/parliamentarybusiness/report.aspx?r=12790

Membership

Stuart McMillan MSP – Greenock and Inverclyde Constituency
Ronnie Cowan MP – Inverclyde Constituency
West College Scotland – Principal Liz Connolly
Scottish Enterprise – Stephen Frew
Inverclyde Chamber of Commerce – Andrew Bowman
Creative Inverclyde – Louise Hunter
Clyde Atlantic Trust – Elliott McKelvie
Matthew Hickman – Brownbearband

Supported by Jean Johansson (TV Personality)

Inverclyde council

AGENDA ITEM NO: 7

Report To:	**Inverclyde Council**	**Date:**	**24 September 2020**
Report By:	**Corporate Director Environment, Regeneration & Resources**	**Report No:**	**RMcG/LP/044/20**
Contact Officer:	**Rona McGhee**	**Contact No:**	**01475 712113**
Subject:	**Capital Strategy 2020/30 and Treasury Management Strategy Statement and Annual Investment Strategy 2020/21-2023/24 - Remit from Policy & Resources Committee**		

1.0 PURPOSE

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

2.0 SUMMARY

2.1 The Policy & Resources Committee at its meeting on 24 March 2020 considered a report by the Chief Financial Officer on the Capital Strategy for 2020/30, Treasury Management Strategy Statement and Annual Investment Strategy for 2020/24, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, the Council's Prudential and Treasury Management Indicators for the next 4 years and the List of Permitted Investments.

2.2 A copy of the report to the Policy & Resources Committee is attached as Appendix 1. This provides background information and information on the Capital Strategy, treasury management issues, capital/treasury management position, prudential indicators, treasury management indicators and policy limits, the proposed treasury strategy and investment strategy and loans fund advances.

2.3 The Committee decided that the following be remitted to a future meeting of the Inverclyde Council for approval:

(a) Capital Strategy for 2020/30;
(b) Treasury Management Strategy and Annual Investment Strategy;
(c) Authorised Limits for 2020/24;
(d) Treasury Management Policy Statement set out in paragraph 6.2;
(e) Policy on repayment of Loans Fund advances set out in paragraph 9.2;
(f) Treasury Policy Limits;
(g) Prudential Indicators and Treasury Management Indicators; and
(h) List of Permitted Investments (including those for the Common Good Fund).

3.0 RECOMMENDATION

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

Gerard Malone
Head of Legal & Property Services

Inverclyde council

APPENDIX 1

AGENDA ITEM NO.

Report To:	**Policy & Resources Committee**	**Date**:	**24 March 2020**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/33/20/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No**:	**01475 712223**
Subject:	**Capital Strategy 2020/30 and Treasury Management Strategy Statement and Annual Investment Strategy 2020/21-2023/24**		

1.0 PURPOSE

1.1 The purpose of this report is to present an updated Capital Strategy as required by the CIPFA Prudential Code and to seek approval for the Treasury Management Strategy Statement and Annual Investment Strategy for 2020/24, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, the Council's Prudential and Treasury Management Indicators for the next 4 years and the List of Permitted Investments.

2.0 SUMMARY

2.1 The Capital Strategy 2020/30 presents a longer term view of the asset management, financial and other issues affecting capital expenditure requirements and delivery. The Strategy is a requirement of the Prudential Code and is in addition to the existing plans and updates presented through the year to Committee and to the Council such as the Financial Strategy.

2.2 The key purpose of the Capital Strategy is to explain how different facets of the Council's Treasury Strategy and Capital Programme interact and to allow Members to consider the affordability and sustainability of Capital investment decisions in the longer term.

2.3 Many of the decisions taken by the current Council will impact long after most current Members and Officers have left the Council but it is important that the Council takes a long term view when considering the sustainability of investment decisions. For the purposes of this Strategy, the longer term is viewed as being a period of 10-20 years.

2.4 Overall the Council is in a good position in respect of the development and delivery of Asset Management Plans and has sound governance processes in place. It has been highlighted in Audit reports at a local and national level that the Council has a higher than average expenditure on loans charges and a higher than average level of capital debt however this is a function of the significant investment in the improved school estate, leisure estate, ongoing investment in roads infrastructure plus investment in other assets within the HSCP and open spaces.

2.5 The Capital Strategy demonstrates that loan debt is expected to peak in the next 2 years and thereafter will reduce for the foreseeable future. The challenge that Members have to consider is whether to set aside any of the loans charge savings in the medium term for reinvestment in assets or to use this reduction in cost to close budget gaps.

2.6 The Strategy confirms that the Council will need to have a modicum of prudential borrowing in order to maintain its asset investment in the medium to longer term and that by the mid 2020's the Council will need to start developing funding plans for major reinvestment or replacement of many of the assets built or comprehensively refurbished since local government reorganisation in 1996. This is something that will be developed over coming years.

2.7 Overall the Capital Strategy demonstrates that current plans and requirements can be contained within the overall Financial Strategy and that the Council has a long term plan to maintain investment in assets within the Council's projected medium/long term funding envelope.

2.8 The report also sets out the Council's proposed Treasury Management Strategy and Annual Investment Strategy for 2020/24, Treasury Policy Limits, and Prudential and Treasury Management Indicators for the next 4 years including the proposed Authorised Limits.

2.9 The report proposes a List of Permitted Investments listing the types of investments and limits for those investments. There are no changes to the proposed Permitted Investments from those agreed in 2019.

2.10 The Treasury Management Strategy, Annual Investment Strategy, Treasury Policy Limits, Prudential Indicators, and Treasury Management Indicators have been set based on the Council's current and projected financial position (including the proposed 2020/23 Capital Programme) and the latest estimated interest rate levels.

2.11 The report also requests the annual approval of the Council's Treasury Management Policy Statement and approval of the Council's policy on the repayment of Loans Fund advances.

2.12 In line with the Council's Financial Regulations, the proposals in this report require approval by the Full Council.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee remits to the Inverclyde Council, for their approval, the following, as outlined in this report:

a. Capital Strategy for 2020/30
b. Treasury Management Strategy and Annual Investment Strategy
c. Authorised Limits for 2020/24
d. Treasury Management Policy Statement set out in paragraph 6.2
e. Policy on repayment of Loans Fund advances set out in paragraph 9.2
f. Treasury Policy Limits
g. Prudential Indicators and Treasury Management Indicators
h. List of Permitted Investments (including those for the Common Good Fund).

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Capital Strategy 2020/30 is attached as Appendix 1 and presents a longer term view of the asset management, financial and other issues affecting capital expenditure requirements and delivery. The Strategy is a requirement of the Prudential Code and is in addition to the existing plans and updates such as the Financial Strategy that are presented during the year to Committee and to the Council.

4.2 This report also presents, for approval, a Treasury Management Strategy Statement and Annual Investment Strategy, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, and Prudential and Treasury Management Indicators for 2020/24.

4.3 CIPFA produced the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management and revised both documents in December 2017. Inverclyde Council has adopted the Code of Practice on Treasury Management and complies with the Prudential Code.

4.4 The Local Government in Scotland Act 2003 and supporting regulations (the Act) require the Council to 'have regard to' the CIPFA Prudential Code (the Prudential Code) and the CIPFA Code of Practice on Treasury Management (the Code) to set Prudential and Treasury Indicators for at least the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

4.5 The Act and supporting regulations require the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

4.6 It is a statutory requirement for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue are affordable within the projected income of the Council for the foreseeable future. The projected revenue impact of the 2020/23 Capital Programme is built into the Revenue Budget for which approval is being sought.

5.0 CAPITAL STRATEGY

5.1 The Prudential Code revised in 2017 requires the preparation of a formal Capital Strategy that is "intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability".

5.2 The Capital Strategy highlights the links between the Council's policy priorities, investment plans and Financial Strategy. Much of this is captured within the Corporate Directorate Improvement Plans which are reported to Committee every second reporting cycle.

5.3 The link between Corporate Priorities and longer term investment plans is made via the preparation and delivery of Asset Management Plans. Therefore the summarised update of the current position of the various AMPs is a key aspect of the Capital Strategy and forms Section 3 of the Strategy.

5.4 The relationship between the Council's Annual Accounts, External Borrowing and Loans Charges can be confusing and the Strategy explains the make-up and inter-relationships between them. Critically the Strategy provides long term projections and raises matters for Members to consider. The Strategy highlights the need for current Members to take the longer term view when making investment decisions which will impact on the Council's finances for several decades into the future.

5.5 The management of risk and provision of appropriate governance arrangements are vital when dealing with large sums of money and making decisions which will impact on future generations and as such the Strategy sets out the current governance arrangements including the Council's approach to managing risk. These matters are kept under regular review and this is even more pertinent in these uncertain times.

5.6 The Capital Strategy confirms the need for the Council to have a small level of continued prudential borrowing in the medium term based on current AMPs and estimated Government Grants/Receipts. This is sustainable as the level of Loans Charges will begin to drop from 2021/22 onwards as historic debt drops out.

5.7 The above proposal does not allow for the replacement of existing assets which in the longer term will need either significant investment or full replacement e.g. schools, leisure facilities or major new physical infrastructure projects. To fund this the next Council will require to consider setting aside a significant part of ongoing loans charge savings to create a "sinking fund" for future investment needs. This matter will be captured in the Financial Strategy and will be kept under review.

6.0 TREASURY MANAGEMENT ISSUES - SUMMARY

6.1 The main Treasury Management issues from this report are:

a. The Capital/Treasury Management position, Prudential Indicators, Treasury Management Indicators and Policy Limits are shown in Section 7 below.
b. The proposed Treasury Strategy and Investment Strategy are shown in Section 8 below.
c. The Full Council is requested to approve the Authorised Limits for 2020/24 as shown in paragraph 7.5.
d. As of 31 March 2021, the accounting treatment of operating leases will change and the value of those leases must be added to the Council's debt and assets. The values for the leases are being determined during 2020/21 to comply with the changes to the accounting treatment. Any impact on the indicators and limits in Section 7 will be included in future reports on Treasury Management activities.
e. The Full Council is requested to approve the policy on the repayment of Loans Fund advances as shown in paragraph 9.2.
f. There remains considerable economic uncertainty affecting forecasts for interest rates and inflation, including in relation to the Brexit arrangements. This will have implications for UK interest rates, new borrowing rates (due to the impact of market sentiments on UK gilt prices), investment rates, and inflation. The Council will continue to monitor the situation and take advice from its treasury advisers.
g. There are no changes to the proposed Permitted Investments (in Appendix 2) from those agreed in 2019.

6.2 The Council has a formal Treasury Management Policy Statement as follows that is required to be approved by the Full Council:

1. This organisation defines its treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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

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

Current Treasury Management Position

7.1 The Council's treasury management position at 19 February 2020 comprised:

		Principal		Average Rate
		£000	£000	
DEBT				
Fixed Rate funding	PWLB	104,117		
	Market	55,000	159,117	3.64%
Variable Rate funding	PWLB	0		
	Market	44,591	44,591	4.86%
			203,708	3.91%
Other Long Term Liabilities (PPP)			60,965	---
TOTAL DEBT			**264,673**	
INVESTMENTS				
Call Accounts			13,902	0.65%
Notice Accounts			10,019	0.90%
Fixed Term Deposits			0	---
TOTAL INVESTMENTS			**23,921**	0.75%

The Investments above are for treasury management cash balances only and exclude non-cash balances treated as investments under Investment Regulation 31 (see Appendix 3 for categories).

Capital Expenditure and Borrowing

7.2 The Council's Gross Capital Expenditure is estimated as:

	2019/20	2020/21	2021/22	2022/23	2023/24
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
Capital Programme	22,262	18,420	25,552	14,058	9,040

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

	2019/20	2020/21	2021/22	2022/23	2023/24
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
New borrowing	2,000	0	0	0	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	20,000	10,000	20,000	5,000	0
TOTAL	22,000	10,000	20,000	5,000	0

7.4 The Capital Financing Requirement is the amount of capital expenditure to be funded from borrowing that has not yet been repaid by the Revenue Budget as part of the loan charges.

The Council's Gross External Debt compared to the Capital Financing Requirement as at each year-end (including the effect of the proposed borrowing in paragraph 7.3) is as follows:

	2019/20	2020/21	2021/22	2022/23	2023/24
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
Capital Financing Requirement (CFR)	301,223	292,977	300,320	296,082	286,908
External Debt (Including PPP)	264,485	267,694	276,040	271,428	261,687
Under/(Over) Against CFR	36,738	25,283	24,280	24,654	25,221

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

Debt Limits

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

	2019/20	2020/21	2021/22	2022/23	2023/24
	Limit	**Limit**	**Limit**	**Limit**	**Limit**
Authorised limit for external debt	£000	£000	£000	£000	£000
Borrowing	249,000	241,000	241,000	243,000	241,000
Other Long Term Liabilities (PPP)	63,000	61,000	60,000	58,000	56,000
TOTAL	312,000	302,000	301,000	301,000	297,000
Operational boundary for external debt	£000	£000	£000	£000	£000
Borrowing	239,000	224,000	229,000	229,000	224,000
Other Long Term Liabilities (PPP)	63,000	61,000	60,000	58,000	56,000
TOTAL	302,000	285,000	289,000	287,000	280,000

Approval is being sought for the Authorised Limits for 2020/21 to 2023/24.

7.6 The Council sets limits on the maturity of fixed rate and variable rate borrowing for the coming financial year. The limits proposed for 2020/21 are:

Maturity Structure	Fixed Rate		Variable Rate	
	Upper Limit	Lower Limit	Upper Limit	Lower Limit
Under 12 months	45%	0%	35%	0%
12 months and within 24 months	45%	0%	35%	0%
24 months and within 5 years	45%	0%	35%	0%
5 years and within 10 years	45%	0%	35%	0%
10 years and within 30 years	45%	0%	35%	0%
30 years and within 50 years	45%	0%	35%	0%
50 years and within 70 years	45%	0%	35%	0%

The proposed limits are the same as set in 2019. They reflect the requirement that the Council's Market debt is treated based not on when the debt is due to actually mature but on when the lender could request an increase in the interest rate (when the Council could accept the increase or repay the debt).

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

	2020/21	2021/22	2022/23	2023/24	2019/20
	Limit	**Limit**	**Limit**	**Limit**	**Projected Outturn at Year-End**
Maximum percentage of debt repayable in any year	25%	25%	25%	25%	19.64% (Repayable in 2077/78)
Maximum proportion of debt at variable rates	45%	45%	45%	45%	21.89%
Maximum percentage of debt restructured in any year	30%	30%	30%	30%	0.00%

The proposed limits are the same as set in 2019.

7.8 The Prudential Code requires that the Council states how interest rate exposure is managed and monitored:

All of the Council's PWLB debt is currently at fixed rates. The Market debt contains some debt at fixed rates, some small elements at variable rates and some where the rates can change (subject to the terms of the debt contract). The Council's investments, which are all for less than 1 year, are all variable or regarded as variable under the treasury management rules.

These interest rate exposures are managed and monitored by the Council through management reports on treasury management that are received and reviewed by the Chief Financial Officer.

Affordability

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

	2019/20	2020/21	2021/22	2022/23	2023/24
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Ratio of financing costs (including PPP) to net revenue stream	13.74%	13.86%	11.96%	12.52%	12.70%

The estimated fall in the ratio between 2020/21 and 2021/22 is largely due to the final charges for former Strathclyde Regional Council debt being made in 2020/21.

7.10 The ratio of net debt to the Council's net revenue stream is estimated as:

	2019/20	2020/21	2021/22	2022/23	2023/24
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Ratio of net debt (debt and PPP less investments) to net revenue stream	124.6%	124.1%	132.4%	133.3%	130.3%

Investments

7.11 The Council's estimated investments position (after the proposed borrowing in paragraph 7.3) is shown in Appendix 3 and includes transactions treated as investments under the Investment Regulations. Included in Appendix 3 (as Cash balances managed in house) are the following estimated Bank Deposits:

	2020/21	2021/22	2022/23	2023/24
	Estimate	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000
Cash balances managed in house				
1 April	20,000	22,838	16,270	11,197
31 March	22,838	16,270	11,197	8,565
Change in year	2,838	(6,568)	(5,073)	(2,632)

7.12 The Council sets upper limits for the total investments invested for over 365 days. The proposed limits are as follows:

	2019/20	2020/21	2021/22	2022/23	2023/24
	Limit	Limit	Limit	Limit	Limit
Upper limit for total principal sums invested for over 365 days	£000 10,000	£000 10,000	£000 10,000	£000 10,000	£000 10,000

The Council has not entered into any investments of more than 365 days during 2019/20 to date and does not expect to do so during the remainder of the year.

Accounting Changes - Leases

7.13 As of 31 March 2021, the accounting treatment of operating leases will change and the value of those leases must be added to the Council's debt and assets. The values for the leases are being determined during 2020/21 to comply with the changes to the accounting treatment. Any impact on the indicators and limits in Section 7 will be included in future reports on Treasury Management activities.

8.0 PROPOSED TREASURY STRATEGY AND INVESTMENT STRATEGY

Interest Rate Forecasts

8.1 The Council has appointed Link Treasury Services Limited as treasury advisers with part of their service being to assist the Council to formulate a view on interest rates. Link's latest interest rate forecasts (as at 31 January 2020) are:

As At	Bank Rate	Investment (LIBID) Rates			PWLB Borrowing Rates			
		3 month	6 month	1 year	5 year	10 Year	25 year	50 Year
	%	%	%	%	%	%	%	%
March 2020	0.75	0.70	0.80	0.90	2.30	2.50	3.00	2.90
June 2020	0.75	0.70	0.80	0.90	2.30	2.50	3.00	2.90
Sept 2020	0.75	0.80	0.90	1.00	2.40	2.60	3.10	3.00
Dec 2020	0.75	0.80	1.00	1.10	2.40	2.60	3.20	3.10
March 2021	0.75	0.90	1.00	1.20	2.50	2.70	3.30	3.20
June 2021	1.00	1.00	1.10	1.30	2.60	2.80	3.40	3.30
Sept 2021	1.00	1.00	1.20	1.40	2.70	2.90	3.50	3.40
Dec 2021	1.00	1.10	1.30	1.50	2.80	3.00	3.60	3.50
March 2022	1.00	1.20	1.40	1.60	2.90	3.10	3.70	3.60
June 2022	1.25	1.30	1.50	1.70	2.90	3.10	3.80	3.70
Sept 2022	1.25	1.30	1.50	1.70	3.00	3.20	3.80	3.70
Dec 2022	1.25	1.30	1.50	1.70	3.00	3.20	3.90	3.80
March 2023	1.25	1.30	1.50	1.70	3.10	3.30	3.90	3.80

On 9 October 2019 the PWLB announced an immediate and unexpected 1% increase in interest rates for new borrowing. This policy is reflected in the PWLB projected borrowing rates above.

8.2 There remains considerable economic uncertainty which suggests that investment returns are likely to continue to be relatively low and there will remain a cost of carry to any new borrowing that would cause an increase in investments (for the difference between borrowing and investment interest rates).

Treasury Strategy – Borrowing

8.3 The proposed borrowing is as shown in paragraph 7.3 whilst the proposed authorised limit for 2020/21 is shown in paragraph 7.5.

8.4 Any borrowing will depend on an assessment by the Chief Financial Officer based on the Council's requirements and financial position, adopting a cautious but pragmatic approach and after seeking advice and interest rate/economic forecasts from the Council's treasury advisers.

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

8.5 Policy on Borrowing in Advance of Need

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

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

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

The maximum extent to which borrowing in advance would be undertaken by this Council is the borrowing requirement identified in paragraph 7.3 above for 2020/2023.

Treasury Strategy - Debt Rescheduling

8.6 PWLB-to-PWLB debt restructuring, whilst an option and having been done in the past before changes to PWLB rules in 2007 and 2010, would give rise to large premiums that would be incurred by prematurely repaying existing PWLB loans. It remains possible but very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

8.7 As short term borrowing rates are expected to be considerably cheaper than longer term rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

8.8 The Council is more likely to look at making savings by running down investment balances as short term rates on investments are expected to continue to be lower than the rates paid on the debt currently held.

8.9 The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings but at minimum risk;
- Helping to fulfil the strategy outlined above; and
- Enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).

8.10 Any debt rescheduling will be reported to the Policy & Resources Committee and the Full Council and will be within the Treasury Policy Limits.

Investments – Policies/Strategy

8.11 Investment Policy
The Council will have regard to the Local Government Investment (Scotland) Regulations 2010 and accompanying finance circular and the revised CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:
(a) The security of capital
and
(b) The liquidity of its investments.

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

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

8.13 Counterparty limits will be as set through the Council's Treasury Management Practices.

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

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

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

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

There are no changes to the proposed Permitted Investments from those agreed in 2019.

8.16 Creditworthiness Policy
The Council's proposed Creditworthiness Policy for 2020/21, as follows, is unchanged from that agreed in 2019.

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

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

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

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

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

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

The maximum period for individual investments with the Council's own bankers will be as in accordance with the above table whilst the limit for total investments with them will be £50m or as agreed by Committee or Full Council. The limit for any other group of counterparties will be £30m or as agreed by Committee or Full Council.

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

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

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

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

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

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

8.22 It is proposed that the Council will only use approved counterparties:

a. from the UK
   or
b. from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if not issued by Fitch). Countries currently meeting this criterion include Australia, Canada, France, Germany, Sweden, the USA, and the UK.

8.23 <u>Investment Strategy</u>
Appendix 3 includes forecasts of investment balances.

8.24 The Bank Rate is 0.75% and is forecast to increase to 1.00% in quarter 2 of 2021 and to 1.25% in quarter 2 of 2022. Bank Rate forecasts from Link for financial year ends (March) are as follows:

- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%.

The forecasts assume that the UK and the EU reach a Brexit deal including the terms of trade by the end of 2020 or soon after.

8.25 Link advise that, for 2020/21, clients should budget for an investment return of 0.75% on investments placed during the financial year for periods of up to 100 days.

8.26 The Council uses an investment benchmark to assess the performance of its investments. The benchmark used is the 3 month LIBID (uncompounded) interest rate.

8.27 The Council will avoid locking into longer term deals unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Council.

Policy on Use of External Service Providers

8.28 The Council uses Link Treasury Services Limited as its external treasury management advisers and uses the services of brokers for investment deals as required.

8.29 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, the treasury advisers.

8.30 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

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

8.31 The Treasury Management Practices (TMPs) of the Council set out the operational policies and procedures in place to implement the treasury management strategy and the principles set out in the treasury management policy statement. They are intended to minimise the risk to the capital sum of investments and for optimising the return on the funds consistent with those risks.

8.32 The TMPs are kept under review, with a full revision every 3 years, with the latest review having taken place in 2018 to reflect changes required by the revised Prudential Code and the Treasury Management in the Public Services – Code of Practice.

8.33 A copy of the TMPs may be obtained from Finance Services.

Training for Members

8.34 The last training session on Treasury Management was held for Members on 4 August 2017.

9.0 LOANS FUND ADVANCES

9.1 Where capital expenditure is funded by borrowing (referred to as loans fund advances), the debt financing costs are paid from the Revenue Budget as loan charges comprised of the repayment of debt and interest and expenses costs on the borrowing.

9.2 The Council is required to set out its policy for the repayment of loans fund advances from options set by the Scottish Government:

a. For loans fund advances made before 1 April 2016 the policy will be to maintain the practice of previous years and use the Statutory Method with annual principal repayments being calculated using the annuity method.
b. The annuity method is also being used for loans fund advances made after 1 April 2016 for the 5 year transitional period to the end of 2020/21. In applying the annuity method to new advances in any year, the interest rate used in the annuity calculation will be the Council's loans fund pool rate for the year (including expenses) as rounded up to the nearest 0.01%.
c. Of the options available for new capital expenditure from 1 April 2021 onwards, it is proposed to use the equal instalment method (where repayments start higher than under the annuity method but do not change during the write-off period).

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

	2018/19	2019/20	2020/21
	Actual	Projected	Estimated
	£000	£000	£000
Balance As At 1 April	246,043	244,470	239,956
Add: Adjustment to B/F Balance Following Loan Charge Review 2019 (As per Mid-Year Report To Committee)	0	1,411	0
	246,043	245,881	239,956
Add: Advances For The Year	10,164	5,862	5,765
Less: Repayments For The Year	11,737	11,787	12,272
Balance As At 31 March	244,470	239,956	233,449

9.4 For the projected loans fund advances outstanding as at 31 March 2020, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	12,272
Years 2-5	31,896
Years 6-10	39,380
Years 11-15	39,114
Years 16-20	34,941
Years 21-25	33,917
Years 26-30	26,555
Years 31-35	13,002
Years 36-40	4,649
Years 41-45	1,198
Years 46-50	1,032
Years 51-55	1,161
Years 56-60	338
Years 61-65	32
Years 66-70	38
Years 71-75	46
Years 76-80	55
Years 81-85	66
Years 86-90	78
Years 91-95	94
Years 96-100	92
TOTAL	239,956

10.0 IMPLICATIONS

10.1 **Finance**

The Capital Strategy demonstrates that both the Council's loans charges and debt are due to reduce considerably over the period to 2029/30. One decision the Council will need to take is how much of this saving to set aside for future investment in new/replacement assets to address those assets which by 2030 will be due for renewal.

Adopting the Treasury Strategy and the Investment Strategy for 2020/21 and the following three years will allow a balance to be maintained between opportunities to continue to generate savings for the Council and minimising the risks involved.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

10.2 **Legal**

There are no Legal implications arising from this report.

10.3 **Human Resources**

There are no HR implications arising from this report.

10.4 **Equalities**

Equalities

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

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(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

11.0 CONSULTATIONS

11.1 The Capital Strategy has been prepared in consultation with relevant officers and is supported by the Corporate Management Team whilst the Treasury Management Strategy and Annual Investment Strategy have drawn on advice from the Council's treasury advisers (Link Treasury Services Limited).

12.0 BACKGROUND PAPERS

12.1 Financial Strategy 2019/2029
CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition
CIPFA – The Prudential Code for Capital Finance in Local Authorities – 2017 Edition
Scottish Parliament – The Local Government Investments (Scotland) Regulations 2010 (Scottish Statutory Instrument 2010 No. 122)
Scottish Government - Finance Circular 5/2010 – The Investment of Money by Scottish Local Authorities
Scottish Parliament – The Local Government (Capital Finance and Accounting) (Scotland) Regulations 2016 (Scottish Statutory Instrument 2016 No. 123)
Scottish Government - Finance Circular 7/2016 - The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 – Loans Fund Accounting

Inverclyde council

Capital Strategy

2020 – 2030

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1.0 INTRODUCTION

1.1 The production of a Capital Strategy which is reviewed annually is now a requirement of the CIPFA Prudential Code. The document requires to be considered along with the Treasury Strategy and thereafter approved by the Inverclyde Council. It is viewed as being one of the key strategic financial documents along with the Council's Financial Strategy which help govern the strategic direction for the Council's financial planning.

1.2 The traditional focus of Local Government budgeting tends to be on the Revenue Budget with the annual cycle of Grant settlements from the Scottish Government, the identification of savings and investment plans and the approval of the budget along with Council Tax in February/March. As part of this the Council will generally approve a three year Capital Programme. In recent years the capital budget has been a less contentious issue for Elected Members with the Council approving significant amounts of prudential borrowing in order to deliver an ambitious Capital Programme.

1.3 Details of the Council's asset base, borrowing and debt are included within the audited financial accounts considered by Members and attracts far less attention than the Revenue Budget and Reserve position. At the 31st March 2019 the Council owned property plant and equipment assets valued at £390million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £492million. Much of the investment in this Asset Base has been funded by borrowing over preceding decades. The Council's external borrowing as at 19th February 2020 was:-

PWLB Debt	£104.1 million
Market Debt	£ 99.6 million
	£203.7 million

The bulk of this debt is due to be repaid at the point that the loan matures with some £41.5 million of the PWLB Debt due to be repaid by 31st March 2030.

1.4 Allied to this the Council maintains a Loan Charges record which is an internal record of investment and which is currently written down on annuity basis using the expected life span of the asset created/work carried out. For example a new school will generally be written off over 40 years whereas a roads resurfacing contract will be written off over 25 years. As at the 31st March 2020 the expected value of the Council's internal loan debt is £240.0 million. The repayment costs in 2019/20 are projected to be £20.6 million and these repayments include both Capital and Interest and are referred to as Loan Charges. It is Loan Charges which are funded by the Council's Revenue Budget.

1.5 Over the last ten years the Council has undertaken a significant amount of work on Asset Management Planning. The first Asset Management Plan related to the School Estate (the SEMP) which resulted in an ambitious and comprehensive new build and upgrade programme for the full School Estate. Thereafter asset plans were created in respect of the main leisure facilities, the roads assets, office and depot assets, ICT assets and most recently, open spaces. All Asset Management Plans are linked to the Corporate Directorate Improvement Plans (CDIPs) with delivery reported throughout the year both as part of the CDIPs but also via cyclical Capital Programme updates.

1.6 The purpose of Asset Management Plans are to not only document and quantify all the assets held and their assessed condition but also create a sustainable investment plan which can then be factored into future years Capital Programmes. The creation of the Asset Management Plan will require in many cases decisions from Members regarding a whole estate investment approach which will potentially identify assets which the Council should no longer retain. This can lead to investment in fewer assets but to a higher quality. This has certainly been the case in respect of schools, offices and depots where the Council's property footprint has reduced considerably with the sums saved from buildings no longer existence reinvested in the remaining buildings and resulted in a greatly improved estate.

1.7 A significant benefit of having long term Asset Management Plans is that it allows longer term Capital Planning and the Capital Strategy includes Investment Plans for the next 10 years. This allows the Council to identify whether it's longer term Capital Investment Plans are affordable and sustainable and provides time for corrective action to be taken.

1.8 The Council is coming to the end of a period of ambitious investment. This has seen a significant increase in the Council's Loan Debt over the last ten years and projections indicate that the Loan Debt will peak at approximately £242 million in 2021/22 but on the basis of limited prudential borrowing in future years the loan debt will reduce to around £190 million by 2029/30. Therefore it can be seen that there is a correlation between the reduction in the Council's internal loan debt and the repayment of the Council's external borrowing to the PWLB over the next 10-15 years.

1.9 One issue which the Capital Strategy and Treasury Strategy require to demonstrate is the affordability and sustainability of the Council's Asset Management Plans, to enable Members to see the longer term financial implications of policy and investment decisions.

1.10 Much of the affordability assessment depends on the Council's Treasury Strategy and this is also presented to the Policy & Resources Committee annually prior to the 31st March each year. The period of the Treasury Strategy is currently four years and one product of the creation of a Capital Strategy will be to better align the timescales for the Treasury Strategy, Investment Strategy and Capital Programme. Based on the projected trajectory of the Council's loans fund and external borrowing then the overall Treasury Strategy is currently to borrow on a short to medium term basis. This approach is largely influenced by the significant value of market debt held by the Council much of which was borrowed at the time of the transfer of the housing stock in 2007. The latest possible maturity date for the market loans varies from 2066-2077 although, dependent on macroeconomic changes there is always the possibility that lenders may wish to trigger repayment of their loans with the Council.

1.11 The Chief Financial Officer is supported in monitoring the Council's Capital, Treasury and Investment position by both internal officers and also the Council's Treasury Advisor with whom he meets twice per year. This external support is a vital check and balance in ensuring the Council is receiving the best possible advice and support in managing the Council's considerable asset base, borrowings and future investment plans. This enables the Chief Financial Officer to provide regular reports to the Policy & Resources Committee and the Inverclyde Council on the Council's Treasury Strategy, Treasury Annual Report and Mid-Year Report as well as frequent updates on the Capital Programme.

1.12 The Capital Strategy pulls all these aspects together and aims to provide a valuable addition to Elected Members overall understanding of the Council's finances and the wider impacts on policy choices in coming years.

2.0 GOVERNANCE AND REGULATORY FRAMEWORK

Legal and Regulatory Framework

2.1 The legal framework under which treasury management operates mainly involves:

- the Local Government (Scotland) Act 1973
- the Local Government (Scotland) Act 1975
- the Local Government etc. (Scotland) Act 1994
- the Local Government in Scotland Act 2003

and

- Regulations and statutory guidance issued under powers in the above Acts.

2.2 In addition, CIPFA issued the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, both of which were last revised in December 2017.

The Prudential Code requires Councils to ensure that capital expenditure and investment plans are affordable, that borrowing and other long-term liabilities are prudent and at sustainable levels, and that treasury management and investment decisions are taken in accordance with professional good practice. The Code requires the production and monitoring of Prudential Indicators.

The Treasury Management Code includes requirements for Councils to consider the objectives of their treasury management activities and the effective risk management of those activities. The Code requires the production of a Treasury Management Practices document which sets out how the Council will seek to achieve its treasury management policies and objectives and how it will manage and control its treasury management activities. The Code also requires that, as a minimum, the following reports be submitted to the Council each year: a treasury management strategy, a mid-year review, and an annual report after the year-end.

2.3 The main regulations and statutory guidance that apply are:

a) Local Government Capital Expenditure Limits (Scotland) Regulations 2004
These require that Councils “have regard” to the Prudential Code when determining “the maximum amount which a local authority can afford to allocate to capital expenditure”.

b) Local Government Investments (Scotland) Regulations 2010
Scottish Government Finance Circular 5/2010 was issued under these Regulations and requires the approval of annual Investment Strategies and Permitted Investments by Members as well as an Annual Report on Investments to Members within 6 months of the financial year-end.

c) The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016
Scottish Government Local Government Finance Circular 7/2016 was issued under these Regulations and replaced provisions for local authority borrowing, lending and loans funds that were in the Local Government (Scotland) Act 1975. The Circular includes requirements in relation to the prudent annual charging against the Revenue Budget for the cost of capital projects (Loan Charges) and permitted methods of calculating those charges (largely replacing the annuity method with equal instalments for new capital expenditure from 2021/22).

d) Scottish Government Local Government Finance Circular 7/2018
This Guidance replaces a Finance Circular issued in 2007 that was issued under powers in the Local Government in Scotland Act 2003. The Guidance permits accounting adjustments for some types of treasury management activities, including where Councils have incurred premiums or received discounts when refinancing PWLB loans taken out by the Council.

Governance

2.4 The Capital Expenditure budget is approved by the Council and monitored by the Policy & Resources Committee with oversight of individual projects by the Service Committees.

2.5 For Treasury Management, officers prepare an Annual Treasury Management and Investment Strategy for each year (including Permitted Investments for the year, the Authorised Limit for External Debt, and the Treasury Management Policy Statement), a Mid-Year Report, and an Annual Report. These reports are submitted to the Policy & Resources Committee for review and for remission to the Full Council for formal approval, in line with the regulatory requirements above. Where the Council undertakes debt rescheduling, this is reported to the Policy & Resources Committee and the Full Council in line with agreed policy.

2.6 The cost of Treasury Management activity is included in the Revenue Budget and Budget reports to Committee as Loan Charges. Loan Charges are comprised of the annual charges for the write-off of the cost of capital projects over an appropriate period along with the interest and expenses costs from borrowing and the treasury management activities.

2.7 The Chief Financial Officer has delegated authority to make the necessary arrangements for authorised borrowing, the temporary investment of funds, and specified changes to the Treasury Management Practices. This authority is also delegated to each of the 3 Finance Managers where the Chief Financial Officer is absent (as approved by the Council on 30 November 2017). Treasury Management requirements are also included in the Council's Financial Regulations.

2.8 The Treasury Management Practices ("TMPs") is an operational document that is updated at least every 3 years and that set-out the main principles under the Treasury Management Code and how the Council will comply with those principles. The TMPs were last updated in March 2018.

3.0 ASSET MANAGEMENT PLANS

3.1 A number of years ago the Council identified the need to align capital investment against the policy priorities of the Council. This resulted in the creation of a number of comprehensive Asset Management Plans (AMPs). The first Asset Management Plan related to the School Estate (the SEMP) which resulted in an ambitious and comprehensive new build and upgrade programme for the full School Estate. Thereafter asset plans were created in respect of the main leisure facilities, the roads assets, office and depot assets, ICT assets and most recently, open spaces.

3.2 Over the last ten years the Council has undertaken a significant amount of work on Asset Management Planning and has used a combination of internal expertise and external peer review in their development. Once created the AMPs are embedded within the Council's Corporate Directorate Improvement Plans and Capital Programme formulation process to ensure that there is a strong alignment between the Council's overarching Priorities and capital investment decisions.

3.3 The Asset Management Plans not only document and quantify all the assets held and their assessed condition but also create a sustainable investment plan which can then be factored into future years Capital Programmes. In addition the creation of the Asset Management Plan will lead to Members considering a whole estate investment approach which will potentially identify assets which the Council should no longer retain.

3.4 A significant benefit of having long term Asset Management Plans is that it allows longer term Capital Investment Plans for a minimum of the next five years but the capability to project this forward for a further period of time. This allows the Council to identify whether it's longer term Capital Investment Plans are affordable and sustainable and provides time for corrective action to be taken. The next part of this section provides an overview of the current position of the Asset Management Plans being progressed by the Council.

3.5 **School Estate Management Plan**

The Council has invested in excess of £270m on its school estate over the last 16 years. The rationalisation of the estate was completed by the end of 2013. Over the period of the programme to date there have been a net reduction of 12 primary schools (from 32 to 20) and a net reduction of 2 secondary schools (from 8 to 6) with 2 of the remaining 6 secondary schools co-located within a shared community campus.

Significant progress has been made since 2004, particularly in addressing the number of Condition category C (Poor) and D (Bad) rated schools from 7 Secondary Schools and 21 Primary Schools at the start of the programme to all schools across all sectors rated A (Good) or B (Satisfactory) by 2016. In terms of Suitability there has also been significant progress made in ratings through the programme of comprehensive refurbishment and new build.

The School Estate funding model is reviewed and reported annually to the Education & Communities Committee. The current plan will see all major projects completed by 2020 which reflects the approval of the acceleration of the School Estate Management Plan agreed as part of the budget setting process in March 2016.

The plan has progressed to an advanced stage with the final 2 primary school projects on site/under construction and projected to complete by 2020. The Council decant facilities retained to facilitate the programme are also being addressed with demolition of the leased former St Stephen's HS completed 1st Quarter 2019 and the demolition of the former Sacred Heart PS planned upon completion of the new Larkfield Children's Centre in 1st Quarter 2021.

Additional expenditure was also approved in March 2016 to address works required to improve asset condition and suitability across the stand-alone facilities within the Early Years estate. The Council funded elements of the Early Years estate plan have progressed to an advanced stage with all but one project complete and with that final project due to commence in March and complete in November 2020.

A number of projects were also taken forward and completed in 2014/15 to facilitate the Scottish Government commitment to the provision of 600 hours of Early Learning and Childcare. The Scottish Government plan to increase the entitlement of early learning and childcare from 600 hours to 1140 hours by 2020 requires substantial levels of investment in workforce and infrastructure which has been phased from 2017/18 onwards to ensure that required expanded capacity is in place by 2020. Inverclyde Council submitted its initial expansion plan to the Scottish Government in September 2017 on how it intended to deliver this expansion and this was reported to the October 2017 Education & Communities Committee. A full re-working of the plan was undertaken with submission of a revised financial template in March 2018 and the revised plan was reported to the special Education & Communities Committee in June 2018. The Scottish Government confirmed a total Capital grant of £5.98m to Inverclyde Council as part of the overall 1140 hours funding for the infrastructure and capital funded elements of the expansion plan to be delivered between 2017/21. As at 1st Quarter 2020 ten of the fourteen 1140 hours expansion projects have been completed with the remaining projects at various stages of construction/procurement.

The School Estate funding model also includes a lifecycle fund designed to address maintaining the condition and suitability of the revitalised estate. The fund allocations are profiled such that the initial allocation of circa £400K in 2014/15 increases to just below £2m in 20/21 with further projected increases over time (subject to capital funding constraints and budget setting process). The lifecycle works address the on-going requirement for investment in the estate to maintain the overall condition of the assets at a good/satisfactory level. The allocation of this funding is based on annual review of the externally procured condition surveys and physical inspection of the various properties by the Council's Property Service. The most recent external condition surveys were undertaken via Aecom between October and November 2019 with all reports now submitted and currently under review by Property Services. These surveys and Property Services assessment will inform the allocation of future lifecycle funding across the estate and this will become increasingly important in the coming years, particularly for the properties that were included early in the original programme.

A wider Learning Estate Review and strategy is now required to address the next 10 years and future of the Learning Estate. Work has commenced on this in respect of roll projection analysis and assessment of the possible impacts of the new Local Development Plan and potential new housing provision. The new strategy will also include a full review of the Condition of the estate from the most recent external surveys and all suitability surveys will also be revisited. The review will also afford an opportunity to assess elements such as ICT and Energy efficiency.

3.6 **Office AMP**

The Council's Office rationalisation proposals were originally presented and approved in September 2010. Linked with this was the prior approval in March 2010 for the development of a Customer Service Centre within Greenock Municipal Buildings designed to transform the way the Council communicates with its customers. The programme is part of a wider programme to modernise the Council's operations and working practices which includes initiatives such as mobile and flexible working, electronic document management (EDRMS) and greater use of technology. The Offices Asset Management Plan (AMP) was taken forward on the premise that fewer desks than Employees would be provided. At September 2010 the Council had 1,014 occupied desks. It was proposed that by the end of the process of rationalisation 725 desks would be required with a notional 730 desks approved. The final projects within the Offices AMP were completed in Autumn/Winter 2017. To date the Office Rationalisation programme has resulted in a reduction of circa 40% of occupied floor space with an increased potential desk space ratio through more efficient use of space across the same number of retained properties.

With the completion of the Office rationalisation programme, the majority of the Council's Operational Office space is now contained within the Greenock Municipal Buildings Campus. This is comprised of the main Municipal Buildings (including the refurbished/renovated former District Court offices), the Wallace Place Building and the James Watt Building. Property Services have undertaken studies across the Campus, both internally and through external specialist space planning consultants, with a view to identifying where possibilities exist for more efficient use of space and to address improvements where existing space is less suitable for current use and/or in poorer condition. The allocation of funding to address this next phase of Office Asset Management is currently being considered as part of the budget setting process.

The future maintenance and lifecycle requirements of this element of the Council's estate strategy will now be contained / addressed within the Operational Properties portfolio and the allowances for statutory and planned maintenance / lifecycle works funded from the annual £2m General Property Service capital allocation monitored through the Environment & Regeneration Committee.

3.7 **Depot AMP**

The Council's Depot rationalisation has involved the centralisation of Grounds, Waste and Transport at Pottery Street with a Gourock Civic Amenity site and the Building Service Unit (BSU) currently remaining at Devol Depot. The plan has been progressed to an advanced stage with the completion of the salt barn, civic amenity site vehicle maintenance facility / offices fuel and vehicle wash facilities and the refurbishment of the corner depot building and offices all now complete at Pottery Street by 2nd Quarter 2019.. The original Depot Asset Management Plan budget was £13m however the development of the masterplan led to refinement of the strategy and proposals with reviews of phasing and scope (last major review carried out in 1st quarter 2015 realising a further £1m saving). The current outturn cost for the Depot AMP is projected at £10.2m. The final element of the Depot AMP involving the Gourock Civic Amenity facility has been reviewed with a revised proposal to relocate from Kirn Drive and provide a recycling centre only for domestic/household waste at Craigmuschat Quarry. Subject to statutory approvals it is anticipated that this final element will be completed in 2020.

3.8 **Leisure AMP**

The Council undertook a review of its key Leisure Sites prior to 2009 and brought reports forward covering a review of strategic sites and a pitches strategy, with a view to modernisation and reconfiguration of leisure provision within Inverclyde. A planned investment profile was presented to Committee in September 2009 with an initial implementation timescale of August 2012. Consultation was also undertaken with Sportscotland who allocated £1m in facilities grants, part funding specific projects at Parklea and Ravenscraig. The Leisure Strategy has now been fully implemented.

The Leisure Strategy has now been fully implemented with a number of further projects completed (Ravenscraig Activity Centre / Inverclyde Indoor Bowling / Lady Octavia Sports Centre / Boglestone Community Centre) through joint Council / Inverclyde Leisure funded projects. Plans for an indoor tennis facility at Rankin Park are also being explored through Inverclyde Leisure with a Council capital funding contribution of £500K committed. The Council and Inverclyde Leisure are also currently working together on a review of the leisure estate to inform future asset management planning.

The major maintenance and lifecycle replacement requirements of the buildings for the Leisure Estate remains with the Council and this element of the Council's estate strategy is addressed within the Operational Properties portfolio and the allowances for statutory and planned maintenance / lifecycle works funded from the annual £2m General Property Service capital allocation monitored through the Environment & Regeneration Committee. Minor day to day maintenance and 'consumables' are the responsibility of Inverclyde Leisure in accordance with the Service Level Agreement which regulates access, standards of maintenance and division of responsibilities. The allocations through this fund will be vital in the coming years to address significant elemental renewal of ageing assets.

In 2018 the Council agreed to allocate £120,000 annually to supplement the funding in the Leisure Repairs and Renewals Fund to meet the life cycle costs associated with the large 3G Pitch estate. The on-going requirements for major maintenance and lifecycle replacement of sports pitches across the Leisure Estate are addressed through the Leisure Pitches Strategy Asset Management Plan and capital allocations monitored through the Education & Communities Committee. Condition surveys were undertaken via external specialists in late 2019 across the Leisure and

School Estate pitches to inform a review of the Asset Management Plans and lifecycle replacement allowances. This information together with data on individual pitches hours of use from Inverclyde Leisure will allow a review of plans and update report to the relevant Committees in 2nd Quarter 2020

3.9 **Roads AMP**

The Council approved a comprehensive Roads Asset Management Plan (RAMP) and funding model in August 2012. The original budget allocation was £17m based on a three year budget set in February 2013. This was increased to £29m to be invested over the five year period 1 April 2013 to 31 March 2018. A further investment in line with an updated RAMP was agreed in 2019 for the period to 31 March 2023

The RAMP has been ongoing since 2013, some 53% of carriageways have been treated; this gives rise to a continued reduction in the Road Condition Indictor (RCI) for carriageways, as follows:

	SRMCS Survey Results			
Year	**Red**	**Amber**	**Green**	**RCI**
2011/13	13.55	35.42	51.0	**49.0**
2012/14	12.69	36.55	50.8	**49.2**
2013/15	10.80	35.47	53.7	**46.3**
2014/16	10.11	33.18	56.7	**43.1**
2015/17	8.57	31.96	59.5	**40.5**
2016/18	7.09	30.80	62.1	**37.9**
2017/19	7.44	30.02	62.5	**37.5**
2018/20	7.41	29.88	62.7	**37.3**

Inverclyde Council was named the UK's most-improved performer for roads, highways and winter maintenance as part of the 2015 Association for Public Service Excellence (APSE) Performance Networks Awards.

3.10 **Vehicle AMP**

The purpose of the Vehicle AMP is to provide the Council with an efficient, flexible method of procuring and operating fleet items that reflects good fleet management practice plus a cyclical replacement of fleet assets over a 5 or 7 year cycle dependant on fleet category taking advantage of public sector collaborative procurement frameworks.

In addition it led to the introduction of a dedicated Fleet Management System and Fleet Tracking System. Without a fleet asset management plan the Council would experience a return to inefficient practices including increased fleet downtime, an increase in expensive 'spot' hire vehicles, a requirement to increase workshop staff levels and an increase in both material and sub-contractor costs.

Looking to the future the Vehicle AMP will continue taking advantage of the latest technological advances both in terms of vehicle and management/telematics systems driving forward efficiencies within the fleet asset management plan.

Taking advantage of bridge funding from Transport Scotland and technological advances allowing greater battery range has allowed a significant increase in the number of Ultra Low Emission Vehicles (ULEVs) on the Council fleet. The vehicle categories consisting cars, people carriers and vans up to 2500kg Gross Vehicle Mass (GVM) accounts for 50 vehicles. In 2017/18 there were 4 pure electric ULEVs accounting for 8% of fleet vehicles within these categories. Within the same categories in 2019/20 the Council now has 30 pure electric ULEVs accounting for 60%. It is anticipated based on current technologies that this figure will rise to 41 by 2021/22 accounting for 82% of the Councils fleet of light commercial vehicles. The Council is well placed to provide service users with a continuity of service whilst meeting the Scottish Government target of ending the sale of new petrol or diesel cars and light vans in Scotland by 2032.

The technology to further introduce ULEVs into the medium and heavy commercial fleet is developing quickly and the continued funding of the Vehicle AMP will allow the Council to take advantage of these new technologies. In conjunction with this, consideration will require to be given to significant infrastructure requirements given the power requirements to charge large commercial vehicles, particularly when being charged at the same time in one central hub such as the Pottery Street depot.

3.11 Open Spaces AMP

The Council has also developed an initial Open Space AMP which incorporates Burial Grounds and the Crematorium. Given the wide range and nature of the assets covered and the piecemeal nature of some of the investment, the preparation of a detailed AMP has proven to be challenging. Based on the information to date an annual capital sum of £200,000 is allocated for general lifecycle maintenance.

In addition the Council has agreed to allocate over £3.0 million over the next 2 years to expand Burial Grounds provision and replace the Council's cremators. The identification of appropriate ground for burials will present challenges for the Council in the medium/longer term.

3.12 ICT Asset Plan

The ICT Asset Management Programme delivers a modern ICT infrastructure providing the most appropriate level of equipment, at best value to the Council across all of Inverclyde Council's Offices and Schools. It aims to allow staff to undertake their roles and responsibilities in as efficient a manner as possible and provide teachers and pupils with modern and sustainable learning technologies. The ICT AMP has an annual budget of £0.36m.
In line with the best practices for ICT Asset Management, the physical lifecycle of an ICT Asset has two distinct phases:

- Planning & Procurement
- Lifecycle & Disposal

ICT implements a six year desktop and laptop refresh strategy. The 2019/20 refresh programme is replacing 907 devices and has three main areas of activity – Corporate Equipment within Greenock Municipal Buildings, HSCP Staff fin Hector McNeil House and replacement of Technical PCs within the secondary School Estate:

Location	No of Devices
GMB	279
HSCP	324
Schools (Technical)	304
Total	907

.
The total number of devices in the programme is 5729

	Desktop PCs	Notebook PCs	Tablet PCs	Total
Schools	2893	1131	42	4066
Corporate	936	610	117	1663
Total	3829	1741	159	5729

The programme also includes provision for replacement of core ICT equipment such as network storage, servers and infrastructure.

3.13 Scheme of Assistance

Section 72 of the Housing (Scotland) Act 2006 requires Local Authorities to prepare and make publicly available a statement which sets out the Council's approach to providing householders with advice and/or assistance on how to repair, improve, maintain or adapt their home.
The 2006 Act paves the way for applications for assistance with adaptations to be treated

separately from applications for assistance with repairs and includes a general duty to provide financial assistance to make a house suitable for a disabled person.
All eligible adaptation works will receive a minimum of 80% grant assistance or, at the discretion of the Council, 100% grant can be awarded.

The provision of a Care and Repair/Small Repairs Service who assist eligible applicants with the grant process and progression of adaptation works. Care and Repair operate a small repairs service for plumbing, electrical, joinery and general household jobs. The services are available to homeowners and tenants in the private sector who are either disabled or are over 60 years of age.

Year	Number of Homes Adapted	Small Repairs Provided
15/16	174	1705
16/17	181	1587
17/18	171	1701
18/19	195	1582

3.14 **HSCP Asset Management**

A review of HSCP properties including opportunities for reconfiguration of services to support co-location is currently underway as part of the formulation of a HSCP Property Asset Management Plan. A number of shared service offices have been addressed as part of the Offices Assets Management plan and consolidation within the Hector McNeil House building completed in 2014

Significant further asset areas are already being addressed via proposals agreed in respect of the phased re-provisioning of Inverclyde's Children's Residential Services with one new unit (Kylemore) completed in March 2013, a further unit (Cardross) completed in January 2018 and the final unit (Crosshill) currently under construction to complete in 2nd Quarter.

Two further significant HSCP projects secured Scottish Government funding support with a new Adult and Older People Complex Care Beds facility (Orchard View) completed in summer 2017 and the new Greenock Health and Care Centre currently under construction with completion anticipated in 4th Quarter 2020. The completion of the new Health and Care Centre will facilitate further shared service / joint working with the business case predicated on the basis that the existing NHS owned Greenock Health Centre, Boglestone Clinic, Larkfield Child & Family Centre (CAMHS) Building, and Cathcart Centre, which are not fit for purpose, will be disposed of once the new facility becomes operational.

The Strategic Review of Services for Adults with Learning Disabilities in Inverclyde was signed off by the Integration Joint Board in December 2016. As part of the Service redesign, a number of properties historically used by the service have been decommissioned with flats at Lynedoch Street and Hope Street vacated and released back to the relevant RSL's. Golf Road was vacated in June 2018 and the McPherson Centre decommissioned in September 2018 with full integration into the Fitzgerald Centre following work within the Fitzgerald Centre to upgrade personal care facilities, storage and sensory areas undertaken over summer 2018. The longer term plan remains for a new build Day & Social Community Hub with business case now prepared and final proposals subject to approval.

Two other specific property issues remain for Health & Social Care around the future of the Centre for Independent Living store and the continued lease of the Unpaid Work Unit at Kingston Industrial Estate.

Day to day investment in the HSCP buildings is funded from the general Property AMP but the funding for transformational change in service delivery requires to be funded elsewhere. For the Children's Houses, funding came from a combination of prudential borrowing funded by service savings, reserves and core capital grant. The new Day & Social Community Hub will be funded by prudential borrowing subject to approval as part of the budget setting process.

3.15 **City Deal**

Although not a specific Asset Management Plan the Council does have major investment plans in relation to the Glasgow Region City Deal which has a £1.13 billion Capital Infrastructure investment programme covering the 8 Local Authorities in the Glasgow City region. Inverclyde Council currently has 3 projects in various stages of development with an estimated Capital cost of £22.4 million.

It is currently anticipated that over £20million million of this investment will be funded by grant from the Scottish and UK Governments which is due to be paid over a 20 year period ending in 2035. Due to the timing difference between the Council incurring expenditure by 2023 and the receipt of grant, the Council will require to finance the cashflow implications as well as loan charges in relation to the Council's projected £1.3 million contribution.

The funding for this has been allowed for in the Council's recurring Revenue Budget and forms a specific appendix within the Financial Strategy.

4.0 THE CAPITAL PROGRAMME

4.1 The Council traditionally approves a rolling three year Capital Programme each budget cycle. The March 2020 budget cycle brings the current Capital Programme up to 2022/23.

4.2 Annual capital budget allocations are provided for investment in the core assets identified via the Asset Management Plans with these allocations intended to maintain the existing assets to acceptable standards. The allowances do not generally allow for expansion or replacement of existing assets which would normally be addressed through specific investment proposals.

4.3 Current annual allocations amount to £9.243m (see table below) This amount includes the increased allocation to Roads to deliver the RAMP as well as an ongoing Life Cycle Maintenance allowance for School Estate.

Recurring annual Grant Allocations:

ICT	£0.363m
Roads (RAMP)	£3.000m
Zero Waste Fund	£0.060m
Parks & Open Spaces	£0.200m
Property	£2.000m
Scheme of Assistance	£0.500m
Leisure Pitches	£0.120m
School Estate	£3.000m
Total Annual allocations	£9.243m

General Capital Grant in 2020/21 £6.174m

Following the unexpected 25% reduction in capital grant announced in February, 2020 the 2020/21 General Capital Grant is approximately £3.0 million short of the ongoing Asset Maintenance requirement... For 2021/22 and 2022/23 it is anticipated that while the Grant settlement may be higher than in 2020/21 the annual shortfall is likely to be in the region of £2.0m This would require to be funded from either capital receipts, revenue reserves and prudential borrowing or investment requires to be reduced.

4.4 Other investment includes the Vehicle Replacement Programme however this is funded via the specific funding models and is not reliant on the General Capital Grant. In addition specific investment proposals are considered either as part of the budget setting process or via reports to Service Committees. Any such proposals would require to be funded by way of prudential borrowing and/or one off allocations from reserves.

4.5 Specific capital grant awards are also included in the programme, currently there is significant time limited Specific Grant funded investment in Early Learning & Child Care. In addition, grants are received on an annual basis from Strathclyde Partnership for Transport, Sustrans and Cycling, Walking & Safer Streets.

4.6 In recognition of potential increase in resources or cost reductions the Council will overprovide by up to 5% against available resources. It needs to be borne in mind that if extra resources or cost reductions do not occur then savings will be required.

4.7 A summary of the proposed 2020/23 Capital Programme is shown below. This was approved by the Council in March 2020.

Proposed Capital Programme 2020/2023

Expenditure/Projects by Committee	2020/21 £m	2021/22 £m	2022/23 £m	Totals £m
Policy & Resources	0.254	0.423	0.423	1.1
Environment & Regeneration	11.197	15.682	7.050	33.929
School Estate	6.677	4.387	2.759	13.823
Education & Communities	0.245	1.11	1.927	3.282
HSCP	0.136	3.95	3.5	7.586
	18.509	25.552	15.659	59.720
Financed By				
Government Grant	6.174	7.1	7.1	20.374
Sales/Contributions	0.543	0.148	0.095	0.786
Other Income	1.717	0.019	0	1.736
Revenue	4.883	0.26	1.018	6.161
Prudential Borrowing	2.169	5.981	3.942	12.092
Resources Carried Forward	15.808	0	0	15.808
	31.294	13.508	12.155	56.957
Shortfall in Resources				2.763
Recommended maximum overcommitment (5% of Resources)				2.848
Flexibility				-0.085

5.0 DEBT AND FIXED ASSETS

5.1 One objective of the Capital Strategy is to demonstrate the sustainability and affordability of its capital expenditure and investment plans. Much of the affordability assessment depends on the Council's Treasury Strategy. The period of the Treasury Strategy is currently four years and one positive development arising from the creation of a Capital Strategy will be to align the timescales for the Treasury Strategy, Investment Strategy and Capital Programme.

5.2 A key requirement of the Treasury Strategy is to set the Prudential Indicators which will determine limits around borrowing, investment and affordability and thereafter feeds directly into the Revenue Budget process. The Treasury Strategy is considered by the Policy & Resources Committee in March and thereafter the Council.

5.3 There are 3 distinct areas where it is important that the inter relationships are highlighted as these are at the heart of understanding the Council's overall approach to capital investment and long term financial planning.

Loan Charges/Loan Fund Debt – Loan Charges records are the Council's internal record of capital investment. Sums incurred are currently written down on annuity basis using the expected life span of the asset created/work carried out. The Loan Charges records allocate the capital incurred against the asset created/improved.
Loan Charges are an internal calculation and no money leaves the Council but it is Loan Charges which form the charge to the Revenue Budget as a proxy for depreciation.

External Debt- To fund capital works the Council will in many cases have to borrow funds. The traditional route for local government remains to borrow from the Public Works Loan Board (PWLB) but a significant amount of borrowing has also been carried out from other lenders and this is referred to as Market Debt. Interest is paid on these loans throughout the year and these costs form the basis of the calculation of the loan charges interest rate.

Balance Sheet Fixed Assets - As part of the statutory Annual Accounts the Council prepares a Balance Sheet and the largest sum within this is the value of assets held by the Council. Assets are revalued on a rolling basis every 5 years although adjustments can be made in the interim in the event of a material impact on the assets value. Depreciation is applied to the assets prior to inclusion on the Balance Sheet. Depreciation does not form part of the revenue budget and is reversed out of the accounts when calculating the Council's available Usable Reserves.

The financial position of these three areas is explained further in the following paragraphs.

5.4 **Loan Fund Debt**

The Council is coming to the end of a significant period of ambitious investment in the School Estate, Leisure Estate and the Office and Depot Estate. This has seen a significant increase in the Council's Loan Debt over the last ten years and projections indicate that the Loan debt will peak at approximately £242 million in 2021/22 but on the basis of limited prudential borrowing in future years the loan debt will reduce to around £191 million by 2029/30. Thereafter the debt gradually reduces and by 2040 there is only £116 million of the current debt outstanding.

5.5 **External Debt**

The Council's external borrowing as at 19th February 2020 was:-

PWLB Debt	£104.1 million
Market Debt	£ 99.6 million
	£203.7 million

The bulk of these loans are Maturity Loans i.e.: principal is due to be repaid at the point that the loan matures, with some £41.5 million of the PWLB Debt due to be repaid by 31st March 2030. Thereafter however there is a 25 year period where under £18 million is due to mature unless called in by the market lenders or the Council restructures its PWLB debt.

Taking 5.4 and 5.5 together then by 2028, on the basis of the Capital Expenditure plans outlined in this Strategy, the External Debt will exceed Loans Fund Debt. By 2040 the amount of External Debt would exceed Loan Charges Debt by £35 million if nothing else changes and this over borrowing would continue to grow over subsequent years.

5.6 **Balance Sheet Fixed Assets**

At the 31st March 2019 the Council owned property plant and equipment assets valued at £390million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £492million. This figure is significantly larger than the previous two figures as the Asset Value represents the fair value of the asset with assets revalued on a 5 yearly basis.

The average Asset Life Outstanding as at 31.3.19 for the different category of assets is shown the undernoted table. From this it can be seen that for the 3 main non-PPP asset categories, the average remaining life is approximately 22.8 years. At a high level this shows a correlation between the remaining life of the main assets in the balance sheet and the Loans Fund Debt.

	Average	
	Asset Life	Asset Life Outstanding
AUC	55.4	54.92
Community Asset	34.46	25.47
Infrastructure	30.05	19.12
OLB	29.75	23.80
PPP	34.80	31.07
VPE	6.34	2.75

It should be noted that the Asset Life Outstanding is reviewed at each valuation and provided the Council is undertaking appropriate maintenance and investment then the life will be extended thus ensuring that Asset values continue to exceed Long Term Borrowing in the Balance Sheet. In tandem with this the Policy & Resources Committee approved a Loan Charges repayment Policy in 2019 which extended the write off period for some classes of capital work. The net effect has been to spread loan charge payments over a longer period.

5.7 In summary therefore, in order for the Council to maintain its considerable asset base, it will need to undertake capital investment over and above the projected Scottish Government Grant/Capital Receipts. As such the Council will always carry Loans Fund Debt and External Debt. In order to ensure that the Council achieves a closer correlation between Loan Debt and External Debt in the longer term, the majority of new borrowing will be carried out for short to medium term periods i.e. up to 10 years.

6.0 LONGER TERM INVESTMENT PLANS

6.1 It can be seen from Section 4 of the Capital Strategy that it is unlikely that Government Grant and estimated Capital receipts will be sufficient to meet the required investment levels for the Council to maintain its current asset base. The current Financial Strategy assumes that the Council will prudentially fund £1.4 million of capital investment annually from 2023/24. Any prudential borrowing over and above this will need to be funded from savings delivered by the investment. This will require the Council takes a conscious decision to both disinvest in certain assets and reduce the number of assets it holds.

6.2 It should be noted that this level of investment takes no account of any one off Capital investment requirements not included in the core life cycle maintenance allocations. Any such investment requirements will be flagged up in the relevant Asset Management Plans and following consideration as part of the normal governance processes would be factored into future Capital Strategy reports.

6.3 Appendices B and C show the impact of this level of capital investment on the Loan Charges earmarked reserve, loan charges and loan debt for the period to 2039/40. From Appendix C it can be seen that projected Loan Charges would drop by almost £2.9 million between 2020/21 and 2029/30 whilst over the same period the Loan Debt will drop by £42 million.

6.4 Despite the ongoing need for prudential borrowing the Council will see a reduction in the proportion of its Revenue Budget which is spent on servicing loan charges and also a significant reduction in the ratio of loan debt to revenue budget. From Appendix C it can be seen that the Loan Debt as a percentage of Revenue Budget drops by almost 22% over the 2020/30 period, whilst the % of the Revenue Budget spent on Loan Charges drops by 1.6% to 9.05%

6.5 Looking beyond 2030 involves a significant amount of uncertainty around both the funding of Local Government, the services which it will be expected to deliver and the nature of those services. However based on past investment and current service delivery then many of the assets built or significantly refurbished since local government re-organisation will become due for replacement/refurbishment. The Council will therefore require to consider how this massive investment would be funded as part of future Capital Strategies.

7.0 CONCLUSIONS

7.1 The Capital Strategy provides an opportunity for a number of related aspects of the Council's overall finances to be pulled together into a summarised document. From this it can be seen that:

a) The Council is well advanced in its Asset Management Plan preparation and delivery with major investment in all aspects of its asset estate over the last 10 years or more.
b) The Council keeps a long term view of its long term borrowing and funding and this informs the current Treasury Strategy.
c) The Council has a robust governance process via the Financial Regulations, Prudential Code, Risk Management and Budget Process to ensure that Asset Management Plans and the Capital Strategy are affordable in the medium to longer term.

The current proposals within the Capital Strategy are affordable and can be met from the current Loan Charges allocation without further cost to the Council Tax payer.

7.2 The Capital Strategy emphasises the need for the Council to take a long term view when taking decisions around Capital investment and specifically to ensure that investment plans are appropriate and financially sustainable in the longer term. The annual production and updating of the Capital Strategy allied to the Treasury Strategy, Capital Programme approval and Financial Strategy will all ensure that the Council are able to take Capital investment decisions in the knowledge of the long term implications.

The area of Treasury and Capital investment requires risks to be continually managed and monitored. Part of this is covered in the Governance Section (Section 2), however the following paragraphs list other risks and how the Council manages these. The risks are shown in bold with the mitigation in normal typeface.

1/ **The Capital Strategy does not reflect the objectives set out in other strategic plans of the Council.**

The Capital Strategy provides a high level overview of the various Asset Management Plans, Financial Strategy and Treasury Strategy all of which closely link to the plans the Council has signed up to. It is acknowledged that there will inevitably be other financial investment requirements over the next 20 years not quantified at this point in time however the Capital Strategy will be updated as further information becomes available regarding these strategic plans.

2/ **The directorate planning process will identify a range of additional budget pressures over and above those currently considered in this Financial Strategy.**

The Directorate Planning Guidance identifies that Corporate Directorate Improvement Plans (CDIP) should reflect the resources allocated – the need for additional resources to achieve a particular priority should be specifically identified via the Council's approved governance processes prior to the preparation of the CDIP.

3/ **Forecasts within the Capital Strategy are not accurately determined or reviewed on a regular basis**.

The Capital Strategy will set out the expected levels of expenditure and income for the future. The forecasts are arrived at through careful consideration of historic trends and current AMP investment levels plus advice on interest rates and borrowing costs from the Council's Treasury Advisors.

Throughout the financial year, the Council regularly monitors its financial performance against its capital and treasury budgets and will revise projections and/or take action where necessary.

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4/ **The Council has insufficient capital resources to sustain capital commitments**.

The combination of reduced funding and the economic position mean that the Council has to focus on maintaining key infrastructure whilst utilising prudential borrowing for specific capital projects.

Regular review of existing Asset Management Plans and Policy Priorities ensures that the Council's investment plans remain affordable. The Council is in regular contact with its Treasury Advisors to identify opportunities to reduce Treasury costs within the parameters of the Prudential Indicators.

5/ **Given the major Global Economic uncertainty the Council is exposed to major fluctuations in the financial markets**

The Council' Treasury and Investment Strategy supported by the associated Treasury Management Policies and Prudential Indicators provides a robust framework within which officers operate to ensure that the Council is not materially exposed to short term fluctuations in the financial markets.

Capital Strategy
Loan Charges

Appendix b

		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	4,036	1,375	1,596	1,155	854	986	1,117	1,342	1,523	1,711	2,194
Projected Loan Charges	a	13,725	14,006	10,174	10,536	10,496	10,163	10,264	10,270	10,414	10,507	10,312	10,157
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)		(2,050)	(2,661)	221	(441)	(301)	132	131	225	181	188	483	738
Other Adjustments:													

Balance at Year End		**4,036**	**1,375**	**1,596**	**1,155**	**854**	**986**	**1,117**	**1,342**	**1,523**	**1,711**	**2,194**	**2,932**
Interest Rate (Assumed):		3.55%	3.57%	3.67%	3.55%	3.60%	3.60%	3.70%	3.80%	3.95%	4.00%	4.15%	4.25%

Notes

Revised projections as at February 2020 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 Includes loan charges for new LD Centre based on spend between 2021/22 and 2022/23.
£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.

Appendix c

LONG TERM LOANS FUND PROJECTIONS BASED ON CAPITAL STRATEGY

	Loans Fund Debt End of Year	Total Loan Charges	Assumed Interest Rate	Revenue Stream	% of Loans Fund Debt to Revenue Stream	% of Loan Charges to Revenue Stream
	£000	£000	£000	£000		
2019/20	239,956	20,636	3.55%	196,287	122.25%	10.51%
2020/21	233,449	20,985	3.57%	197,275	118.34%	10.64%
2021/22	242,410	17,298	3.67%	196,275	123.51%	8.81%
2022/23	240,168	17,810	3.55%	195,275	122.99%	9.12%
2023/24	233,199	17,818	3.60%	194,275	120.04%	9.17%
2024/25	226,758	17,557	3.60%	195,175	116.18%	9.00%
2025/26	221,508	17,764	3.70%	196,175	112.91%	9.06%
2026/27	214,482	17,857	3.80%	197,175	108.78%	9.06%
2027/28	206,915	18,080	3.95%	198,175	104.41%	9.12%
2028/29	198,963	18,194	4.00%	199,075	99.94%	9.14%
2029/30	191,273	18,110	4.15%	200,175	95.55%	9.05%
2030/31	184,741	18,035	4.25%	201,275	91.79%	8.96%
2031/32	177,081	18,033	4.35%	202,475	87.46%	8.91%
2032/33	169,721	17,719	4.40%	203,675	83.33%	8.70%
2033/34	161,914	17,704	4.50%	204,875	79.03%	8.64%
2034/35	153,728	17,996	4.65%	206,175	74.56%	8.73%
2035/36	146,141	18,023	4.75%	207,475	70.44%	8.69%
2036/37	138,298	16,880	4.95%	208,775	66.24%	8.09%
2037/38	130,751	16,537	5.15%	210,175	62.21%	7.87%
2038/39	123,491	16,516	5.35%	211,575	58.37%	7.81%
2039/40	116,051	16,619	5.60%	212,975	54.49%	7.80%

Note: Revenue Stream is estimate of GRG/NDRI plus Council Tax.

PERMITTED INVESTMENTS
AND RISKS/CONTROLS/OBJECTIVES FOR EACH TYPE OF PERMITTED INVESTMENT

The Council approves the following forms of investment instrument for use as Permitted Investments:

	Minimum Credit Criteria	**Liquidity Risk**	**Market Risk**	**Max % of Total Investments**	**Max. Maturity Period**
Deposits					
Debt Management Agency Deposit Facility (DMADF)	---	Term	No	Unlimited	6 Months
Term Deposits – Local Authorities	---	Term	No	80%	2 Years
Call Accounts – Banks and Building Societies	Link Colour Category GREEN	Instant	No	Unlimited	Call Facility
Notice Accounts – Banks and Building Societies	Link Colour Category GREEN	Notice Period	No	80%	6 Months
Term Deposits – Banks and Building Societies	Link Colour Category GREEN	Term	No	95%	2 Years
Deposits With Counterparties Currently In Receipt of Government Support / Ownership					
Call Accounts – UK Nationalised/ Part-Nationalised Banks	Link Colour Category BLUE	Instant	No	Unlimited	Call Facility
Notice Accounts – UK Nationalised/ Part-Nationalised Banks	Link Colour Category BLUE	Notice Period	No	80%	6 Months
Term Deposits – UK Nationalised/ Part-Nationalised Banks	Link Colour Category BLUE	Term	No	95%	1 Year
Securities					
Certificates of Deposit – Banks and Building Societies	Link Colour Category GREEN	See Note 1 Below	See Note 1 Below	80%	2 Years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Money Market Funds (CNAV or LVNAV)	AAAmmf with Fitch or equivalent with Moody's/ Standard & Poor's	See Note 2 Below	See Note 2 Below	50%	Call Facility

Notes:
1. The Liquidity Risk on a Certificate of Deposit is for the Term of the Deposit (if the Certificate is held to maturity) or the Next Banking Day (if sold prior to maturity). There is no Market Risk if the Certificate is held to maturity, only if the Certificate is sold prior to maturity (with an implied assumption that markets will not freeze up and so there will be a ready buyer).
2. The objective of Money Market Funds is to maintain the value of assets but such Funds hold assets that can vary in value. The credit ratings agencies, however, require the unit values to vary by almost zero. CNAV funds are Public Debt Constant Net Asset Value funds whilst LVNAV funds are Low Volatility Net Asset Value funds. There are also Variable Net Asset Value funds (VNAV) but these are not to be included as Permitted Investments.

Investments will only be made with banks/building societies that do not have a credit rating in their own right where the Council's treasury advisers have confirmed that any obligations of that bank/building society are guaranteed by another bank/building society with suitable ratings.

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

Non-Treasury Investments

In addition to the table of treasury investments above, the definition of "investments" under the Investment Regulations includes the following items:

"(a) All share holding, unit holding and bond holding, including those in a local authority owned company, is an investment.
(b) Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment.
(c) Loans made to third parties are investments.
(d) Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975 are not investments.
(e) Investment property is an investment."

The Council approves items in categories (a), (b), (c), and (e) above as Permitted Investments as set-out below:

	Minimum Credit Criteria	Liquidity Risk	Market Risk	Max % of Total Investments	Max. Maturity Period
Non-Treasury Investments					
(a) Share holding, unit holding and bond holding, including those in a local authority owned company	Assessment would be made of company in which any holding was to be made	Period of holding	Yes	10%	Unlimited
(b) Loans to a local authority company or other entity formed by a local authority to deliver services	Assessment would be made of company or entity to which any loan was to be made	Period of loan	No	20%	Unlimited
(c) Loans made to third parties	Assessment would be made of third party to which any loan was to be made	Period of loan	No	25%	Unlimited
(e) Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	10%	Unlimited

In relation to the above, Members should note that the Council is unlikely to become involved with category (a), has a loan under category (b) (to Inverclyde Leisure), will have loans to third parties under category (c) arising from decisions on such loans made by the Council, and may have investment property under category (e) should there be a reclassification, due to accounting rules, of individual properties held by the Council.

Permitted Investments – Common Good

The Common Good Fund's permitted investments are approved as follows:

	Minimum Credit Criteria	Liquidity Risk	Market Risk	Max % of Total Investments	Max. Maturity Period
Funds deposited with Inverclyde Council	---	Instant	No	Unlimited	Unlimited
Share holding, unit holding and bond holding, including those in a local authority owned company	Assessment would be made of company in which any holding was to be made	Period of holding	Yes	10%	Unlimited
Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	95%	Unlimited

Treasury Risks Arising From Permitted Instruments

All of the investment instruments in the above tables are subject to the following risks:

1. **Credit and counter-party risk**
   This is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the Council particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA-rated organisations have a very high level of creditworthiness.

2. **Liquidity risk**
   This is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. The column in the above tables headed as 'market risk' show each investment instrument as being instant access, notice period i.e. money is available after the notice period (although it may also be available without notice but with a loss of interest), or term i.e. money is locked in until an agreed maturity date.

3. **Market risk**
   This is the risk that, through adverse market fluctuations in the value of the principal sums that the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long term increase in value.

4. **Interest rate risk**
   This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Prudential Indicators and Treasury Management Indicators in this report.

5. **Legal and regulatory risk**
   This is the risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

   The risk exposure of various types of investment instrument can be summarised as:
   - low risk = low rate of return
   - higher risk = higher rate of return.

   For liquidity, the position can be summarised as:
   - high liquidity = low return
   - low liquidity = higher returns.

Controls on Treasury Risks

1. **Credit and counter-party risk**
   This Council has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes.

2. **Liquidity risk**
   This Council undertakes cash flow forecasting to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk**
   The only investment instruments that the Council has agreed as Permitted Investments and that can have market risk are Certificates of Deposit. Although they have a market value that fluctuates, the market risk does not arise if the Certificates are retained until maturity - only if they were traded prior to maturity if the need arose.

4. **Interest rate risk**
   This Council manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or, alternatively, seeks to minimise expenditure on interest costs on borrowing.

5. **Legal and regulatory risk**
   This Council will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations.

Unlimited Investments

Investment Regulation 24 states that an investment can be shown in the above Permitted Investments tables as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category:

1. Debt Management Agency Deposit Facility (DMADF)
   This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's credit rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government-issued treasury bills or gilts.

2. High Credit Worthiness Banks and Building Societies
   See paragraphs 7.17 to 7.23 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will seek to ensure diversification of its portfolio with the following limits:
   - Limit for any single institution (except Council's bankers): £15m
   - Limit for Council's bankers: £50m (or as approved by the Council or Committee)
   - Limit for any one group of counterparties: £30m (£50m or as approved by the Council or Committee for the group including the Council's bankers).

3. Funds Deposited with Inverclyde Council (for Common Good funds)
   This has been included so that, under the Permitted Investments, all funds belonging to the Common Good can be deposited with Inverclyde Council (and receive interest from the Council) rather than requiring the Common Good funds to be invested under separate Treasury Management arrangements.

Objectives of Each Type of Investment Instrument

Investment Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being ‘permitted’:

1. Deposits

   The following forms of ‘investments’ are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date, or until the end of an agreed notice period, or is held at call.

   a) Debt Management Agency Deposit Facility (DMADF)

      This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. It is, however, very useful for authorities whose overriding priority is the avoidance of risk. The longest term deposit that can be made with the DMADF is 6 months.

   b) Term deposits with high credit worthiness banks and building societies

      See paragraphs 7.17 to 7.23 for an explanation of this authority’s definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Council will seek to ensure diversification of its portfolio of deposits as practicable and as explained above. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

   c) Notice accounts with high credit worthiness banks and building societies

      The objectives are as for 1.b) above but there is access to cash after the agreed notice period (and sometimes access without giving notice but with loss of interest). This can mean accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit.

   d) Call accounts with high credit worthiness banks and building societies

      The objectives are as for 1.b) above but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

2. Deposits With Counterparties Currently In Receipt of Government Support/Ownership

   These institutions offer another dimension of creditworthiness in terms of Government backing through either direct (partial or full) ownership or the banking support package. The view of this Council is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view even if the UK sovereign rating were to be downgraded in the coming year.

   a) Term deposits, notice accounts and call accounts with high credit worthiness banks which are fully or semi nationalised

      As for 1.b), 1.c) and1.d) above but Government ownership implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This Council considers that this indicates a low and acceptable level of residual risk.

3. Securities

   a) Certificates of Deposit

      These are shorter term investments issued by deposit taking institutions (mainly banks) so they can be sold if the need arises. However, that liquidity (and flexibility) comes at a price so the interest rate on a Certificate of Deposit is less than placing a Term Deposit with the same bank.

4. Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)
   a) Money Market Funds (MMFs)
   By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.

5. Non-Treasury Investments
   b) Share holding, unit holding and bond holding, including those in a local authority owned company
   The objectives for the holding of shares, units, or bonds (including those in a local authority owned company) will vary depending on whether the Council wishes to undertake actual investments in the market or has the holding as a result of a previous decision relating to the management or provision of Council services. This Council will not undertake investments in the market in shares, units, or bonds but may, if required, hold shares, units, or bonds arising from any decisions taken by the Council in relation to the management or provision of Council services.

   c) Loans to a local authority company or other entity formed by a local authority to deliver services
   Having established a company or other entity to deliver services, a local authority may wish to provide loan funding to assist the company or entity. Any such loan funding would be provided only after consideration of the reasons for the loan, the repayment period for the loan, and the likelihood that the loan would be able to be repaid by the company or entity. Such loan funding would be provided from Council Revenue Reserves rather than from borrowing.

   d) Loans made to third parties
   Such loans could be provided for a variety of reasons such as economic development or to assist local voluntary groups. Any such loan funding would be provided only after consideration of the reasons for the loan, the repayment period for the loan, and the likelihood that the loan would be able to be repaid by the third party concerned.

   e) Investment property
   An investment in property would give the Council exposure to risks such as market risk (movements in property prices), maintenance costs, tenants not paying their rent, leasing issues, etc. This Council does not currently undertake investments involving property but may have investment property should there be a reclassification, due to accounting rules, of individual properties held by the Council.

Appendix 3

FORECASTS OF INVESTMENT BALANCES

Investment Regulation 31 requires the Council to provide forecasts for the level of investments for the next three years, in line with the time frame of the Council's capital investment programme. The following forecasts are for the next four years:

INVESTMENT FORECASTS	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	Estimate	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000
Cash balances managed in house				
1 April	20,000	22,838	16,270	11,197
31 March	22,838	16,270	11,197	8,565
Change in year	2,838	(6,568)	(5,073)	(2,632)
Average daily cash balances	21,419	19,554	13,734	9,881
Holdings of shares, bonds, units (includes authority owned company)				
1 April	2	2	2	2
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	2	2	2	2
Loans to local authority company or other entity to deliver services (Inverclyde Leisure)				
1 April	442	399	356	311
Advances	0	0	0	0
Repayments	43	43	45	46
31 March	399	356	311	265
Loans made to third parties (Largely BPRA)				
1 April	2,117	1,401	110	92
Advances	4	0	0	0
Repayments	720	1,291	18	11
31 March	1,401	110	92	81
Investment properties				
1 April	0	0	0	0
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	0	0	0	0
TOTAL OF ALL INVESTMENTS				
1 April	22,561	24,640	16,738	11,602
31 March	24,640	16,738	11,602	8,913
Change in year	2,079	(7,902)	(5,136)	(2,689)

The movements in the forecast investment balances shown above are due largely to ongoing treasury management activity in accordance with the Council's treasury management strategy or, for loans made to third parties, in accordance with Council decisions made in respect of such loans.

All of the Council's cash balances are managed in-house with no funds managed by external fund managers.

The "holdings of shares, bonds, units (includes authority owned company)" relate to the Common Good.

AGENDA ITEM NO: 8

Report To:	**Inverclyde Council**	**Date:**	**24 September 2020**
Report By:	**Corporate Director Environment, Regeneration & Resources**	**Report No:**	**LP/080/20**
Contact Officer:	**Rona McGhee**	**Contact No:**	**01475 712113**
Subject:	**Treasury Management - Annual Report 2019/20 Remit from Policy & Resources Committee**		

1.0 PURPOSE

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

2.0 SUMMARY

2.1 The Policy & Resources Committee at its meeting on 11 August 2020 considered a report by the Chief Financial Officer on the operation of the treasury function and its activities for 2019/20 as required under the terms of Treasury Management Practice 6 ("TMP6") on "Reporting Requirements and Management Information Arrangements".

2.2 A copy of the report to the Policy & Resources Committee is attached as Appendix 1.

2.3 The Policy & Resources Committee decided:

(1) that the Committee notes the contents of the annual report on Treasury Management for 2019/20 and the ongoing work to seek to ensure the delivery of financial benefits for the Council during the current uncertainty and beyond; and
(2) that the Committee notes the annual report will be remitted to the Inverclyde Council for approval.

3.0 RECOMMENDATION

3.1 The Council is asked to approve the Treasury Management Annual Report 2019/20.

Gerard Malone
Head of Legal & Property Services

Inverclyde council

APPENDIX

AGENDA ITEM NO.

Report To:	**Policy & Resources Committee**	**Date**:	**11 August 2020**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/56/20/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No**:	**01475 712223**
Subject:	**TREASURY MANAGEMENT – ANNUAL REPORT 2019/20**		

1.0 PURPOSE

1.1 The purpose of this report is to advise the Committee of the operation of the treasury function and its activities for 2019/20 as required under the terms of Treasury Management Practice 6 ("TMP6") on "Reporting Requirements and Management Information Arrangements".

2.0 SUMMARY

2.1 As at 31 March 2020 the Council had gross external debt (including PPP) of £274,392,487 and investments of £29,655,497. This compares to gross external debt (including PPP) of £259,305,590 and investments of £18,915,222 at 31 March 2019.

2.2 The Council's Capital Financing Requirement at 31 March 2020 was £302,233,000. The gross external debt was £27,840,513 (9.2%) less than the Capital Financing Requirement meaning that the Council was in an underborrowed position (and remains so in 2020/21). This position is attributable to the level of cash-backed reserves held by the Council.

2.3 The Loans Fund Pool Rate for 2019/20 was lower than that in 2018/19 and at its lowest level since before Local Government reorganisation.

2.4 The average rate of return achieved on investments during 2019/20 was 0.867% which exceeds the benchmark return rate for the year of 0.634% by 0.233% and resulted in £51,300 of additional interest on investments for the Council.

2.5 The Council operated within the required treasury limits and Prudential Indicators for the year set out in the Council's Treasury Policy Statement, annual Treasury Strategy Statement, and the Treasury Management Practices.

2.6 The Covid-19 crisis has added to economic uncertainty in the UK and around the world, resulting in continuing volatility in the financial markets and uncertainty on UK interest rates. The economic situation continues to be closely monitored.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the contents of the annual report on Treasury Management for 2019/20 and the ongoing work to seek to ensure the delivery of financial benefits for the Council during the current uncertainty and beyond.

3.2 It is recommended that the Committee notes that the report will be remitted to the Full Council for approval.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20.

4.2 Treasury Management in this context is defined as: "The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

4.3 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The report also includes a section on Loan Fund Advances (section 7) which includes information required by regulations that came into effect on 1 April 2016.

5.0 ANNUAL REVIEW

5.1 The treasury management issues arising during the year were:

a. The Council's debt (including PPP) increased during the year by £15.086m whilst Council investments increased by £10.740m. The Council borrowed £32m during the year. Of this, £20m was to cover maturing debt that was repaid this year and in previous years whilst £12m was new borrowing including £2m in April 2019 at a reduced rate available for the Gourock Primary School extension and £10m of 1 year borrowing in March 2020 for additional liquidity to cover payments expected to arise due to Covid-19.

b. The Council remained within its Prudential Indicator and Treasury Management limits during 2019/20.

c. As at 31 March 2020 the Council had under borrowed against its capital financing requirement by £27.841m. This under borrowing is lower than in 2018/19 due to the borrowing undertaken in the year.

d. In November 2018 the Treasury Consultants forecast that the Bank Rate would increase from 0.75% to 1.25% during the year. The rate actually remained unchanged at 0.75% during the year until the Covid-19 crisis when, in March 2020, the Bank of England cut the Bank Rate twice in 8 days at emergency meetings, firstly by 0.50% to 0.25% and then down to 0.10% - the lowest Bank Rate ever in the UK. In addition, the Bank added a further £200bn of Quantitative Easing at the second emergency meeting.

e. PWLB rates for new borrowing were expected to increase by between 0.20% and 0.40% but rates increased by 0.15% for long-term and up to 0.45% for short-term. The PWLB added 1% to all rates from 9 October 2019. If this increase had not happened then rates would have fallen over the year. Aside from the PWLB addition to rates, the difference in rates for some loan periods between their highest and lowest levels during the year was in line with 2018/19, being 0.30% for some short-term loans but up to 0.64% for longer periods.

f. The interest rates for investments remained low during the year and fell in March 2020 with the Bank Rate cuts.

g. The Council's investments earned a rate of return of 0.867% during the year and outperformed the benchmark return of 0.634% resulting in additional income to the Council of £51,300.

h. All investments were in accordance with the Council's investment policy and no institutions with which investments were made had any difficulty in repaying those investments and interest in full during the year.

i. The Council's investment performance is due to undertaking fixed term and notice account investments at interest rates that were above the benchmark with counterparties which have high creditworthiness (the Bank of Scotland and Santander UK) and in accordance with the Council's investment strategy.

j. The Council undertook a Loan Charges review in 2019/20 which resulted in a one-off £1,411,000 revenue saving in Loan Charge principal repayments for the period to 31/3/2019 and ongoing Loan Charge repayment savings of £400,000 per year from 2019/20 to 2035/36.

5.2 During 2019/20 there was significant economic uncertainty in the UK and around the world. The Covid-19 crisis has caused additional uncertainty with the unknown economic impact (in both size and duration) on the UK and all global economies.

The economic situation continues to be closely monitored.

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

	At 31 March 2019	At 31 March 2020
	£	£
Total Excluding PPP	196,822,590	213,699,487
PPP Debt	62,483,000	60,693,000
Total Including PPP	259,305,590	274,392,487

Further detail is given in the following table:

	At 31 March 2019		At 31 March 2020		Movement 2019/20
	Principal	Rate	Principal	Rate	Principal
	£000		£000		£000
Fixed Rate Funding:					
- PWLB	97,260		114,117		16,857
- Market *	56,000		55,000		(1,000)
	153,260	3.94%	169,117	3.55%	15,857
Variable Rate Funding:					
- PWLB	0		0		0
- Market *	43,400		44,400		1,000
- Temporary #	163		182		19
	43,563	4.93%	44,582	4.86%	1,019
Total Debt (Excl PPP)	196,823	4.16%	213,699	3.82%	16,876
PPP Debt	62,483		60,693		(1,790)
Total Debt (Incl PPP)	259,306		274,392		15,086

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

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

5.4 The Council's cash balances investment position was as follows:

	At 31 March 2019		At 31 March 2020		Movement 2019/20
	Principal	Return	Principal	Return	Principal
	£000		£000		£000
Investments:					
- Fixed Term Deposits	10,000	1.00%	0	0.00%	(10,000)
- Notice Accounts	0	0.60%	10,036	0.25%	10,036
- Deposit Accounts	8,915	0.75%	19,619	0.00%	10,704
Totals	18,915	0.88%	29,655	0.08%	10,740

Investments as at 31 March 2020: £29,655,497
Maximum level of investments in 2019/20: £41,765,824 on 17 September 2019
Minimum level of investments in 2019/20: £7,145,523 on 26 July 2019
Daily average for the year 2019/20: £22,017,234

5.5 <u>2019/20 Outturn Compared to Estimates in 2019/20 Strategy</u>
The 2019/20 outturn compared to the estimates in the 2019/20 strategy:

	2019/20 Estimate	2019/20 Outturn
<u>Borrowing Requirement</u>	£000	£000
New borrowing	5,000	12,000
Alternative financing requirements	0	0
Replacement borrowing	25,000	20,000
TOTAL	30,000	32,000
<u>Prudential/Treasury Management Indicators</u>	£000	£000
Gross external debt including PPP (As at 31 March 2020)	277,456	274,392
Capital financing requirement (As at 31 March 2020)	311,820	302,233
(Under)/over borrowing against CFR	(34,364)	(27,841)
	£000	£000
Gross capital expenditure	34,226	25,805
Ratio of financing costs (including PPP) to net revenue stream	14.75%	12.63%
Ratio of net debt (debt and PPP less investments) to net revenue stream	137.0%	124.2%

5.6 The table in paragraph 5.5 above shows that the Council had under borrowed against its capital financing requirement by £27.841m. Under borrowing means that the Council is using cash it already has (e.g. in earmarked reserves and other balances) to cash flow capital expenditure and maturing debt rather than bringing in new funds from borrowing. The level of under borrowing is considered manageable but is kept under review in light of Council capital financing and other funding requirements.

5.7 2019/20 Outturn Compared to Limits in 2019/20 Strategy

The 2019/20 outturn compared to limits in the 2019/20 strategy:

	2019/20 Limits		2019/20 Outturn	
Prudential/Treasury Management Indicators				
Authorised limit for external debt	£000		£000	
• Borrowing	249,000		213,699	
• Other long term liabilities	63,000		60,693	
	312,000		274,392	
Operational boundary for external debt	£000		£000	
• Borrowing	239,000		213,699	
• Other long term liabilities	63,000		60,693	
	302,000		274,392	
Upper limit on sums invested for periods longer than 364 days (Actual is maximum in period)	£000 10,000		£000 0	
Limits on fixed and variable rate borrowing maturing in each period at 31 March 2020 (LOBOs included based on call dates and not maturity dates)	Fixed	Var.	Fixed	Var.
• Under 12 months	45%	35%	7.0%	20.9%
• 12 months and within 24 months	45%	35%	11.7%	0%
• 24 months and within 5 years	45%	35%	7.1%	0%
• 5 years and within 10 years	45%	35%	5.3%	0%
• 10 years and within 30 years	45%	35%	8.2%	0%
• 30 years and within 50 years	45%	35%	21.1%	0%
• 50 years and within 70 years	45%	35%	18.7%	0%
Council Policy Limits Maximum Percentage of Debt Repayable In Any Year (Actual is as at 31 March 2020 and relates to Financial Year 2077/78)	25%		18.7%	
Maximum Proportion of Debt At Variable Rates (Actual is as at 31 March 2020)	45%		20.9%	
Maximum Percentage of Debt Restructured In Year (Actual is as at 31 March 2020)	30%		0%	

The forecast Investment Balances for 2019/20 required for “investments” as defined in the Investment Regulations and the actual position at 31 March 2020 are shown in Appendix 1.

5.8 The Prudential Code requires that the Council states how interest rate exposure is managed and monitored.

The position in 2019/20 was that all of the Council’s PWLB debt was at fixed rates. The Market debt contained some debt at fixed rates, some small elements at variable rates and some where the rates could change (but none did). The Council’s investments, which were all for less than 1 year, were all variable or regarded as variable under the treasury management rules.

During 2019/20, these interest rate exposures were managed and monitored by the Council through management reports on treasury management that were received and reviewed by the Chief Financial Officer.

5.9 The forecast from the Treasury Consultants in the Strategy for the Bank Rate as at 31 March and the latest forecast (produced on 31 March 2020) are:

	Forecast Per 2019/20 Strategy	Actual/ Latest Forecast	
2019/20	1.25%	0.10%	(Actual)
2020/21	1.50%	0.10%	(Forecast)
2021/22	2.00%	0.10%	(Forecast)

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

Year	Loans Fund Pool Rate
2015/16	3.843%
2016/17	3.659%
2017/18	3.557%
2018/19	3.608%
2019/20	3.436%

The Loans Fund Pool Rate for 2019/20 is its lowest level since before Local Government reorganisation.

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

5.11 The Council's investment policy for the year is governed by Scottish Government Investment Regulations and was implemented in the annual investment strategy approved by the Council on 21 February 2019. This policy sets out the approach for choosing investment categories and counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks, credit default swaps, bank share prices etc.

All investments in 2019/20 and 2020/21 to date were in accordance with the policy and no institutions with which investments were made had any difficulty in repaying investments and interest in full.

5.12 The result of the investment strategy undertaken by the Council in 2019/20 is as follows:

Average Investment	Rate of Return (gross of fees)	Benchmark Return (3 month LIBID uncompounded)
£22,017,234	0.867%	0.634%

The Council has outperformed the benchmark by 0.163% resulting in additional income to the Council of £51,300.

6.0 OTHER ISSUES

6.1 Treasury Consultants Contract
Following a tender process, the Council agreed a new contract with its treasury consultants for an initial 3 year period with 3 one year optional extensions.

7.0 LOANS FUND ADVANCES

7.1 Where capital expenditure is funded by borrowing (referred to as loans fund advances), the debt financing costs are paid from the Revenue Budget as loan charges comprised of the repayments of debt along with interest and expenses costs on the borrowing.

7.2 The Council is required to set out its policy for the repayment of loans fund advances.

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

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

This policy was approved by the Full Council at its meeting on 21 February 2019.

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

	2019/20
	Actual
	£000
Balance As At 1 April	244,470
Add: Loan Charge Review Adjustment (See Paragraph 7.5)	1,411
	245,881
Add: Advances For The Year	7,057
Less: Repayments For The Year	11,787
Balance As At 31 March	241,151

7.4 For the loans fund advances outstanding as at 31 March 2020, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	12,299
Years 2-5	32,032
Years 6-10	39,576
Years 11-15	39,172
Years 16-20	35,008
Years 21-25	34,282
Years 26-30	26,985
Years 31-35	12,968
Years 36-40	4,608
Years 41-45	1,197
Years 46-50	1,032
Years 51-55	1,160
Years 56-60	338
Years 61-65	32
Years 66-70	38
Years 71-75	45
Years 76-80	54
Years 81-85	65
Years 86-90	77
Years 91-95	93
Years 96-100	90
TOTAL	241,151

7.5 Following Audit Scotland changes to their advice to applying Scottish Government guidance on Loan Charges earlier this year, a review was undertaken of the periods over which previous years' capital expenditure is being written-off to revenue as part of the Loan Charges budget.

The outcome of the review (as reported to the Committee in November 2019) was:

a. A one-off £1,411,000 revenue saving in Loan Charge principal repayments for the period to 31/3/2019 (the adjustment shown in paragraph 7.3).
b. Ongoing Loan Charge repayment savings of £400,000 per year from 2019/20 through to 2035/36. After this, the Loan Charge principal repayments will increase as a result of the extension of the write-off periods to bring those periods more in line with the asset lives.

8.0 IMPLICATIONS

Finance

8.1 Through the achievement of exceeding the investment benchmark return rate, the Council has benefited from additional returns of £51,300. The Council utilises Treasury Management as part of the overall Financial Strategy. Officers will continue to investigate borrowing and investment opportunities to bring financial benefits to the Council, all within the Treasury Management Policy.

Legal

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

Human Resources

8.3 There are no HR implications arising from this report.

Equalities

8.4 There are no equalities implications arising from this report.

(a) Equalities

Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a 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

Repopulation

8.5 There are no repopulation implications arising from this report.

9.0 CONSULTATIONS

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

10.0 LIST OF BACKGROUND PAPERS

10.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition
Inverclyde Council – Treasury Management Strategy Statement and Annual Investment Strategy 2019/20-2022/23

Appendix 1

FORECAST OF INVESTMENT BALANCES
ESTIMATE FOR 2019/20 AND ACTUAL AT 31 MARCH 2020

Investment Regulation 31 requires the Council to provide forecasts for the level of investments. The estimate for 2019/20 and the actual as at 31 March 2020 are:

	2019/20	2019/20
	Estimate	Actual At 31 March 2020
	£000	£000
Cash balances managed in-house		
- At 1 April 2019	25,000	18,915
- At 31 March 2020	19,426	29,655
- Change in year	(5,574)	10,740
- Average daily cash balances	22,213	22,017
Holdings of shares, bonds, units (includes local authority owned company)		
- At 1 April 2019	2	2
- Purchases	0	0
- Sales	0	0
- At 31 March 2020	2	2
Loans to local authority company or other entity to deliver services		
- At 1 April 2019	483	441
- Advances	0	0
- Repayments	42	42
- At 31 March 2020	441	441
Loans made to third parties		
- At 1 April 2019	2,128	2,139
- Advances	0	4
- Repayments	22	26
- At 31 March 2020	2,106	2,117
Total of all investments		
- At 1 April 2019	27,613	21,497
- At 31 March 2020	21,975	32,215
- Change in year	(5,638)	10,718

The movements in the forecast investment balances shown above are due largely to ongoing treasury management activity in accordance with the Council's treasury management strategy or, for loans made to third parties, in accordance with Council decisions made in respect of such loans.

All of the Council's cash balances are managed in-house with no funds managed by external fund managers.

The "holdings of shares, bonds, units (includes authority owned company)" are historic and relate to the Common Good.

The Loans made to third parties includes a £50,000 loan to Shared Interest Society Limited ("Shared Interest") as approved by the Policy & Resources Committee in August 2017. Shared Interest are a company that uses funds invested by individuals and organisations to allow it to provide loans to fair trade businesses around the world.

Inverclyde council

AGENDA ITEM NO: 9

Report To:	**Inverclyde Council**	**Date:**	**24 September 2020**
Report By:	**Corporate Director, Environment, Regeneration and Resources**	**Report No:**	**LP/099/020**
Contact Officer:	**Lindsay Carrick**	**Contact No:**	**01475 712114**
Subject:	**Proposed Redetermination Order-The Inverclyde Council, Campsie Road, Port Glasgow (Redetermination of Means of Exercise of Public Right of Passage) Order 2020**		

1.0 PURPOSE

1.1 The purpose of this report is to request the Council to consider a remit from the Environment & Regeneration Committee.

2.0 SUMMARY

2.1 The Environment & Regeneration Committee held on 27 August 2020 after consideration of a Report by the Corporate Director Environment, Regeneration & Resources on the proposed Redetermination Order – The Inverclyde Council, Campsie Road, Port Glasgow (Redetermination of Means of Exercise of Public Right of Passage) Order 2020 recommended that the Inverclyde Council be asked to make the Order and remit it to the Head of Roads and Environmental Shared Services and the Head of Legal and Property Services to arrange for its implementation.

3.0 RECOMMENDATION

3.1 That the Inverclyde Council approve the making of the Redetermination Order – The Inverclyde Council, Campsie Road, Port Glasgow (Redetermination of Means of Exercise of Public Right of Passage) Order 2020, all as detailed in the copy of the proposed Order, and that the Head of Roads and Environmental Shared Services and the Head of Legal and Property Services be authorised to take all necessary action in connection therewith. App 1

Gerard Malone
Head of Legal and Property Services

4.0 BACKGROUND

4.1 It is proposed that the means of exercise of the public right of passage on a section of Campsie Road, Port Glasgow be restricted to use by pedal cycles and pedestrians. This section of Campsie Road is a narrow (approximately 5.5 metres wide) road with no footways. It is proposed to prohibit access by motor vehicles in the interests of road safety but to permit access by foot and pedal cycle in both directions. There are no properties on this section of Campsie Road which have vehicular access.

4.2 The proposed Order will prohibit access by motor vehicles but will permit access by foot and pedal cycle in both directions on a section of Campsie Road, Port Glasgow.

5.0 IMPLICATIONS

5.1 **Finance**

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.2 **Legal**

There are no legal implications arising from this report.

5.3 **Human Resources**

There are no HR implications arising from this report.

5.4 **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

5.5 **Repopulation**

There are no repopulation implications arising from this report.

6.0 CONSULTATIONS

6.1 The proposals have been advertised in the Greenock Telegraph and the Edinburgh Gazette and full details of the proposals have been made available for public inspection during normal office hours at the offices of the Head of Roads and Environmental Shared Services, the Inverclyde Council Customer Service Centre and at Central and Port Glasgow Libraries.

7.0 BACKGROUND PAPERS

7.1 None.

THE INVERCLYDE COUNCIL

CAMPSIE ROAD, PORT GLASGOW (REDETERMINATION OF MEANS OF EXERCISE OF PUBLIC RIGHT OF PASSAGE) ORDER 2020

**THE INVERCLYDE COUNCIL,
CAMPSIE ROAD, PORT GLASGOW
(REDETERMINATION OF MEANS OF EXERCISE
OF PUBLIC RIGHT OF PASSAGE) ORDER 2020**

We, The Inverclyde Council, in exercise of the powers conferred on us by Section 152(2) of the Roads (Scotland) Act 1984 (as amended) and all other enabling powers, hereby make the following Order:-

1.0 Commencement and citation

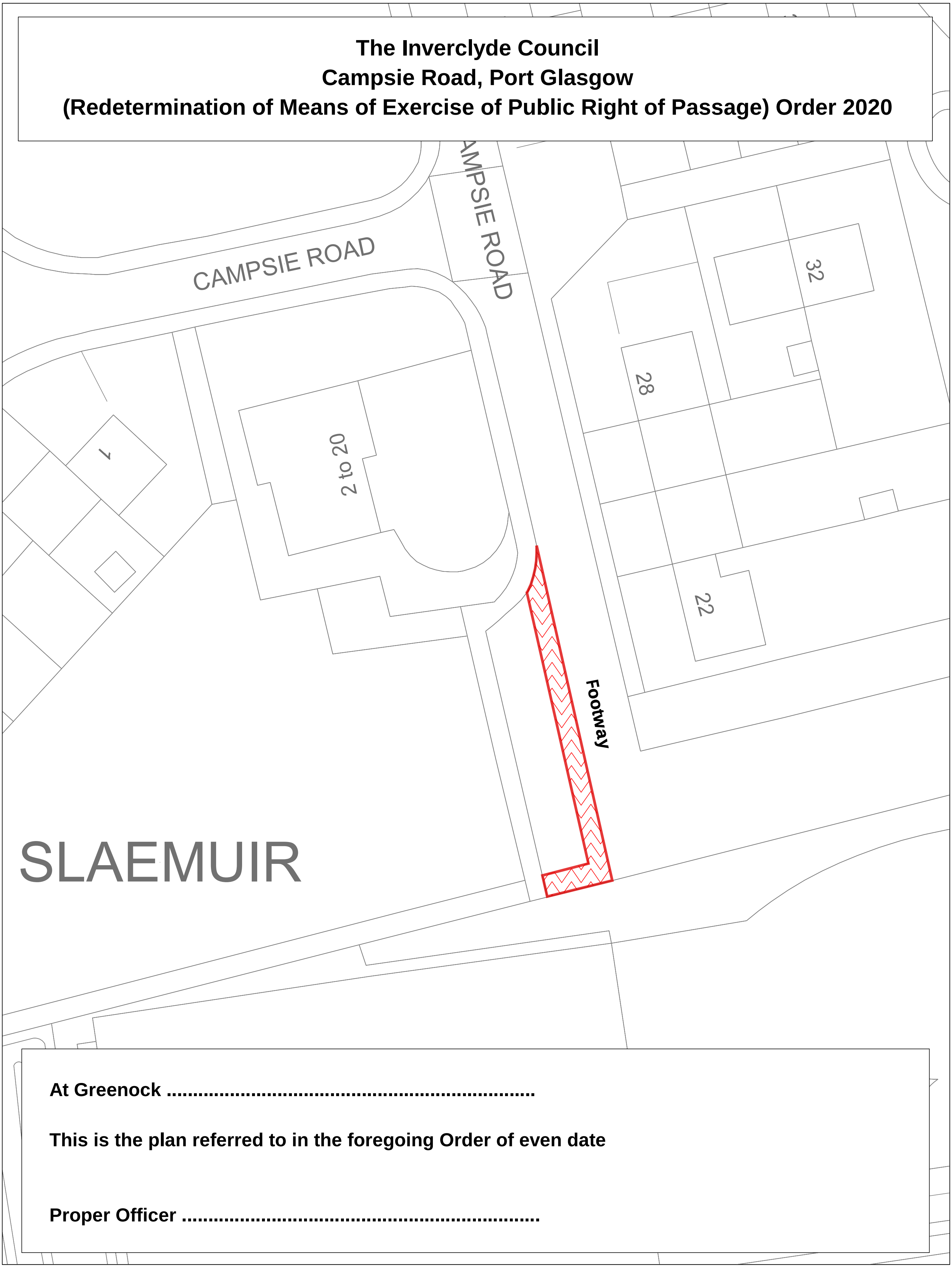
1.1 This Order may be cited as "The Inverclyde Council, Campsie Road, Port Glasgow (Redetermination of means of exercise of Public Right of Passage) Order 2020" and shall come into operation on the ** day of ** Two Thousand and **.

2.0 Interpretation

2.1 The road in the Port Glasgow area, the extent of which is specified in the map annexed to this Order, at present a carriageway, shall become a footway, the right of passage being exercisable on pedal cycle and foot only in both directions.

This Order and the map annexed hereto is sealed with the Common Seal of The Inverclyde Council and subscribed for them and on their behalf by ##

The Inverclyde Council
Campsie Road, Port Glasgow
(Redetermination of Means of Exercise of Public Right of Passage) Order 2020



At Greenock ....

This is the plan referred to in the foregoing Order of even date

Proper Officer ....

Inverclyde Council
Regeneration & Planning

SCALE 1:500
GMcC FEB 2020

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