Inverclyde council
Municipal Buildings, Greenock PA15 1LY

Ref: CM

Date: 2 August 2021

A meeting of the Policy & Resources Committee will be held on Tuesday 10 August at 3pm.

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 this meeting will be recorded.

Please note that on 3 August 2021 the Scottish Government will be providing an update regarding COVID-19 restrictions and therefore remote meeting arrangments may be subject to change and an update will follow.

ANNE SINCLAIR
Interim Head of Legal Services

BUSINESS

**** Copy to follow**

1.	**Apologies, Substitutions and Declarations of Interest**	**Page**
PERFORMANCE MANAGEMENT		
2. **	**COVID-19 Update** Report by Interim Service Director Environment & Economic Recovery.	**p**
3.	**Revenue Budget Outturn 2020/21 - Unaudited** Report by Interim Service Director, Corporate Services & Organisational Recovery.	**p**
4.	**2020/21 Capital Programme Out-Turn & Impact of Material Shortages on Delivery & Cost of the 2021/24 Capital Programme** Report by Interim Service Director, Corporate Services & Organisational Recovery.	**p**
5.	**Treasury Management - Annual Report 2020/21** Report by Interim Service Director, Corporate Services & Organisational Recovery.	**p**
NEW BUSINESS		
6.	**Proposed Budget Strategy 2022/23** Report by Interim Service Director, Corporate Services & Organisational Recovery.	**p**
7.	**Consultation – Retail Shops Opening on New Year’s Day** Report by Head of Organisational Development, Policy & Communications.	**p**

8.	**Report on Opinion of Counsel Regarding Previous Settlements Reached with Former Clune Park Owners** Report by Interim Service Director, Corporate Services & Organisational Recovery.		**p**
	The documentation relative to the following items has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in the paragraphs of Part I of Schedule 7(A) of the Act as are set opposite the heading to each item.		
8(a)	**Appendix relative to Agenta Item 8 providing legally privileged information**	**Paras 6 & 12**	**p**
9.	**Voluntary Severance Scheme Releases** Report by Head of Organisational Development, Policy & Communications.	**Para 1**	**p**
REMITS FROM COMMITTEES			

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 Committee 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 – **Colin MacDonald** – Tel 01475 712113

Inverclyde council

AGENDA ITEM NO. 3

Report To:	**Policy & Resources Committee**	**Date**:	**10th August 2021**
Report By:	**Interim Service Director, Corporate Services & Organisational Recovery**	**Report No:**	**FIN/43/21/AE/AP**
Contact Officer:	**Angela Edmiston**	**Contact No**:	**01475 712143**
Subject:	**Revenue Budget Outturn 2020/21 - Unaudited**		

1.0 PURPOSE

1.1 The purpose of the report is to advise Committee of the unaudited outturn of Service Committee Budgets for the year ending 31 March 2021 and to highlight any significant variances between revised budgets, period 11 reports and outturn per the 2020/21 Unaudited Accounts.

2.0 SUMMARY

2.1 Appendix 1 details the outturn (excluding earmarked reserves) per the unaudited accounts for 2020/21 and the variance between the outturn and the period 11 report presented to the Policy & Resources Committee for all Service Committees 25 May 2021.

2.2 The outturn per the unaudited accounts shows an underspend for 2020/21 of £2,370,000 (Appendix 1) for all Service Committees (Inclusive of the Health & Social Care Committee). This represents an underspend of 1.29% against 2020/21 revised budget of £183,119,000. The main areas of underspend relate to:

- Additional turnover savings achieved across the Council of £1,531,000
- Release of contingencies not required throughout 2020/21 £648,000
- Underspend of £324,000 for Education Utility costs
- Underspend within External Homecare of £622,000
- A reduction in costs within Short breaks/respite and Learning Disability Transport of £229,000.

2.3 The underspends above are offset by various overspends; mainly £514,000 overspend within HSCP Client Commitments across Services and increased costs of £448,000 within Children & Families for external placements.

2.4 Appendix 1 shows an increase in the underspend reported to the last Policy & Resources Committee (Period 11) of £400,000 (0.2%). Appendix 2 provides the material variances for individual Committees and further explanations for the significant variances during the year.

2.5 Many of the areas of underspend were one off in 2020/21, some of which were as a result of reduced service due to COVID. All COVID expenditure has been fully funded by Grant Income or Use of Reserves resulting in a nil impact on Committee out-turns. Recurring underspends that have been identified were included in the 2021/22 Budget process where possible. Appendix 2 highlights those areas that were adjusted during 2021/22 where applicable.

2.6 The Council currently utilises smoothing earmarked reserves to deal with pressures arising from demand led services. This approach helps smooth out budget pressures over a number of years. Current smoothing earmarked reserves include ASN Placement/Transport, Winter Maintenance, City Deal, Residential Childcare, Older People Residential Care Homes, Learning Disability Redesign and Loans Charges.

2.7 Overall, the unaudited accounts position reflects a free reserves position of £4.890m which is an increase of £0.465m since the budget was set in March 2021. This excludes the Health & Social Care underspend as these will be retained by the IJB. The increase is mainly due to further underspends across Committees detailed in this report.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee note the underspend per the unaudited accounts for 2020/21 of £2,370,000, the reasons for the material variances from budget and the movement 1.29% from Period 11 to Final Outturn.

3.2 It is recommended that the Committee notes that due to one off Covid funding and the non-provision of some services it is not possible to draw too many comparisons between 2020/21 and previous years.

3.3 It is recommended that the Committee note that officers will identify any opportunities for adjustments to be included in the 2022/23 Budget.

Alan Puckrin
Interim Service Director, Corporate Services & Organisational Recovery

4.0 BACKGROUND

4.1 The purpose of this report is to advise Committee of the outturn position per the unaudited accounts for 2020/21 and to highlight the main issues contributing to the underspend of £2,370,000. The report also informs the Committee of the movement since the last report to Committee and the main issues contributing to the movement. All COVID costs have been fully funded by Grant Income or Use of Reserves resulting in a Nil impacts on Committee out-turns.

5.0 2020/21 UNAUDITED OUTTURN

5.1 It can be seen from Appendix 1 that the outturn per the unaudited accounts for 2020/21 is an underspend of £2,370,000 for all Service Committees. The outturn comprises of underspends of £646,000 within Policy & Resources Committee, £472,000 within Environment & Regeneration Committee, £858,000 within Education & Communities and £394,000 within Health & Social Care. It should be noted that the underspend within Health & Social Care will be retained by the IJB and not impact on the Council's reserves.

5.2 Main areas of underspend relate to additional turnover savings achieved, the release of inflation contingencies not required, utilities underspend within Education Services and underspends within Health & Social Care for External Homecare and Short breaks and Transport costs. Appendix 2 provides more detailed material variances and reasons behind the underspend on a Committee by Committee basis.

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

5.4 It can be seen in Appendix 1 that the outturn (per the unaudited accounts) of £2,370,000 is a movement of £400,000 (0.2%) since the last report to the Policy & Resources Committee in May 2021. Appendix 1 details the movement in underspend per Service Committee. Appendix 2 provides more details regarding the material variances since the Period 11 Policy & Resources Committee report and the reasons for these movements.

5.5 Further details on the 2020/21 outturn will be submitted to individual Committees with the first Revenue Monitoring Report for 2021/22 in the next Committee cycle.

5.6 The unaudited accounts position reflects free reserves of £4.890m at 31 March 2021. This is an increase in the reserves position of £0.465m since the budget was set in March 2021. The free reserves position excludes Health & Social Care. The increase is mainly due to further underspends across Committees detailed in this report.

6.0 OTHER INFORMATION

6.1 The accuracy of budgeting and projections is an important measure of the Council's Financial Management performance. The percentage variance for 2020/21 increased from 2019/20 and remains above 1% but below 2% as the past four years. The increase in percentage underspend in 2020/21 will mainly reflect one off underspends due to reduction in services as a result of COVID. The following table shows the variance for the last 5 years and the percentage variance against revised revenue budget for the relevant year.

Year	Variance	Percentage Variance
2016/17	Underspend £2.243m	1.38%
2017/18	Underspend £2.797m	1.67%
2018/19	Underspend £3.181m	1.87%
2019/20	Underspend £2.172m	1.23%
2020/21	Underspend £2.370m	1.29%

6.2 Officers will use this latest information to identify further potential budget adjustments in order to reduce the funding gap over 2022/23.

7.0 CONSULTATION

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

8.0 IMPLICATIONS

8.1 **Finance**

One off Costs

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

Annually Recurring Costs

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

8.2 **Legal**

There are no legal implications arising from this report.

8.3 **Human Resources**

There are no HR implications arising from this report.

8.4 **Equalities**

There are no equality implications arising from this report.

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

8.5 **Repopulation**

There are no repopulation implications arising from this report.

9.0 BACKGROUND PAPERS

9.1 None

Appendix 1

POLICY & RESOURCES

REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO FINAL OUTTURN

OBJECTIVE ANALYSIS	Approved Budget 2020/21 £000	Period 11 Revised Budget 2020/21 £000	Period 11 Projection 2020/21 £000	Period 11 Projected Over/(Under) Spend 2020/21 £000	Final Over/(Under) Spend 2020/21 £000	Movement from Probable Outturn £000	Variance as % of Revised Budget
Policy & Resources	16,406	15,690	15,004	(686)	(646)	40	-4.12%
Environment & Regeneration	23,546	23,774	23,287	(487)	(472)	15	-1.99%
Education & Communities	95,311	91,324	90,567	(757)	(858)	(101)	-0.94%
Health & Social Care	52,289	52,331	52,291	(40)	(394)	(354)	-0.75%
COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES	**187,552**	**183,119**	**181,149**	**(1,970)**	**(2,370)**	**(400)**	-1.29%

Reasons: Final Outturn

POLICY & RESOURCES

	NON COVID	COVID
Additional Turnover Target Achieved	(48)	
Inflation Contingencies not used	(648)	
Internal Rescource Interest under recovery	61	
Net under recovery of subsidy/DHP	116	
ICT - service charge income not budgeted	(86)	
Legal & Support - licences under recovery	68	
Various (Underspends)/Overspends all under £40k	(109)	
COVID19 costs - budget held centrally		857
	(646)	**857**

ENVIRONMENT & REGENERATION

	NON COVID	COVID
Additional Turnover Savings Achieved	(655)	
Under recovery of Drivers income	120	
Planning - overspend in Local Development Plan preparation	53	
Waste - underspend in recycling contract	(84)	
Housing HEEPs grant additional admin income	(85)	
Net overspend vehicle fuel/maintenance	65	
Parking - under recovery of car park income due to new car park charges not being introduced	50	
Various (Underspends)/Overspends all under £50k	64	
COVID19 costs - budget held centrally		3,045
	(472)	**3,045**

Reasons: Movement Period 11 to Final Outturn

	NON COVID
Internal Rescource Interest under recovery	61
Changes in inlfation contingecy after P11	87
ICT - increase in Education/Social Work recharge income	(54)
Net benefit subsidy under recovery	55
Various (Underspends)/Overspends all under £20k	(109)
	40

ENVIRONMENT & REGENERATION

	NON COVID
Housing HEEPs grant additional admin income	(85)
Office Accom - P11 underspend allocated to Services at YE	89
Under recovery of Drivers income	112
Various (Underspends)/Overspends all under £50k	(101)
	15

POLICY & RESOURCES

Appendix 1

REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO FINAL OUTTURN

EDUCATION & COMMUNITIES

	NON COVID	COVID
Additional Turnover Savings Achieved	(303)	
Utilities & Property Costs Underspend	(324)	
Catering Contract Underspend	(700)	
ASL 2020/21 Funding Underspend	(150)	
FM Income Shortfall	588	
Various (Underspends)/Overspends all under £50k	31	
COVID19 costs - budget held centrally		3,752
	(858)	**3,752**

HEALTH & SOCIAL CARE

	NON COVID	COVID
Additional Turnover Savings Achieved	(525)	
Overspend in Client Package Costs across all Services	514	
Overspend of C&F External Placements and Fostering, Adoption & Kinship	448	
Underspend of External Homecare - COVID restrictions	(622)	
Underspend in LD Day Centre transport due to centres closures	(115)	
Overspend in Older People Homecare CM2000	67	
Underspend of ACM Short Breaks and Respite	(114)	
One-off underspend Demographic Pressures and Whole Systems Approach	(85)	
Various (Underspends)/Overspends all under £50k	38	
COVID19 costs - fully funded by Health funding		6,087
	(394)	**6,087**

EDUCATION & COMMUNITIES

	NON COVID
Reduction in Turnover	149
Utilities & Property Costs Underspend	(108)
Catering Charge Underspend	(671)
Supplies & Resources Overspend	148
Transport Costs Underspend	(133)
FM Income Shortfall	588
Schools Additional Income Received	(51)
Various (Underspends)/Overspends all under £30k	(23)
	(101)

HEALTH & SOCIAL CARE

	NON COVID
One-off under-recovery TEC Grant income	127
Underspend in Client Package Costs across all Services	(258)
One-off additional Income - Criminal Justice	(144)
Underspend of ACM Short Breaks and Respite	(114)
Various (Underspends)/Overspends all under £50k	35
	(354)

MATERIAL VARIANCES FROM BUDGET (OVER £50,000)

POLICY & RESOURCES COMMITTEE

1. **Contingencies – Outturn Underspend £648,000 (60.54%)**

   Due to a lower than anticipated requirement for non-pay and pay inflationary pressures, the Council underspent by £648,000. As part of the 2021/22 budget process, a total of £500,000 of non-pay inflation has been released over the 2021/23 budget period.

2. **Internal Resources Income – Outturn Under Recovery £61,000 (60.40%)**

   Due to a decrease in interest rates, Internal Resources Interest received was £61,000 less than budgeted in 2020/21. A review of this budget will be undertaken as part of the budget process.

3. **Turnover Savings – Outturn Underspend £48,000 (0.55%)**

   Turnover savings of £48,000 was achieved by the Committee for 2020/21 which is an increase of £23,000 since last reported to Committee. The Council agreed to an increased turnover target of £200,000 across the Directorates in September 2020 for the 2021/22 budget.

ENVIRONMENT & REGENERATION COMMITTEE

1. **Turnover Savings – Outturn Over Recovery £655,000 (3.98%)**

   The Services within the Environment & Regeneration Committee achieved additional Turnover Savings of £655,000 in 2020/21. The Council agreed an increase to the turnover target across Directorates of £200,000 across the Directorates in September 2020 for the 2021/22 budget.

2. **Drivers Income – Outturn Under Recovery £120,000 (24.48%)**

   An under recovery within Drivers Income of £120,000 was experienced in 2020/21 due to driver salary costs being incurred but less use on service expenditure due to a reduction in the service due to COVID restrictions. This under recovery is Non-COVID related as the income is from internal recharges hence no impact to overall outturn.

3. **Waste Strategy Recycling Contract – Outturn Underspend £84,000 (24.4%)**

   The Waste Strategy Recycling Contract out-turned with an underspend of £84,000 in 2020/21 due to the suspension of the service for a period, no change since last reported to Committee.

EDUCATION & COMMUNITIES

1. **Turnover Savings – Outturn Over Recovery £303,000 (0.43%)**

   The Committee achieved additional Turnover Savings of £303,000 which is a reduction in savings achieved of £149,000 since reported to Committee at period 11, the movement mainly within Facilities Management. The Council agreed an increase in turnover target of £200,000 across the Directorates in September 2020 for the 2021/22 budget.

2. **Utilities & Property Costs– Outturn Underspend £324,000 (1.73%)**

   Under recovery within various Property Costs, mainly; £228,000 for utilities and £45,000 for refuse collection costs. This is an increase in underspend of £108k from P11 mainly due to a change in utility costs.

3. **Contract Catering - Outturn Underspend £700,000 (17.97%)**

   An underspend of £700,000 was out-turned within 2020/21. This was due to the fixed and variable element of internal recharges not occurring due to a lower uptake of school meals on reopening.

4. **ASL – Outturn Underspend £150,000 (74.96%)**

   An underspend of £150,000 within new funding due to a delay in a review of the service to be completed in 2021/22. Underspend of £150,000 was projected at P11 Committee.

5. **Facilities Management Income – Outturn Under Recovery £588,000 (9.31%)**

   Under recovery of £588,000 in line with Contract Catering above.

HEALTH & SOCIAL CARE COMMITTEE

1. **Turnover Savings – Outturn Over Recovery £525,000 (1.9%)**

   The Committee achieved additional turnover savings for 2020/21 of £525,000. The Council agreed an increase to the turnover target across Directorates of £200,000 across the Directorates in September 2020 for the 2021/22 budget.

2. **Learning Disabilities Client Commitments – Outturn Overspend £437,000 (5.0%)**

   Learning Disabilities Client Commitments were overspent by £437,000 during 2020/21. A reduction in costs of £258,000 since last reported to Committee in period 11.

3. **ACM Short Breaks – Outturn Underspend £114,000 (41.3%)**

   During 2020/21 an underspend of £114,000 was achieved for ACM Short Breaks, this was reported at P11 Committee.

4. **LD Day Centre transport – Outturn Underspend £115,000 (85.6%)**

Within 2020/21 transport costs for the LD Learning Centre there was a £115,000 underspend which was not reported at P11 Committee.

GENERAL FUND

1. **Council Tax Income Account – Outturn Over Recovery of £217,000 (0.6%)**

   An over recovery of Council Tax Income during the year mainly due to additional income from premiums charged to second homes and long term empty properties plus an increase in income collected in relation to prior years collection.

Inverclyde council

AGENDA ITEM NO: 4

Report To:	**Policy & Resources Committee**	**Date:**	**10 August 2021**
Report By:	**Interim Service Director, Corporate Services & Organisational Recovery**	**Report No:**	**FIN/40/21/AP/MT**
Contact Officer:	**Matt Thomson**	**Contact No:**	**01475 712256**
Subject:	**2020/21 Capital Programme Out-Turn & Impact of Material Shortages on the Delivery & Cost of the 2021/24 Capital Programme**		

1.0 PURPOSE

1.1 The purpose of this report is to advise Committee of the performance in delivering the 2020/21 Capital Programme and to highlight issues relating to the availability and supply of materials which will potentially impact upon the 2021/24 Capital Programme.

2.0 SUMMARY

2.1 During the early part of 2020/21, in the early days of the Covid pandemic, construction work halted and it became clear that the approved Capital Programme for 2020/21 was not achievable. As a result a revised Capital Programme was approved by Policy & Resources Committee in August 2020.

2.2 In 2020/21 there was net advancement of 32.8% against the revised Capital Programme following on from net slippage of 13.4% in 2019/20. Appendix 1 illustrates the movement in slippage since 2016/17 and it can be seen that the 5 year average advancement is 2.5%. The Council target is that slippage should be kept under 10% and likewise for acceleration, as greater than this could indicate issues with initial budget setting. In 2020/21 advancement was greater than the 10% threshold due to a number of factors detailed in the report and appendices. It should be noted that had the original budget not been revised slippage of £2.2m or 11.2% would have been experienced.

2.3 Appendix 2 provides a summary of the main causes for slippage/advancement provided by Lead Officers. As has previously been the case, it is clear that variations are not attributable to either a single project or a single reason. It should be noted that the revised Capital Programme was approved at the height of the pandemic and was, understandably, cautious given the uncertainty around the construction industry at the time.

2.4 Appendix 3 provides more detail on an individual project basis whilst Appendix 4 shows the movement in projections throughout the year. From this it can be seen that there was significant movement in projections from the September cycle to the end of the year however the November cycle projection moved by only £0.593m, 3.9%, to the end of the year, albeit there were some larger, offsetting, movements within Environment and Regeneration and the School Estate.

2.5 Section 6 of the report highlights the issues being experienced throughout much of the world in relation to the supply and cost of certain materials. The impact on project delivery timescales, contractor sustainability and the funding allocated to the capital programme are set out.

2.6 The cost pressure arising from difficulties with the supply of materials and in some cases specialist services are viewed as being exceptional and due to a combination of a number of factors including Covid, Brexit, global demand and general economic factors. It would be prudent, to ensure the on-going delivery of the Capital Programme, to allocate additional revenue funding to generate prudential borrowing to meet potential costs.

2.7 The Interim Service Director, Corporate Services and Organisational Recovery will continue to work with relevant officers throughout the year to monitor project delivery and update Committee as required.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the 2020/21 Capital Out-turn Position.

3.2 It is recommended that the Committee notes the pressure being experienced in relation to the availability and cost of materials and the impact this is likely to have on the delivery and cost of the 2021/24 Capital Programme.

3.3 It is recommended that the Committee agree to allocate up to £100,000 currently set aside for the impact of Brexit in the inflation contingency to prudentially borrow up to £1.6million to meet potential increases in capital project costs in 2021/22 and 2022/23.

3.4 It is recommended that the Committee delegate to the Interim Service Director, Corporate Services & Organisational Recovery decisions regarding the allocation of this Capital Contingency, the use of which will be reported to the Policy & Resources Committee.

Alan Puckrin
Interim Service Director, Corporate Services & Organisational Recovery

4.0 BACKGROUND

4.1 It was previously agreed that Committee receive an annual report comparing slippage/advancement against the approved Capital Programme and this report covers the 2020/21 performance.

5.0 2020/21 CAPITAL DELIVERY PERFORMANCE

5.1 Subject to the audit of the Final Accounts, the Capital out-turn for 2020/21 is reporting advancement of 32.8%(13.4% slippage reported in 2019/20) against the revised Capital Programme as approved in August 2020 and taking into account the impact of the Covid pandemic on the construction industry. Overall advancement is greater than the 10% threshold, this was due to a number of factors as detailed in Appendix 3. Officers actively sought to advance projects that could be progressed and this, along with the construction industry resuming albeit on a reduced basis due to social distancing etc, has resulted in significant advancement from the revised programme.

5.2 Appendix 2 provides an analysis of the main reasons for any slippage whilst Appendix 3 contains a commentary by the Lead Officer where appropriate and a categorisation of the type of slippage. This latter issue is not an exact science, but does give an indication of the main reasons for the slippage.

5.3 It can be seen that slippage of £2.184 million (75% of all slippage) arose from internal slippage and slippage involving 3rd Parties. This was more than offset by projects acceleration of £7.208m.

5.4 Directorate performance was as follows:

Environment, Regeneration & Resources – overall advancement 6%/£550,000 (2019/20: 7.2% slippage) this was mainly due to slippage within Roads (SPT, Spaces for People), Town and Village Centre Regeneration and Clyde Square Re-roofing offset by advancement in Vehicle Replacement, Minor Works and Statutory Duty Works.

Education, Communities & Organisational Development – overall project advancement of 100.1%/£3.702million (2019/20: 20.14% slippage) mainly as a result of advancement across most of the School Estate and Early Years programme partially offset by slippage in Gourock Primary School Extension, Wellpark Alterations and Glenpark Outdoor Expansion.

Health & Social Care – overall advancement of 18.3%/£32,000 (2019/20: 18.2% slippage).

5.5 Allied to the early identification of slippage is the potential to identify alternative projects which could be accelerated. Roads investment in particular lends itself to this approach where projects can be developed and delivered in a far shorter timescale than many other capital projects. During 2020/21 a total of £7.208m (2019/20: £4.311m) was advanced. While some of this will have been due to the cautious approach taken when setting the revised Capital Programme as a result of the Covid pandemic much of this was as a result of Council policies such as the advancement of the Road Asset Management Plan, Vehicle Replacement, Property Minor Works, Statutory Duty Works, and the School Lifecycle Works.

6.0 MATERIAL SHORTAGES/PRICE INCREASES & THE 2021/24 CAPITAL PROGRAMME

6.1 An update from Scotland Excel at the start of July in respect of their Building and Timber Material Framework advised that the timber market is in the midst of significant supply chain disruption, with demand outstripping supply and the cost of materials rising at a rapid, unprecedented pace. Dialogue with key suppliers indicated that they were at a point of supplying goods on the framework at a loss, some of which were as large as 50%. Scotland Excel's framework has now been updated to reflect the exceptional price variance requests in order to retain supply and stocks during a period of accelerating demand in the construction industry.

6.2 The Society of Chief Quantity Surveyors (SCQS) contacted the BCIS in early June who provided a draft of a planned publication around materials supply to the UK construction industry. That update included many of the points above and is summarised below:

- Covid-19 has affected supply from mills and factories;
- Supply chain bottlenecks due to global demand shocks;
- Container shortages and port delays (busy shipping lanes and in the major ports of the world, ships have had to wait to dock and some have been diverted, and unloading and reloading times have risen 200%);
- Construction demand rose quite sharply in the second half of 2020 after initial lockdown;
- Increased administration at UK ports affecting imports and exports due to UK EU Trade and Cooperation Agreement;
- Sharp rises in shipping costs and temporary surcharges (container freight rates have quadrupled since the beginning of the year);
- Since the beginning of the year the UK Construction Purchasing Managers Index has shown shortages of over sixty different construction materials including bricks, timber, and roof tiles.

6.3 The existing capital programme is already experiencing the impact of the above with that impact varying depending on a number of factors including; the stage of the project; the size of the contractor; and type of project (materials) involved. The majority of contractors have reported issues with material availability to some degree and this, in the majority of projects, is having an impact on the programme with delays to completion projected or delays to commencing on site. Where possible the use of alternative products is being investigated to mitigate delays, however this is not always possible and there is the risk of impacting the quality of the end product if true equivalent products are not available.

6.4 There is a move within industry to raise awareness of the current issues to Scottish Government and suggestions that the Construction Policy Notes (CPN's) route could be used to promote a supportive approach to the issue similar to that taken for the Covid prolongation and phased construction recovery issues. This could include allowing 'time relief' for Contractors where it is evidenced there is equity to do so.

6.5 The current volatile materials situation is likely to result in other challenges in the short to medium term. Tenders being sought in this climate will face the following issues:

- Material availability will impact on programmes with potentially extended lead-in/pre-site periods and/or site programmes.
- Contractors may be reluctant to hold tenders open for the normal period (120 days) currently included in the majority of Council tenders.
- Although the market generally remains keen, there may be a move towards more selective tendering and lower numbers of tenders returned (depending on individual project circumstances / type).
- Tender costs are likely to increase to reflect the cost of current materials increases and future risks impacting affordability unless additional funding is possible.

For longer term / larger projects Contractors may struggle to secure pricing from supply chain partners for work packages without inflated risk and additional contract protections

6.6 The above issues will undoubtedly lead to both cost pressures and delays and it is important that Members are sighted on this when reviewing project updates at Committee.

7.0 IMPLICATIONS

7.1 Finance

<u>Financial Implications</u>

All financial implications arising from the 2020/21 Programme are shown in detail within the report and in Appendices 1 & 2.

The cost pressure arising from difficulties with the supply of materials and in some cases specialist services are viewed as being exceptional and due to a combination of a number of factors including Covid, Brexit, global demand and general economic factors. It would be prudent, to ensure the on-going delivery of the Capital Programme to allocate additional funding to meet potential costs. A recurring sum of up to £100,000 is recommended.

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Miscellaneous	Non-pay inflation	2022/23	100		Will allow around £1.6million of Prudential Borrowing

7.2 Legal

There are no legal implications.

7.3 **Human Resources**

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

7.4 **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

7.5 **Repopulation**

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

8.0 BACKGROUND PAPERS

8.1 None.

Annual Slippage Summary

Appendix 1

Year	Budget £000's	Slippage / (Advancement) £000's	%age
2016/17	27,955	(2,560)	(9.2)%
2017/18	32,271	398	1.2%
2018/19	27,995	(146)	(0.5)%
2019/20	25,544	3,428	13.4%
2020/21	13,059	(4,284)	(32.8)%
5 year average	25,365	(633)	(2.5)%

Summary of Reported Slippage by Category

Appendix 2

Committee	Policy Decision £000	Project Cost Reduced £000	Internal Slippage £000	Delay involving 3rd Party £000	Minor Slippage £000	Accelerated Projects £000	Total £000	Total %age
Policy & Resources	-	-	-	129	1	-	130	24.8%
Environment, Regeneration & Resources	-	657	681	1,114	22	(3,154)	(680)	(7.9)%
Education & Lifelong Learning	-	-	-	-	-	(348)	(348)	(74.5)%
School Estate	-	60	94	166	-	(3,674)	(3,354)	(103.8)%
Health & Social Care	-	-	-	-	-	(32)	(32)	(18.3)%
Total	0	717	775	1,409	23	(7,208)	(4,284)	(32.8)%

Directorate	Policy Decision £000	Project Cost Reduced £000	Internal Slippage £000	Delay involving 3rd Party £000	Minor Slippage £000	Accelerated Projects £000	Total £000	Total %age
Environment, Regeneration & Resources	-	657	681	1,243	23	(3,154)	(550)	(6.0)%
Education, Communities & Organisational Development	-	60	94	166	-	(4,022)	(3,702)	(100.1)%
Health & Social Care	-	-	-	-	-	(32)	(32)	(18.3)%
Total	0	717	775	1,409	23	(7,208)	(4,284)	(32.8)%

Capital Slippage Summary 2020-21 **Appendix 3**

	Approved Budget 2020/21 £000's	Draft 2020/21 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Policy Decision £000's	2 Project Cost Reduced £000's	3 Internal Slippage £000's	4 Delay involving 3rd Party £000's	5 Minor Slippage £000's	6 Accelerated Projects £000's	Variation Category	Additional Comments
Policy & Resources												
Server & Switch Replacement Programme	123	65	58	47.15%				58			4 Delay involving 3rd Party	Delays due to supply chain issues
Annual Allocation	71	0	71	100.00%				71			4 Delay involving 3rd Party	Delays due to supply chain issues
Various Projects	331	330	1	.30%					1		5 Minor Slippage	
TOTAL Policy & Resources	**525**	**395**	**130**	**24.76%**	**0**	**0**	**0**	**129**	**1**	**0**		
Environment & Regeneration												
Environmental Services - Roads												
SPT	1,300	511	789	60.69%				789			4 Delay involving 3rd Party	Delay in progessing West Blackhall Street through Sustrans, external Consultants and stakeholders.
Spaces for People	585	107	478	81.71%		478					2 Project Cost Reduced	Reduced scope of project delivery, cycletracks and Town Centre social distancing schemes.
Flooding Strategy - Future schemes	222	147	75	33.78%		75					2 Project Cost Reduced	Reduced project and tender cost.
Drumshantie Road Carpark	80	0	80	100.00%				80			4 Delay involving 3rd Party	Awaiting public consultation outcomes and land purchase.
Former St Ninians School Site	75	0	75	100.00%			75				3 Internal Slippage	Final design to be agreed and completed.
Various Projects	341	338	3	.88%					3		5 Minor Slippage	
Roads Asset Management Plan												
Structures	96	252	(156)	(162.50)%						(156)	6 Accelerated Projects	Early project completion.
Lighting	431	366	65	15.08%		65					2 Project Cost Reduced	Reduced tender price
Various Projects	1,369	1,330	39	2.85%		39					2 Project Cost Reduced	Reduced project scope.
Environmental Services												
Vehicles Replacement Programme	598	2,739	(2,141)	(358.03)%						(2,141)	6 Accelerated Projects	
Park, Cemeteries & Open Spaces AMP	60	121	(61)	(101.67)%						(61)	6 Accelerated Projects	
Various Projects	404	385	19	4.70%					19		5 Minor Slippage	
Regeneration and Planning												
Port Glasgow Town Centre Regeneration	0	79	(79)							(79)	6 Accelerated Projects	
T&VC - Jamaica Street Car Park	140	39	101	72.14%				101			4 Delay involving 3rd Party	Delay awaiting Scottish Water approval for project
T&VC - Other	889	283	606	68.17%			606				3 Internal Slippage	Babylon demolition delayed due to ownership issues which are now resolved
Various Projects	23	33	(10)	(43.48)%						(10)	6 Accelerated Projects	
Public Protection												
Scheme of Assistance	560	648	(88)	(15.71)%						(88)	6 Accelerated Projects	
Various Projects	15	17	(2)	(13.33)%						(2)	6 Accelerated Projects	
Property Services												
Greenock Municipal Buildings Carriageway Glazed Roof	96	156	(60)	(62.50)%						(60)	6 Accelerated Projects	
Greenock Municipal Buildings - Clyde Square Re-roofing	400	256	144	36.00%				144			4 Delay involving 3rd Party	9 week delay is due to the design and installation of the Scaffolding and the Tented Roof.
Greeock Municipal Buildings - Victoria/Dalrymple Tower Essential Works	0	69	(69)							(69)	6 Accelerated Projects	New project identified and completed within the financial year.
Minor Works	115	365	(250)	(217.39)%						(250)	6 Accelerated Projects	Various new minor projects identified and completed within the financial year.
Statutory Duty Works	69	198	(129)	(186.96)%						(129)	6 Accelerated Projects	Various new minor projects identified and completed within the financial year.
Various Projects	793	902	(109)	(13.75)%						(109)	6 Accelerated Projects	
TOTAL Environment & Regeneration	**8,661**	**9,341**	**(680)**	**(7.85)%**	**0**	**657**	**681**	**1,114**	**22**	**(3,154)**		

Capital Slippage Summary 2020-21

Appendix 3

	Approved Budget 2020/21 £000's	Draft 2020/21 Final Outturn £000's	Slippage from Approved Budget £000's	Slippage from Approved Budget %age	1 Policy Decision £000's	2 Project Cost Reduced £000's	3 Internal Slippage £000's	4 Delay involving 3rd Party £000's	5 Minor Slippage £000's	6 Accelerated Projects £000's	Variation Category	Additional Comments
Education & Lifelong Learning												
Non-SEMP												
Education & Communities (Non-SEMP)												
Safer Communities												
Leisure Pitches AMP - Lifecycle Fund	250	578	(328)	(131.20)%						(328)	6 Accelerated Projects	Parkela project completed within the financial year.
Various Projects	217	237	(20)	(9.22)%						(20)	6 Accelerated Projects	
TOTAL Education & Lifelong Learning (excl School Estate)	**467**	**815**	**(348)**	**(74.52)%**	**0**	**0**	**0**	**0**	**0**	**(348)**		
SEMP												
Lifecycle Fund	400	1163	(763)	(190.75)%						(763)	6 Accelerated Projects	Lifecycle programme maintained with minimal covid impact.
Gourock PS Extension	250	84	166	66.40%				166			4 Delay involving 3rd Party	Covid impact on completion works re-tendering exercise.
St Mary's PS - Refurb & Extension	611	1106	(495)	(81.01)%						(495)	6 Accelerated Projects	Final account agreed requiring additional funding.
Hillend Children's Centre - Refurbishment	500	770	(270)	(54.00)%						(270)	6 Accelerated Projects	Actual progress on site better than projection.
Whiteboard refresh	75	694	(619)	(825.33)%						(619)	6 Accelerated Projects	All phases able to be completed within financial year through out of hours working.
Various Projects	57	74	(17)	(29.82)%						(17)	6 Accelerated Projects	
Gourock YAC - Internal & External Alterations	40	95	(55)	(137.50)%						(55)	6 Accelerated Projects	Project cost increased and completed within financial year.
Larkfield Children's Centre - New Build	500	1155	(655)	(131.00)%						(655)	6 Accelerated Projects	Actual progress on site better than projection.
Rainbow Family Centre - Extension	578	1371	(793)	(137.20)%						(793)	6 Accelerated Projects	Actual progress on site better than projection.
Wellpark Children's Centre Alterations - CFCR	80	20	60	75.00%		60					2 Project Cost Reduced	Actual cost of tendered scheme less than budget allocation.
Glenpark Early Learning Centre Outdoor Expansion - CFCR	120	26	94	78.33%			94				3 Internal Slippage	Project required to be re-tendered, behind original programme.
Various Projects	20	27	(7)	100.00%						(7)	6 Accelerated Projects	
TOTAL SEMP	**3,231**	**6,585**	**(3,354)**	**(103.81)%**	**0**	**60**	**94**	**166**	**0**	**(3,674)**		
Health & Social Care Committee												
various projects	175	207	(32)	(18.29)%						(32)	6 Accelerated Projects	
Total Health & Social Care	**175**	**207**	**(32)**	**(18.29)%**	**0**	**0**	**0**	**0**	**0**	**(32)**		
Council Total	**13,059**	**17,343**	**(4,284)**	**(32.80)%**	**0**	**717**	**775**	**1,409**	**23**	**(7,208)**		
Movement per Category as %age of Capital Programme				**(32.80)%**	**.00%**	**5.49%**	**5.93%**	**10.79%**	**.18%**	**(55.20)%**		
Movement per Category as %age of total Slippage				**100.00%**	**.00%**	**(16.74)%**	**(18.09)%**	**(32.89)%**	**(.54)%**	**168.25%**		

Summary of Reported Slippage by Period

Appendix 4

	July'20 - Period 4		Sept' 20 - Period 6		Nov '20 - Period 8		Jan '21 - Period 10		March'21 - Period 12		Provisional Outturn	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Policy & Resources	-	0.0%	40	7.1%	40	7.1%	51	9.7%	106	20.2%	130	24.8%
Environment, Regeneration & Resources	(100)	(6.8)%	(1,704)	(19.8)%	(1,713)	(20.5)%	(1,240)	(14.9)%	(1,169)	(13.6)%	(680)	(7.9)%
Education & Lifelong Learning	32	6.9%	17	3.6%	(316)	(72.6)%	(313)	(72.0)%	(346)	(74.1)%	(348)	(74.5)%
School Estate	-	0.0%	(314)	(9.7)%	(1,702)	(52.7)%	(2,553)	(79.0)%	(3,298)	(102.1)%	(3,354)	(103.8)%
Health & Social Care	-	0.0%	-	0.0%	-	0.0%	21	12.0%	(35)	(20.0)%	(32)	(18.3)%
Total	(68)	(0.6)%	(1,961)	(15.0)%	(3,691)	(28.9)%	(4,034)	(31.7)%	(4,742)	(36.5)%	(4,284)	(32.8)%

	Movement Sept'20 (Period 6) v Outturn		Movement Nov'20 (Period 8) v Outturn	
	£000's	%	£000's	%
Policy & Resources	90	17.7%	90	17.7%
Environment, Regeneration & Resources	1,024	11.9%	1,033	12.7%
Education & Lifelong Learning	(365)	(78.2)%	(32)	(1.9)%
School Estate	(3,040)	(94.1)%	(1,652)	(51.1)%
Health & Social Care	(32)	(18.3)%	(32)	(18.3)%
Total	(2,323)	(17.8)%	(593)	(3.9)%

Inverclyde council

AGENDA ITEM NO. 5

Report To:	**Policy & Resources Committee**	**Date:**	**10 August 2021**
Report By:	**Interim Service Director, Corporate Services & Organisational Recovery**	**Report No:**	**FIN/42/21/AP/KJ**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**TREASURY MANAGEMENT – ANNUAL REPORT 2020/21**		

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 2020/21 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 2021 the Council had gross external debt (including PPP) of £257,757,141 and investments of £39,905,732. This compares to gross external debt (including PPP) of £274,392,487 and investments of £29,655,497 at 31 March 2020.

2.2 The Council's Capital Financing Requirement at 31 March 2021 was £292,997,000. The gross external debt was £35,239,859 (12.0%) less than the Capital Financing Requirement meaning that the Council was in an underborrowed position (and remains so in 2021/22). This position is attributable to the level of cash-backed reserves held by the Council.

2.3 The Loans Fund Pool Rate for 2020/21 was lower than that in 2019/20 and at its lowest level since before Local Government reorganisation.

2.4 The average rate of return achieved on investments during 2020/21 was 0.249% which exceeds the benchmark return rate for the year of 0.015% by 0.234% and resulted in £98,500 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 caused significant economic uncertainty in the UK and around the world during 2020/21 and continues to do so. The economic situation continues to be closely monitored. In addition, the volume and scale of Covid related grants had a positive impact on the Council's cashflow and year end cash-backed reserves,

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the contents of the annual report on Treasury Management for 2020/21 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
Interim Service Director, Corporate Services & Organisational Recovery

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 2020/21.

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) reduced during the year by £16.635m whilst Council investments increased by £10.251m. The reduction in debt was due to repaying maturing debt without undertaking new borrowing and included the repayment of £10m of 1 year borrowing that was done 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 2020/21.
c. As at 31 March 2021 the Council had under borrowed against its capital financing requirement by £35.240m. This under borrowing is £7.399m higher than at the end of 2019/20.
d. In January 2020 the Treasury Consultants forecast that the Bank Rate would remain at 0.75% for 2020/21 but, in March 2020 and due to the Covid-19 crisis, 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 to a further £200bn of Quantitative Easing. The Bank Rate remained unchanged at 0.10% during the year with a further £150bn of Quantitative Easing being agreed in November 2020.
e. PWLB rates for new borrowing were expected to increase by between 0.20% and 0.30%. Rates actually fell by up to 1.11% for short-term loans and 0.39% for long-term but rates were affected by the removal by the PWLB, in November 2020, of the 1% added to all new borrowing rates in October 2019. If the November 2020 adjustment had not taken place then rates during the year would have fallen by 0.11% for short-term loans but increased by 0.61% for longer periods.
f. The 1% reduction by the PWLB followed a consultation into their future lending terms and has resulted in measures to stop PWLB borrowing from being used to purchase investment assets primarily for commercial purposes (not an issue in Scotland).
g. Following the March 2020 Bank Rate cuts to 0.10%, the interest rates for investments have remained low during the year with most Call Account and Fixed Term Deposits now between 0% and the 0.10% Bank Rate.
h. The Council’s investments earned a rate of return of 0.249% during the year and outperformed the benchmark return of 0.015% resulting in additional income to the Council of £98,500.
i. 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.
j. The Council’s investment performance is due to undertaking fixed term and notice account investments at interest rates that were above the benchmark with counterparties which have high creditworthiness (the Bank of Scotland and Santander UK) and in accordance with the Council’s investment strategy.

5.2 The Covid-19 crisis caused significant economic uncertainty in the UK and around the world during 2020/21 and continues to do so in relation to the unknown economic impact on the UK and all global economies and how the crisis will be affected by vaccinations and by new Covid-19 variants.

The economic situation continues to be closely monitored.

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

	At 31 March 2020	At 31 March 2021
	£	£
Total Excluding PPP	213,699,487	198,761,141
PPP Debt	60,693,000	58,996,000
Total Including PPP	274,392,487	257,757,141

Further detail is given in the following table:

	At 31 March 2020		At 31 March 2021		Movement 2020/21
	Principal	Rate	Principal	Rate	Principal
	£000		£000		£000
Fixed Rate Funding:					
- PWLB	114,117		99,065		(15,052)
- Market *	55,000		56,000		1,000
	169,117	3.55%	155,065	3.67%	(14,052)
Variable Rate Funding:					
- PWLB	0		0		0
- Market *	44,400		43,400		(1,000)
- Temporary #	182		296		114
	44,582	4.86%	43,696	4.91%	(886)
Total Debt (Excl PPP)	213,699	3.82%	198,761	3.94%	(14,938)
PPP Debt	60,693		58,996		(1,697)
Total Debt (Incl PPP)	274,392		257,757		(16,635)

* - 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 2020		At 31 March 2021		Movement 2020/21
	Principal	Return	Principal	Return	Principal
	£000		£000		£000
Investments:					
- Fixed Term Deposits	0	0.00%	10,000	0.25%	10,000
- Notice Accounts	10,036	0.25%	14,534	0.40%	4,498
- Deposit Accounts	19,619	0.10%	15,372	0.01%	(4,248)
Totals	29,655	0.15%	39,906	0.21%	10,250

Investments as at 31 March 2021: £39,905,732
Maximum level of investments in 2020/21: £53,402,958 on 15 January 2021
Minimum level of investments in 2020/21: £28,111,705 on 2 June 2020
Daily average for the year 2020/21: £42,085,791

The Council's forecast and actual Investment Balances for 2020/21 for "investments" as defined in the Investment Regulations (including loans/holdings not managed under the treasury function) are shown in Appendix 1.

5.5 2020/21 Outturn Compared to Estimates in 2020/21 Strategy
The 2020/21 outturn compared to the estimates in the 2020/21 strategy:

	2020/21 Estimate	2020/21 Outturn
Borrowing Requirement	£000	£000
New borrowing	0	0
Alternative financing requirements	0	0
Replacement borrowing	10,000	0
TOTAL	10,000	0
Prudential/Treasury Management Indicators	£000	£000
Gross external debt including PPP (As at 31 March 2021)	267,694	257,757
Capital financing requirement (As at 31 March 2021)	292,977	292,997
(Under)/over borrowing against CFR	(25,283)	(35,240)
	£000	£000
Gross capital expenditure	18,420	16,797
Ratio of financing costs (including PPP) to net revenue stream	13.86%	12.28%
Ratio of net debt (debt and PPP less investments) to net revenue stream	124.1%	100.3% #

- The net revenue stream for 2020/21 was higher than estimated due to Covid related grants that were received in the year, leading to the ratio being lower than estimated. If these grants were removed from the net revenue stream (as expected in coming years), the ratio of net debt to net revenue stream will be higher than in 2020/21.

5.6 The table in paragraph 5.5 above shows that as at 31 March 2021 the Council had under borrowed against its capital financing requirement by £35.240m. 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 2020/21 Outturn Compared to Limits in 2020/21 Strategy
The 2020/21 outturn compared to limits in the 2020/21 strategy:

	2020/21 Limits		2020/21 Outturn	
<u>Prudential/Treasury Management Indicators</u>				
Authorised limit for external debt	£000		£000	
• Borrowing	241,000		198,761	
• Other long term liabilities	61,000		58,996	
	302,000		257,757	
Operational boundary for external debt	£000		£000	
• Borrowing	224,000		198,761	
• Other long term liabilities	61,000		58,996	
	285,000		257,757	
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 2021 (LOBOs included based on call dates and not maturity dates)	Fixed	Var.	Fixed	Var.
• Under 12 months	45%	35%	5.1%	22.0%
• 12 months and within 24 months	45%	35%	3.8%	0%
• 24 months and within 5 years	45%	35%	11.8%	0%
• 5 years and within 10 years	45%	35%	5.7%	0%
• 10 years and within 30 years	45%	35%	8.9%	0%
• 30 years and within 50 years	45%	35%	22.6%	0%
• 50 years and within 70 years	45%	35%	20.1%	0%
<u>Council Policy Limits</u>				
Maximum Percentage of Debt Repayable In Any Year (Actual is as at 31 March 2021 and relates to Financial Year 2077/78)	25%		20.1%	
Maximum Proportion of Debt At Variable Rates (Actual is as at 31 March 2021)	45%		22.0%	
Maximum Percentage of Debt Restructured In Year (Actual is as at 31 March 2021)	30%		0%	

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

The position in 2020/21 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 2020/21, 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 11 May 2021) are:

	Forecast Per 2020/21 Strategy	Actual/ Latest Forecast	
2020/21	0.75%	0.10%	(Actual)
2021/22	1.00%	0.10%	(Forecast)
2022/23	1.25%	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
2016/17	3.659%
2017/18	3.557%
2018/19	3.608%
2019/20	3.436%
2020/21	3.362%

The Loans Fund Pool Rate for 2020/21 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 24 September 2020 (after review by the Policy & Resources Committee on 24 March 2020). The 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 2020/21 and 2021/22 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 2020/21 is as follows:

Average Investment	Rate of Return (gross of fees)	Benchmark Return (3 month LIBID uncompounded)
£42,085,791	0.249%	0.015%

The Council have outperformed the benchmark by 0.234% resulting in additional income to the Council of £98,500. (Note: The benchmark rate has been negative since 3/7/2020).

6.0 LOANS FUND ADVANCES

6.1 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.

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

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 (option 1) with annual principal repayments being calculated using the annuity method.

b. The same method is being used for loans fund advances made after 1 April 2016 for the permitted 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 annuity method with the interest rate used being as in b. above.

This policy was approved by the Full Council at its meeting on 22 April 2021.

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

	2020/21
	Actual
	£000
Balance As At 1 April	241,151
Add: Advances For The Year	3,515
Less: Repayments For The Year	12,280
Balance As At 31 March	232,386

6.4 For the loans fund advances outstanding as at 31 March 2021, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	8,267
Years 2-5	31,795
Years 6-10	40,134
Years 11-15	39,849
Years 16-20	34,249
Years 21-25	34,481
Years 26-30	24,507
Years 31-35	11,167
Years 36-40	3,831
Years 41-45	1,177
Years 46-50	1,047
Years 51-55	1,173
Years 56-60	208
Years 61-65	34
Years 66-70	40
Years 71-75	48
Years 76-80	58
Years 81-85	69
Years 86-90	82
Years 91-95	98
Years 96-100	72
TOTAL	232,386

7.0 IMPLICATIONS

Finance

7.1 Through the achievement of exceeding the investment benchmark return rate, the Council has benefited from additional returns of £98,500. 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

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

Human Resources

7.3 There are no HR implications arising from this report.

Equalities

7.4 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

7.5 There are no repopulation implications arising from this report.

8.0 CONSULTATIONS

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

9.0 LIST OF BACKGROUND PAPERS

9.1 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 2020/21-2023/24

FORECAST OF INVESTMENT BALANCES
ESTIMATE FOR 2020/21 AND ACTUAL AT 31 MARCH 2021

Investment Regulation 31 requires the Council to provide forecasts for the level of investments. The estimate for 2020/21 and the actual as at 31 March 2021 are:

	2020/21	**2020/2**
	Estimate	**Actual At 31 March 2021**
	£000	£000
Cash balances managed in-house		
- At 1 April 2020	20,000	29,655
- At 31 March 2021	22,838	39,906
- Change in year	2,838	10,251
- Average daily cash balances	21,419	42,086
Holdings of shares, bonds, units (includes local authority owned company)		
- At 1 April 2020	2	2
- Purchases	0	0
- Sales	0	0
- At 31 March 2021	2	2
Loans to local authority company or other entity to deliver services		
- At 1 April 2020	442	441
- Advances	0	0
- Repayments	43	43
- At 31 March 2021	399	398
Loans made to third parties		
- At 1 April 2020	2,117	2,117
- Advances	4	14
- Repayments	720	721
- At 31 March 2021	1,401	1,410
Total of all investments		
- At 1 April 2020	22,561	32,215
- At 31 March 2021	24,640	41,716
- Change in year	2,079	9,501

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: 6

Report To:	**Policy & Resources Committee**	**Date:**	**10 August 2021**
Report By:	**Interim Service Director, Corporate Services & Organisational Recovery**	**Report No:**	**FIN/41/21/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Proposed Budget Strategy 2022/23**		

1.0 PURPOSE

1.1 The purpose of this report is to seek Committee approval for the proposed Budget Strategy for 2022/23. The proposals are supported by the Members Budget Working Group.

2.0 SUMMARY

2.1 As part of the budget agreed in March 2021 Members agreed in principle to allocate up to £4million from Reserves towards reducing the budget gap in 2022/23 based on an understandable reluctance to implement significant savings whilst in the Covid Recovery period. The implications of this approach for the new Council Administration post May 2022 have been highlighted to Members most recently in the Financial Strategy report considered by the Council on the 10th June.

2.2 The June Financial Strategy estimated that even after the one off use of £4 million from the Reserves, there is an estimated funding gap of approximately £1.4 million in 2022/23 before consideration of any increase in Council Tax. This position is based on a 2.5% pay award which has been rejected by the Trades Unions who are seeking parity with the Health award of approximately 4%.

2.3 There is therefore the need for a savings exercise to be progressed by Officers in order that Members have the flexibility beyond increasing Council Tax to address any adverse changes from the assumptions made in the Financial Strategy. Subject to Committee accepting the need for a savings exercise then a report would be brought to the MBWG for consideration.

2.4 Any savings exercise needs to be viewed in the context of the tens of millions of pounds of extra funding distributed by the Council during 2020/21 and 2021/22 arising from time limited Covid grants and the use of the Councils own reserves. As the bulk of this funding is time limited it creates a cliff edge which, even without a savings exercise, will have a noticeable impact the local community and businesses.

2.5 One potential change to the Budget approach for consideration is in how the Council engages with the IJB in terms of calculating both how the contribution to the IJB is calculated and how savings proposals are developed. The approach adopted in many other Council's is that the development of savings is led by the IJB with the Council taking a less hands on approach.

2.6 There is an outstanding remit to look at ways by which the Capital Programme could be enhanced and a report will be prepared later in the Autumn with the intention that these proposals do not add further pressure onto the Revenue Budget.

2.7 Whilst the Council continues to hold a healthy level of reserves which now includes significant sums allocated towards mitigating the impacts of Covid, the reality is that there is very little which is not allocated to specific projects and policy priorities. Looking beyond the 2022/23 Revenue Budget and the clear challenges ahead it would be appropriate to take opportunities to increase the Free Reserves to support the Budget Strategy for the new Council Administration post May 2022.

2.8 Finally, thought will need to be given regarding the level of public consultation to take place during this budget round including the impact via EIA's, Fairer Scotland and most recently the UNCRC requirements. Proposals in respect of public consultation need to be developed and approved at the next meeting of the Committee.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee considers the contents of this report and approve the following:

a) That the next budget consist of a single revenue year i.e. 2022/23
b) That the Capital Programme be rolled forward for a further year to cover 2022/25.
c) That the Chief Financial Officer engage with the IJB CFO and IJB Chief Officer and develop proposals for the approach in agreeing the Council's contribution to the IJB in 2022/23.
d) That proposals for a savings exercise are developed based on the latest financial projections.
e) That it is recognised that there is a need to generate free reserves for use as part of the budgets post 2022/23.
f) That a report be brought back by the Corporate Director, Education, Communities & Organisational Development on proposals for public consultation in relation to the budget including the process for progressing Equality Impact Assessments, Fairer Scotland Assessments and meeting the requirements of the UNCRC legislation.

Alan Puckrin
Interim Service Director, Corporate Services & Organisational Recovery

4.0 BACKGROUND

4.1 The Council approved the 2021/22 Revenue Budget and 2021/24 Capital Programme on 18 March, 2021. At the same meeting an indicative funding gap for 2022/23 of £5.431million was reported prior to any increase in Council Tax.

4.2 Members agreed in principle to allocate up to £4million from Reserves towards reducing the budget gap in 2022/23 based on an understandable reluctance to implement significant savings whilst in the Covid Recovery period.

4.3 The implications of this approach for the new Council Administration post May 2022 have been highlighted to Members most recently in the Financial Strategy report considered by the Council on the 10th June.

5.0 CURRENT POSITION

5.1 The June Financial Strategy estimated that even after the one off use of £4 million from the Reserves, there is an estimated funding gap of approximately £1.4 million in 2022/23 before consideration of any increase in Council Tax. The estimated funding gap increases to £11.4million by 2023/24 prior to any increase in Council Tax.

5.2 The above position is based on a 2.5% pay award which has been rejected by the Trades Unions who are seeking parity with the Health award of approximately 4%. Were this to be agreed then a further £1.7 million would be added to the funding gap unless there is further funding from the Scottish Government.

5.3 **Savings**

Based on the above then it would be appropriate for a proportionate savings exercise to be progressed by Officers in order that Members have the flexibility beyond increasing Council Tax to address any adverse changes from the assumptions made in the Financial Strategy. The lead in time requires work to commence on this by late summer and as such a report will be prepared for consideration by the MBWG.

5.4 In making this proposal it is acknowledged that Elected Members will be keen to minimise savings which impact on service delivery and any savings exercise needs to be viewed in the context of the tens of millions of pounds of extra funding distributed by the Council during 2020/21 and 2021/22 arising from time limited Covid grants and the use of the Councils own reserves.

As the bulk of this funding is time limited it has created a cliff edge which, even without a savings exercise, will have a noticeable impact the local community and businesses.

5.5 **Integrated Joint Board**

One potential change to the Budget approach is in how the Council engages with the IJB in terms of calculating both how the contribution to the IJB is calculated and how savings proposals are developed. Since the formation of the IJB the Council has affectively treated its allocation to the IJB in the same way as the allocation of resources to the other Directorates within the Council with savings and pressures being considered via the Council governance processes prior to being considered by the IJB.

5.6 The approach adopted in many other Council's is that the development of savings/funding of pressures is led by the IJB with the Council taking a less hands on approach. Whilst Elected Members will have understandable anxiety in not being directly involved in the detail of the IJB budget formulation, a more hands off approach is in line with the intention of the IJB legislation and will be easier for the IJB to manage now that there is a dedicated Finance Team reporting to a full time IJB Section 95 Officer.

5.7 **Capital**

The capital programme is coming under increasing pressure with Government Grant being over £2million less than the basic annual investment requirements for the Council's core assets. Some action around increasing Prudential Borrowing has been agreed but this adds to the revenue funding gap.

5.8 As part of the March Budget it was agreed that officers should look at how the Capital Programme could be enhanced and a report will be prepared in the Autumn with the intention that these proposals do not add further pressure onto the Revenue Budget**.**

5.9 **Reserves**

Whilst the Council continues to hold a healthy level of reserves which now includes significant sums allocated towards mitigating the impacts of Covid, the reality is that there is very little which is not allocated to specific projects and policy priorities. The unaudited accounts have confirmed the position with the "Free Reserves" being under £1million.

5.10 Looking beyond the 2022/23 Revenue Budget, unless there is a significant improvement in the funding of Local Government then the Council is likely to have to undertake a major redundancy trawl in the first years of the new Administration. This will require an increase in the existing remaining VER EMR balance of £1.5million. It would therefore be appropriate to consider that any Free Reserves identified during the Budget process should be ring fenced to support the Budget Strategy post May 2022.

5.11 **Consultation**

Thought will need to be given regarding the level of public consultation to take place during this budget round. Last year there was very limited consultation but with the continued drive for greater community involvement in Council decisions and a need for budgets to consider the impact via EIA's, Fairer Scotland and most recently the UNCRC requirements then proposals in respect of public consultation need to be developed and approved in the next month or two.

5.12 In addition, the usual engagement with the TUs via the JBG will need to recommence along with Council wide communications.

6.0 IMPLICATIONS

6.1 Finance

None at this time.

<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					

6.2 **Legal**

None at this time.

6.3 **Human Resources**

None at this time

6.4 **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

6.5 **Repopulation**

None at this time.

7.0 CONSULTATIONS

7.1 The MBWG support the proposals in this report and the report has been discussed with the TU's at the Joint Budget Group.

8.0 BACKGROUND PAPERS

8.1 None

Inverclyde council

AGENDA ITEM NO: 7

Report To:	**Policy & Resources Committee**	**Date:**	**10 August 2021**
Report By:	**Head of Organisational Development, Policy & Communications**	**Report No:**	**HR/23/21/SM**
Contact Officer:	**Steven McNab**	**Contact No:**	**01475 712015**
Subject:	**Consultation - Retail Shops Opening on New Year's Day**		

1.0 PURPOSE

1.1 The purpose of this report is for the Policy and Resources Committee to consider a response to the Scottish Government's consultation which seeks the views of shop workers, retail businesses and others on whether the current law should change so that large retail businesses must close on New Year's Day.

2.0 SUMMARY

2.1 The Scottish Government are consulting with employees and retail businesses on whether the law should be changed to close large retail businesses on New Year's Day. The Christmas Day and New Year's Day Trading (Scotland) Act 2007 makes it possible for the law that closes large retailers on Christmas Day to also apply to New Year's Day. The Scottish Government agreed to hold a consultation on whether to enact this legislation.

2.2 In January 2020, a petition was put before the Scottish Parliament by the trade union Usdaw (Union of Shop, Distributive and Allied Workers). The petition asked the Scottish Parliament to urge the Scottish Government to launch a consultation on implementing legislation to ban large shops from opening on New Year's Day.

2.3 Shortly after the petition was lodged, the retail sector was facing significant challenges due to the COVID-19 pandemic. With retailers working on maintaining the supply of food and other essential items and no clear end to the pandemic in sight, the Scottish Government wrote to the Parliament's Public Petitions Committee in April 2020 to confirm its view that it was not the right time to hold a consultation.

2.4 However, with the country moving towards recovery, the easing of restrictions and the progress being made through the vaccination programme, the Minister for Business, Fair Work and Skills again wrote to the Public Petitions Committee on 24 March 2021 and set out his intention to take forward a consultation on New Year's Day Trading this year.

2.5 The consultation has now been launched with a closing date of 24 August 2021 and local authorities have been invited to respond to the consultation. Usdaw have written to local authority Leaders asking that councils respond to the consultation supporting their call for large stores to be required to close on New Year's Day.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee consider whether to respond to the consultation supporting Usdaw's call for large stores to be required to close on New Year's Day, as outlined in section 5 of the report.

Steven McNab
Head of Organisational Development, Policy and Communications

4.0 BACKGROUND

4.1 The Scottish Government are consulting with employees and retail businesses on whether the law should be changed to close large retail businesses on New Year's Day. A large shop is defined as one with a relevant floor area over 280 square metres (for comparison purposes a tennis court is 260 square metres). The relevant area is defined as the area being used for making retail sales or displaying goods in connection with such sales and which is available to the public. The definition of "retail sale" makes clear that it is opening for the purpose of retailing goods to the general public. The Christmas Day and New Year's Day Trading (Scotland) Act 2007 makes it possible for the law that closes large retailers on Christmas Day to also apply to New Year's Day. The Scottish Government agreed to hold a consultation on whether to enact this legislation.

4.2 In January 2020, a petition was put before the Scottish Parliament by the trade union Usdaw. The petition asked the Scottish Parliament to urge the Scottish Government to launch a consultation on implementing legislation to ban large shops from opening on New Year's Day.

4.3 Shortly after the petition was lodged, the retail sector was facing significant challenges due to the COVID-19 pandemic. With retailers working on maintaining the supply of food and other essential items and no clear end to the pandemic in sight, the Scottish Government wrote to the Parliament's Public Petitions Committee in April 2020 to confirm its view that it was not the right time to hold a consultation

4.4 However, with the country moving towards recovery, the easing of restrictions and the progress being made through the vaccination programme, the Minister for Business, Fair Work and Skills again wrote to the Public Petitions Committee on 24 March 2021 and set out his intention to take forward a consultation on New Year's Day Trading this year.

4.5 The consultation has now been launched with a closing date of 24 August 2021 and local authorities have been invited to respond to the consultation. Usdaw have written to local authority Leaders asking that councils respond to the consultation supporting their call for large stores to be required to close on New Year's Day.

4.6 Usdaw have indicated in their communication that they believe it is more important than ever that, where possible, employees get a well-deserved break over the New Year period. They highlight that retail workers have served their local communities well throughout the pandemic, and they believe that it would be appropriate that they are able to take a break over the New Year following the busy Christmas trading period.

5.0 RESPONSE TO CONSULTATION

5.1 The consultation document recognised that not all consultees will wish or feel able to answer all of the questions. Consultees are encouraged to answer questions they feel it appropriate to do so.

5.2 The vast majority of the consultation questions are aimed at employers and employees in the large retailers sector. However, should the Committee wish to respond then there are two questions where it would be appropriate for the Council to provide feedback. These are set out below:

1. It is currently the law that large stores close on Christmas day. Do you think the law should change so that they close on New Year's Day too?

   Yes / No

2. Is there anything else you would wish to comment about this consultation?

5.3 Should the Committee agree a Council response, arrangements will be made to submit this to the Scottish Governments consultation on new year's day trading for large retailers by 24th August 2021.

6.0 IMPLICATIONS

6.1 Financial Implications - One off Costs

Depending on proposal being developed there could be significant financial implications.

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

Financial Implications - Annually Recurring Costs/ (Savings)

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

6.2 **Human Resources**: There are no human resources issues associated with this report.

6.3 **Legal**: There are no legal issues associated with this report.

6.4 **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.
	NO

6.5 **Repopulation**: There are no repopulation issues associated with this report.

7.0 CONSULTATION

7.1 The Corporate Management Team has been consulted regarding this report.

8.0 LIST OF BACKGROUND PAPERS

8.1 None

Inverclyde council

AGENDA ITEM NO: 8

Report To:	**Policy & Resources Committee**	**Date:**	**10 August 2021**
Report By:	**Interim Head of Legal Services**	**Report No:**	**LS/069/21**
Contact Officer:	**Anne Sinclair**	**Contact No:**	**01475 712710**
Subject:	**Report On Opinion Of Counsel Regarding Previous Settlements Reached With Former Clune Park Owners**		

1.0 PURPOSE

1.1 The purpose of this report is to update the Policy & Resources Committee on the legal advice regarding any potential claim by any former owner of property in the Clune Park Estate who has sold their property to the Council and in respect of whom sums were deducted from the purchase price in respect of Long Term Empty (LTE) levy and to provide an update on the estimated financial implications of the Valuation Appeals Committee decision.

2.0 SUMMARY

2.1 At its meeting on 24 June 2021 the Policy & Resources Committee considered a report by the Interim Service Director, Corporate Services and Organisational Recovery on the decision of the Valuation Appeals Committee dated 25 May 2021 which refused the appeal in respect of Council Tax, but upheld the appeal by the landlord in respect of the LTE Levy.

2.2 The decision of the Policy & Resources Committee on 24 June 2021 was that approval having been given to officers not to appeal, that officers would proceed with the following:

- The LTE Levy for properties owned by the successful appellant would be cancelled and Council Tax bills for the relevant properties re-issued **(Complete)**;

- Any LTE Levy billed in respect of properties not held by the Council within the Clune Park Estate would be cancelled **(In progress)**;

- Where the Council currently owns property within the Clune Park Estate then officers should review the application of any LTE Levy recovered from former owners when the Council acquired properties and report back to the Committee with recommendations for consideration **(Covered by this report)**.

2.3 The 24 June decision above excluded those former owners from whom the Council made no LTE recovery as part of the purchase of the properties due to their Council tax accounts being up to date. In these circumstances it would be recommended that the LTE debt be cancelled and Council Tax bills re-issued.

2.4 Following the June 2021 decision the Interim Head of Legal Service instructed an opinion from the Council's expert external legal adviser on a number of issues arising out of the Council's purchase of properties in the Clune Park Estate, particularly relating to settlements which included deductions from the sale price in respect of LTE Levy.

2.5 In light of the VAC decision in respect of LTE Levy Officers considered that it would also be prudent to seek the views of Senior Counsel in relation to the period to be covered and what is to be classed as LTE levy in respect of empty properties in the Clune Park Estate. The opinion of the QC is included as an appendix in the private papers.

2.6 Based on the legal advice provided then the maximum value of the LTE debt which could be cancelled is £705,000 covering the period 2012-2022 of which £101,000 relates to this financial year. As the Council has already included a provision of £ 290,000 in the Unaudited 2020/21 accounts then, depending on decisions by Committee, a further £314,000 should be added to the provision with the 2021/22 impact reflected in Revenue Budget monitoring updates to Committee.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee :

a) considers the contents of the report and private appendix ;

b) notes there is no legal obligation to make settlement payments in terms of LTE debts recovered from former Clune Park owners who have previously reached settlement agreements with the Council to sell their properties;

c) agrees that LTE debts be cancelled for former owners within the Clune Park estate from whom no LTE recovery was made as part of the missives of sale;

d) notes the increased financial impact arising from the QC opinion of the period to be covered and discounts to be applied to Council Tax bills in respect of long term empty properties within Clune Park

e) notes that the estimated reduction in Council Tax income for the period 2012-2021 will be reflected in the 2020/21 Annual Accounts and will result in a reduction in the General Fund Free Reserves.

Anne Sinclair
Interim Head of Legal Services

4.0 BACKGROUND

4.1 The Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations issued in 2005 gave Councils the ability to reduce the 50% discount applied to second homes and long term empty properties. The Council agreed to reduce the discount on long term empty properties to 10% from 1 April, 2012. The extra income raised required to be ring fenced to support Affordable Housing developments.

4.2 Long Term Empty (LTE) Levy was added to Council Tax charges by the Council after 1 April 2016 in terms of The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. The levy was set by the Council at 30% for 2016/17 and 2017/18 increasing to 50% for 2018/19 and was increased to 100% with effect from 1 April 2019, bringing the Council in line with most Councils in Scotland.

4.3 At the meeting of the Policy & Resources Committee on 24 June 2021 the Committee accepted the recommendation of officers and decided against appealing the VAC decision of 25 May 2021 in respect of LTE Levy. The Committee also decided that in addition to cancelling the LTE levy for properties within the Clune Park Estate owned by the Landlords who had successfully appealed and other properties within the Estate not owned by the Council, where the Council owns a property officers were asked to review the application of any LTE levy recovered from former owners when the Council acquired those properties and report back to the Committee with recommendations for consideration.

4.4 The Council has purchased 197 properties within the Clune Park Estate to date. In particular a portfolio of properties was purchased from one owner as part of a global settlement. This settlement was subject to bespoke Conveyancing Missives. The remaining properties purchased by the Council were subject to Standard Missives of Sale.

4.5 Sums in respect of outstanding Council Tax, including LTE levy, were deducted from the Purchase Price paid to the owner of the portfolio and some of the other owners who sold their properties to the Council in transactions which were subject to the Standard Missives of sale. It should be noted that other former owners will have paid LTE levy during their period of ownership but no deductions were made as their accounts were up to date.

4.6 The Interim Head of Legal Services has obtained an opinion from the Council's external legal expert, regarding the prospects of success of claims against the Council for deduction of LTE Levy in respect of acquisitions under both of the above circumstances.

4.7 In light of the VAC decision in respect of LTE levy Officers considered that it would also be prudent to seek the views of Senior Counsel in relation to the period to be covered and what is to be classed as LTE levy in respect of empty properties in the Clune Park Estate.

5.0 Opinion of Senior Counsel

5.1 The Council's QC has provided the Council with a very comprehensive and clear opinion in relation to the undernoted issues:

a) Settlement Agreement reached which was subject to the bespoke Missives of Sale;
b) Settlements subject to Standard Missives of Sale;
c) Amount of Discount due on Council Tax: Empty Properties in the Clune Park Estate.

5.2 The QC opinion is set out in the appendix included in the private papers and confirms that there is no legal obligation to make settlement payments in terms of LTE debts recovered from former Clune Park owners who have previously reached settlement agreements with the Council.

6.0 IMPLICATIONS

6.1 Finance

Officers within Finance continue to recalculate the Council Tax bills for all affected properties within the Clune Park estate for the 10 year period covered taking into account both the VAC decision and the opinion of the QC detailed in the appendix. The latest worst case scenario is an estimated reduction in Council Tax bills of £705,000 over the 10 year period of which £101,000 relates to the current financial year.

Officers will therefore make an adjustment to the 2020/21 Annual Accounts and this will reduce the General Fund Free Reserves from the position reported in the Unaudited 2020/21 Accounts.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Council Tax	Income	2012-22	Up to £705k		£355k previously reported in June, 2021

Annually Recurring Costs/ (Savings)

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

6.2 Legal

The advice from the Monitoring Officer is included in the private appendix.

6.3 Human Resources

There are no HR implications arising from this report.

6.4 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

6.5 **Repopulation**

There are no repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 The Councils Auditors have been consulted on the issues raised within this report and appendix.

8.0 BACKGROUND PAPERS

8.1 None