Inverclyde council
Municipal Buildings, Greenock PA15 1LY

Ref: DS

Date: 14 April 2022

A meeting of the Inverclyde Council will be held on Thursday 21 April 2022 at 4pm.

Members may attend the meeting in person or via remote online access. Webex joining details will be sent to Members and Officers. Members are requested to notify Committee Services by 12 noon on Wednesday 20 April 2022 how they intend to access the meeting.

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

Please note that this meeting will be live-streamed via YouTube with the exception of any business which is treated as exempt in terms of the Local Government (Scotland) Act 1973 as amended.

Further information relating to the recording and live-streaming of meetings can be found at the end of this notice.

IAIN STRACHAN
Head of Legal & Democratic Services

BUSINESS

****Copy to follow**

1.	**Apologies and Declarations of Interest**	**Page**
NEW BUSINESS		
2.	**Minutes of Meetings of The Inverclyde Council, Committees, Sub-Committees and Boards**	
	Inverclyde Council (17 February 2022) (pp 63-72)	
	Audit Committee (22 February 2022) (pp 73-74)	
	Health & Social Care Committee (24 February 2022) (pp 75-77)	
	Inverclyde Council (Special) (24 February 2022) (pp 78-80)	
	Planning Board (2 March 2022) (pp 81-91)	
	Local Review Body (2 March 2022) (pp 92-97)	
	Environment & Regeneration (3 March 2022) (pp 98-103)	
	Grants Sub Committee (7 March 2022) (pp 104-108)	
	Education & Communities Committee (8 March 2022) (pp 109-115)	
	Policy & Resources Executive Sub Committee (10 March 2022) (pp 116-117)	
	Policy & Resources (22 March 2022) (pp 118-122)	
	Local Police & Fire Scrutiny Committee (24 March 2022) (pp 123-124)	
	Planning Board (6 April 2022) (pp 125-128)	
	Local Review Body (6 April 2022) (pp 129-132)	
	** General Purposes Board (13 April 2022) (pp)	
3.	**Review of The Inverclyde Council (Prohibition of Alcohol In Designated Public Places) Byelaws 2010** Report by Head of Legal & Democratic Services	**p**

4.	**Statutory Meeting - Location & Decisions by Lot** Report by Head of Legal & Democratic Services	**p**
5.	**Contract Cost Increase and Supply Issues** Report by Interim Director Finance & Corporate Governance	**p**
6.	**Inverclyde Task Force** Report by Chief Executive	**p**
REMITS FROM COMMITTEES		
7.	**Capital Strategy 2022/32 – Remit from the Policy & Resources Committee** Report by Head of Legal & Democratic Services	**p**
8.	**Treasury Management Strategy Statement and Annual Investment Strategy 2022/23-2025/26 – Remit from the Policy & Resources Committee** Report by Head of Legal & Democratic Services	**p**
TRUST BUSINESS		
9.	**McLean Museum and Art Gallery Management Policies and Service Improvement Plan 2022-25 – Remit from the Education & Communities Committee** Report by Head of Legal & Democratic Services	**p**

The documentation relative to the following item has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in the paragraphs of Part I as detailed in the minute of the relevant Committee, Sub-Committee or Board.

NEW BUSINESS		
10.	**Business in the Appendix**	**p**

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.

Please note: this meeting may be recorded or live-streamed via You Tube and the Council's internet site, where it will be capable of repeated viewing. At the start of the meeting the Provost/Chair will confirm if all or part of the meeting is being recorded or live-streamed.

You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during any recording or live-streaming will be retained in accordance with the Council's published policy, including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site or You Tube.

If you are participating in the meeting, you acknowledge that you may be filmed and that any information pertaining to you contained in the recording or live-stream of the meeting will be used for webcasting or training purposes and for the purpose of keeping historical records and making those records available to the public. In making this use of your information the Council is processing data which is necessary for the performance of a task carried out in the public interest. If you are asked to speak at the meeting then your submission to the committee will be captured as part of the recording or live-stream.

If you have any queries regarding this and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact the Information Governance team at dataprotection@inverclyde.gov.uk

Enquiries to – **Diane Sweeney** – Tel 01475 712147

Inverclyde council

AGENDA ITEM NO: 3

Report To:	**Inverclyde Council**	**Date:**	**21 April 2022**
Report By:	**Head of Legal and Democratic Services**	**Report No:**	**LS/028/22**
Contact Officer:	**Anne Sinclair**	**Contact No:**	**01475 712034**
Subject:	**Review of The Inverclyde Council (Prohibition of Alcohol In Designated Public Places) Byelaws 2010**		

1.0 PURPOSE

1.1 The purpose of this report is to update the Council on the outcome of the second public consultation process undertaken by the Interim Head of Legal and Democratic Services in connection with the review of the current Byelaws for Inverclyde Council prohibiting the consumption of alcohol in designated public places and to recommend the making of The Inverclyde Council (Prohibition of Consumption of Alcoholic Liquor in Designated Places) (Amendment) Byelaws 2021 and thereafter submitting same to the Scottish Ministers for confirmation.

2.0 SUMMARY

2.1 Following confirmation by the Scottish Ministers, The Inverclyde Council (Prohibition of Consumption of Alcohol in Designated Public Places) Byelaws 2010 ("the 2010 Byelaws") came into operation on 20 December 2010. A copy of the 2010 Byelaws are attached as Appendix 1.

2.2 In terms of Section 202A of the Local Government (Scotland) Act 1973 a Local Authority shall, not later than 10 years from the coming into force of any byelaws, review the said byelaws and do so thereafter at intervals of not more than 10 years. The Interim Head of Legal and Democratic Services therefore carried out a review and consultation on the 2010 Byelaws between 18 December 2020 and 6 February 2021. The outcome of this consultation was reported to the Inverclyde Council on 10 June 2021. Following this, it was agreed that the coverage of the 2010 Byelaws should be extended, with the Interim Head of Legal and Democratic Services being authorised to take the necessary action, including conducting a further public consultation on the proposed amended Byelaws and reporting back to the Council on the outcome of the consultation for approval, prior to applying to the Scottish Ministers for confirmation of the amended Byelaws.

2.3 The proposed amendment byelaws titled The Inverclyde Council (Prohibition of Consumption of Alcoholic Liquor in Designated Places) (Amendment) Byelaws 2021 have the effect of amending the 2010 Byelaws to extend the coverage to areas where housing developments have been built, or where planning permission has been granted for developments to be built, since 2010. These areas include Spango Valley and James Watt Dock in Greenock; the former power station site in Inverkip; Adamston Way in Port Glasgow and the southern boundary of Quarriers Village. A copy of the proposed 2021 Byelaws and maps showing the extended areas are attached as Appendix 2.

2.4 The Interim Head of Legal and Democratic Services carried out a second public consultation, advertising the Council's intention to make the proposed 2021 Byelaws and to thereafter apply to the Scottish Ministers for confirmation of same. The consultation ran from 17 December 2021 to 31 January 2022. Any objections were to be addressed to the Scottish Ministers before 31 January 2022. At the end of this second consultation period, no responses or objections were received by the Scottish Ministers.

3.0 RECOMMENDATION

3.1 It is recommended that the Inverclyde Council:

(a) Notes the outcome of the second stage of the consultation process in connection with the The Inverclyde Council (Prohibition of Consumption of Alcoholic Liquor in Designated Places) (Amendment) Byelaws 2021; and

(b) Delegates authority to the Head of Legal and Democratic Services to make The Inverclyde Council (Prohibition of Consumption of Alcoholic Liquor in Designated Places) (Amendment) Byelaws 2021 and thereafter submit same to the Scottish Ministers for confirmation in terms of sections 201, 202 and 203 of the Local Government (Scotland) Act 1973.

Iain Strachan
Head of Legal and Democratic Services

4.0 BACKGROUND

4.1 The Inverclyde Council (Prohibition of Consumption of Alcohol in Designated Public Places) Byelaws 2010 (the "2010 Byelaws") were confirmed by the Scottish Ministers as coming into force on 20 December 2010.

4.2 The 2010 Byelaws apply to:

(1) The whole of the Villages of Kilmacolm and Quarriers Village as shown outlined in red on Plan No 1 annexed to the 2010 Byelaws;

(2) The whole of the town of Port Glasgow, Greenock and Gourock as shown in red on Plan Nos 2,3 and 4 annexed to the 2010 Byelaws;

(3) The whole of the village of Inverkip and of the settlement of Wemyss Bay as shown outlined in red on Plan No 5 annexed to the 2010 Byelaws.

4.3 In terms of Section 202A of the Local Government (Scotland) Act 1973, a local authority shall not later than 10 years from the coming into force of any byelaws, review the said byelaws and do so thereafter at intervals of not more than 10 years.

4.4 The Interim Head of Legal and Democratic Services carried out a review and consultation between 18 December 2020 and 6 February 2021 in respect of which interested parties were consulted including Police Scotland; the Crown and Procurator Fiscal Service; Community Councils; Members of the Inverclyde Licensing Board; the Inverclyde Health & Social Care Partnership and the Inverclyde Alcohol Forum.

4.5 Further to the initial consultation, Police Scotland confirmed that the 2010 Byelaws are still fit for purpose and appropriate however requested that the 2010 Byelaws be extended to cover the entirety of the Inverclyde area. This is not possible given that Scottish Government guidance clearly states that byelaws prohibiting the consumption of alcohol in public places should not cover an entire local authority area.

4.6 Further to the initial consultation, and upon approval of the Inverclyde Council on 10 June 2021, the proposed 2021 Byelaws were drafted which have the effect of extending the 2010 Byelaw coverage to areas where housing developments have been built, or where planning permission has been granted for developments to be built, since 2010. The 2021 Byelaws extend the 2010 Byelaws to cover: Spango Valley and James Watt Dock in Greenock; Adamston Way in Port Glasgow; the former power station site in Inverkip; and the southern boundary of Quarriers Village. The aforementioned areas are highlighted in blue on the plans forming Appendix 2.

4.7 Prior to undertaking the second public consultation, the Interim Head of Legal and Democratic Services forwarded a copy of the proposed 2021 Byelaw plans to the Scottish Ministers for their comment on the proposed amendments. The Scottish Ministers advised the Interim Head of Legal and Democratic Services in August 2021 that they were content for the Council to move on to the next stage.

4.8 The Interim Head of Legal and Democratic Services carried out a second public consultation, from 17 December 2021 to 31 January 2022, advertising the Council's intention to make the proposed 2021 Byelaws and to thereafter apply to the Scottish Ministers for confirmation of same. A copy of the 2010 and 2021 Byelaws with accompanying maps were made available to the public for inspection. At the end of this consultation period, no objections or responses were received. With the approval of the Inverclyde Council, the 2021 Byelaws can now be made by the Head of Legal and Democratic Services and submitted to the Scottish Ministers for confirmation.

4.9 Once the Byelaws are submitted to the Scottish Ministers for confirmation, the Scottish Ministers will decide whether or not to confirm the Byelaws, with or without modification, and will fix a date from which the Byelaws will come into force. If a date is not set, the Byelaws will come into force one month from the date of confirmation. The Head of Legal and Democratic Services will, as soon as practicable after receiving intimation of the confirmation of the Byelaws, publish a public notice in this connection in a local newspaper and on the Council's website. A copy of the Byelaws will be made available for public inspection at the Customer Service Centre, Municipal Buildings, Greenock and on the Council's website. Enforcement of the Byelaws will continue to be the responsibility of Police Scotland.

5.0 IMPLICATIONS

Finance

5.1 There are no financial implications at this stage.

Legal

5.2 The legal considerations are contained within this report.

Human Resources

5.3 There are no HR implications arising as a result of this report.

Equalities

5.4 Equalities

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

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

Data Protection

Has a Data Protection Impact Assessment been carried out?

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

Repopulation

5.5 There are no repopulation implications arising from this report.

6.0 CONSULTATIONS

6.1 There has been consultation with Police Scotland; the Crown and Prosecutor Fiscal Service; Community Councils; Elected Members; Inverclyde Health & Social Care Partnership and Inverclyde Alcohol Forum.

7.0 LIST OF BACK GROUND PAPERS

7.1 None.

APPENDIX 1

THE INVERCLYDE COUNCIL (PROHIBITION OF CONSUMPTION OF ALCOHOLIC LIQUOR IN DESIGNATED PLACES) BYELAWS 2010

The Inverclyde Council ("the Council") in exercise of the powers conferred on it by sections 201, 202 and 203 of the Local Government (Scotland) Act 1973, and of all other powers enabling it in that behalf, hereby makes the following byelaws:-

Interpretation

1. (1) In these byelaws, unless the context otherwise requires -

"alcohol" has the same meaning as in section 2 of the Licensing (Scotland) Act 2005;

"licensed premises" has the same meaning as in section 147(1) of the Licensing (Scotland) Act 2005 but does not include premises in respect of which there is a provisional premises licence (within the meaning of section 45(5) of that Act);

"occasional licence" has the same meaning as in section 56(1) of the Licensing (Scotland) Act 2005;

"designated place" means any place to which the public have access within the areas specified in Schedule 1 to these byelaws and shown outlined in red on the plans annexed and signed as relative hereto.

(2) These byelaws may be cited as "The Inverclyde Council (Prohibition of Consumption of Alcohol in Designated Public Places) Byelaws 2010.

Application

2. These byelaws shall not apply -

(a) on 31 December, from 6 pm until the end of that day; and

(b) on 1 January, until 6 am.

Offence

3. (1) Any person who consumes alcohol in a designated place or is found to be in possession of an open container containing alcohol in a designated place in circumstances whereby it is reasonable to infer that that person intended to drink from it whilst in a designated place shall be guilty of an offence and liable on summary conviction to a fine not exceeding level 2 on the standard scale.

(2) It shall not be an offence against these byelaws to do anything in any designated place which comes within the meaning of licensed premises.

(3) It shall not be an offence against these byelaws to do anything in any designated place in respect of which an occasional licence is in operation during any period when alcohol may be sold there by virtue of that licence and for 15 minutes after the expiry of such period.

Presumptions

4. (1) This byelaw applies for the purposes of any trial for an offence against these byelaws.

(2) Any liquid found in a container shall, subject to the provisions of this byelaw, be presumed to conform to the description of the liquid on the container.

(3) A container which is found to contain -

(a) no liquid; or

(b) insufficient liquid to permit analysis

shall, subject to the provisions of this byelaw, be presumed to have contained at the time of the alleged offence liquid which conformed to the description of the liquid on the container.

(4) A person shall not be entitled to lead evidence for the purpose of rebutting a presumption mentioned in paragraphs (2) or (3) above unless, not less than 7 days before the date of the trial, he has given notice to the prosecutor of his intention to do so.

Public Notice of Effect

5. (1) The Council shall erect one or more signs at or reasonably adjacent to each designated place for the purpose of giving notice of the effect of these byelaws.

(2) It shall be no defence in proceedings against a person for an offence under these byelaws that the Council failed to comply with paragraph (1) of this byelaw.

Revocation of Previous Byelaws

6. The Inverclyde District Council (Prohibition of Consumption of Alcoholic Liquor in Designated Places) Byelaws 1997 made by the District Council on 15 May 1997 and confirmed by the Secretary of State on 4 August 1997 are herby revoked.

Given under the common seal of the Inverclyde Council and subscribed for them and on their behalf by Howard Robertson McNeilly, Proper Officer, all at Greenock on the Seventh day of October, Two thousand and ten.

[redacted]

SCHEDULE

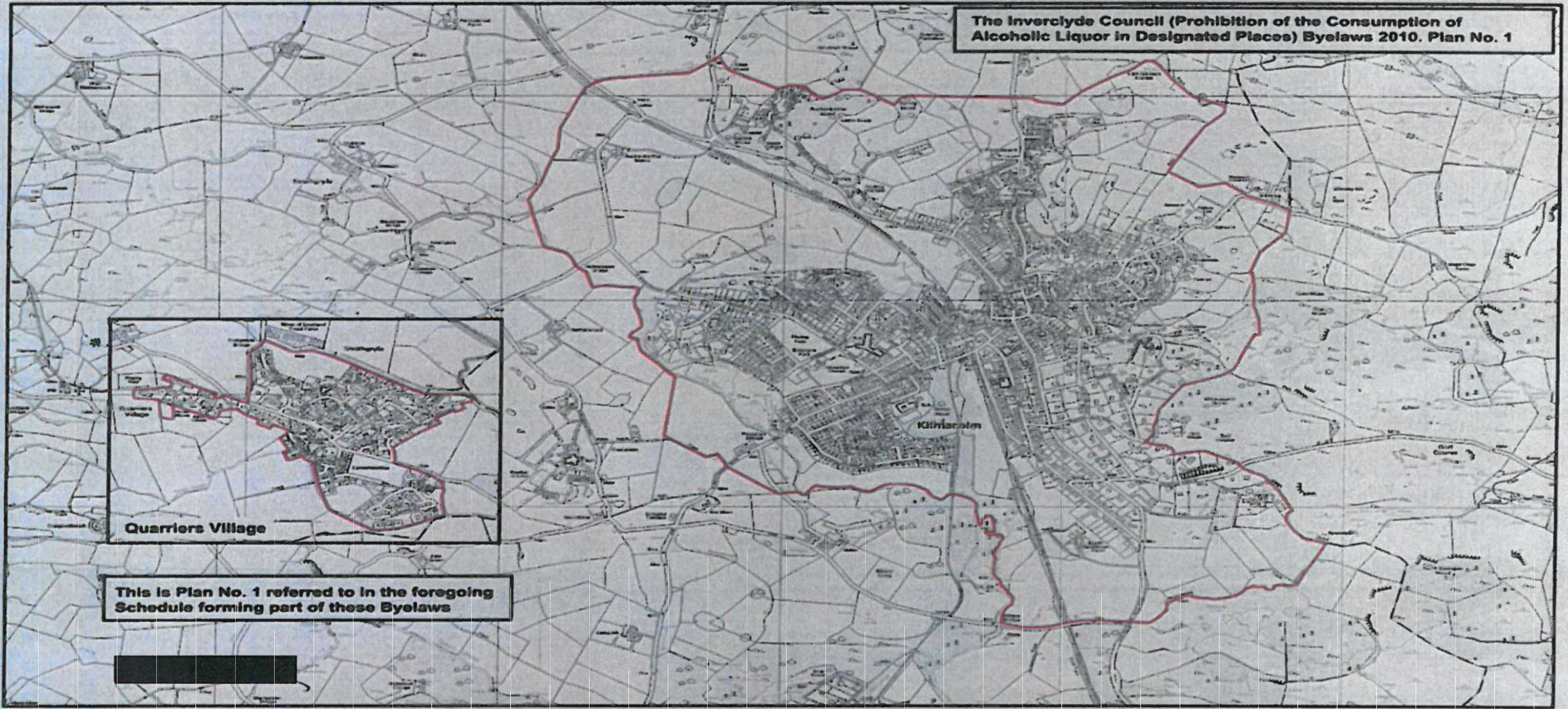
DESCRIPTION OF AREAS

1. The whole of the villages of Kilmacolm and Quarriers Village as shown outlined in red on the attached Plan No 1.

2. The whole of the towns of Port Glasgow, Greenock and Gourock as shown outlined in red on the attached Plans Nos 2, 3 and 4.

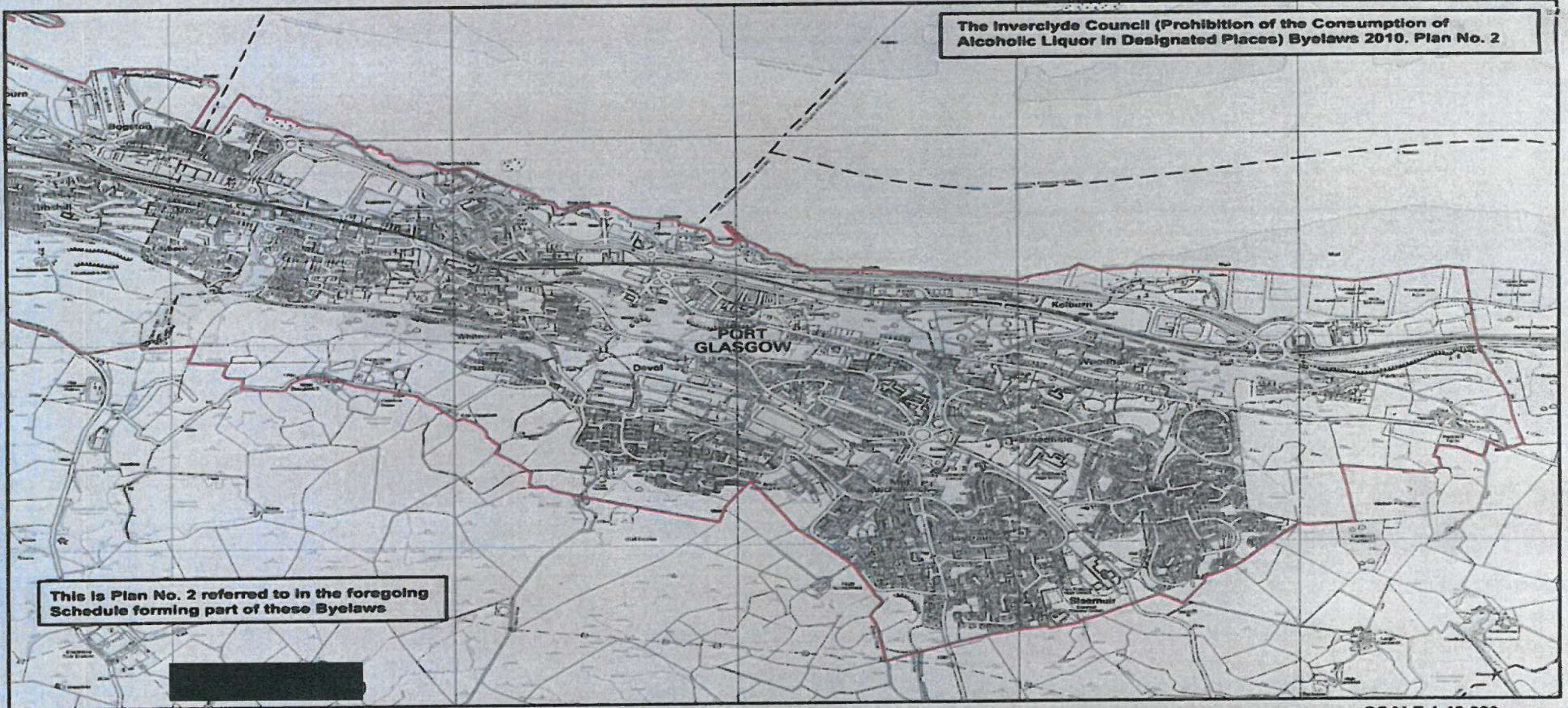
3. The whole of the village of Inverkip and of the settlement of Wemyss Bay as shown outlined in red on the attached Plan No 5.

[redacted]



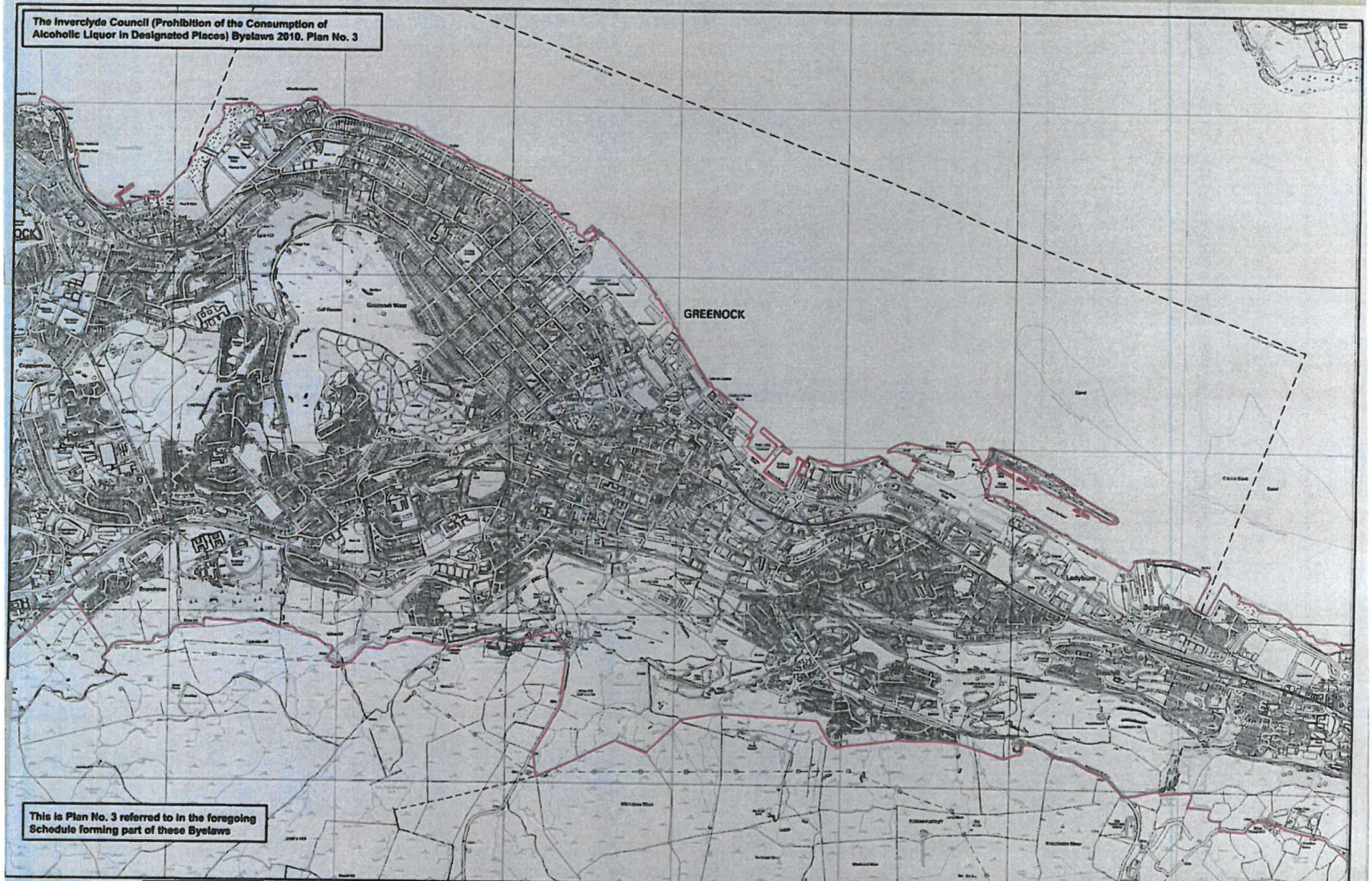
Inverclyde Council
Planning & Housing

SCALE 1:10,000
Drg. No. I2/464
GMcC NOV 09



Inverclyde Council
Planning & Housing

SCALE 1:10,000
Drg. No. I2/465
GMcC NOV 09

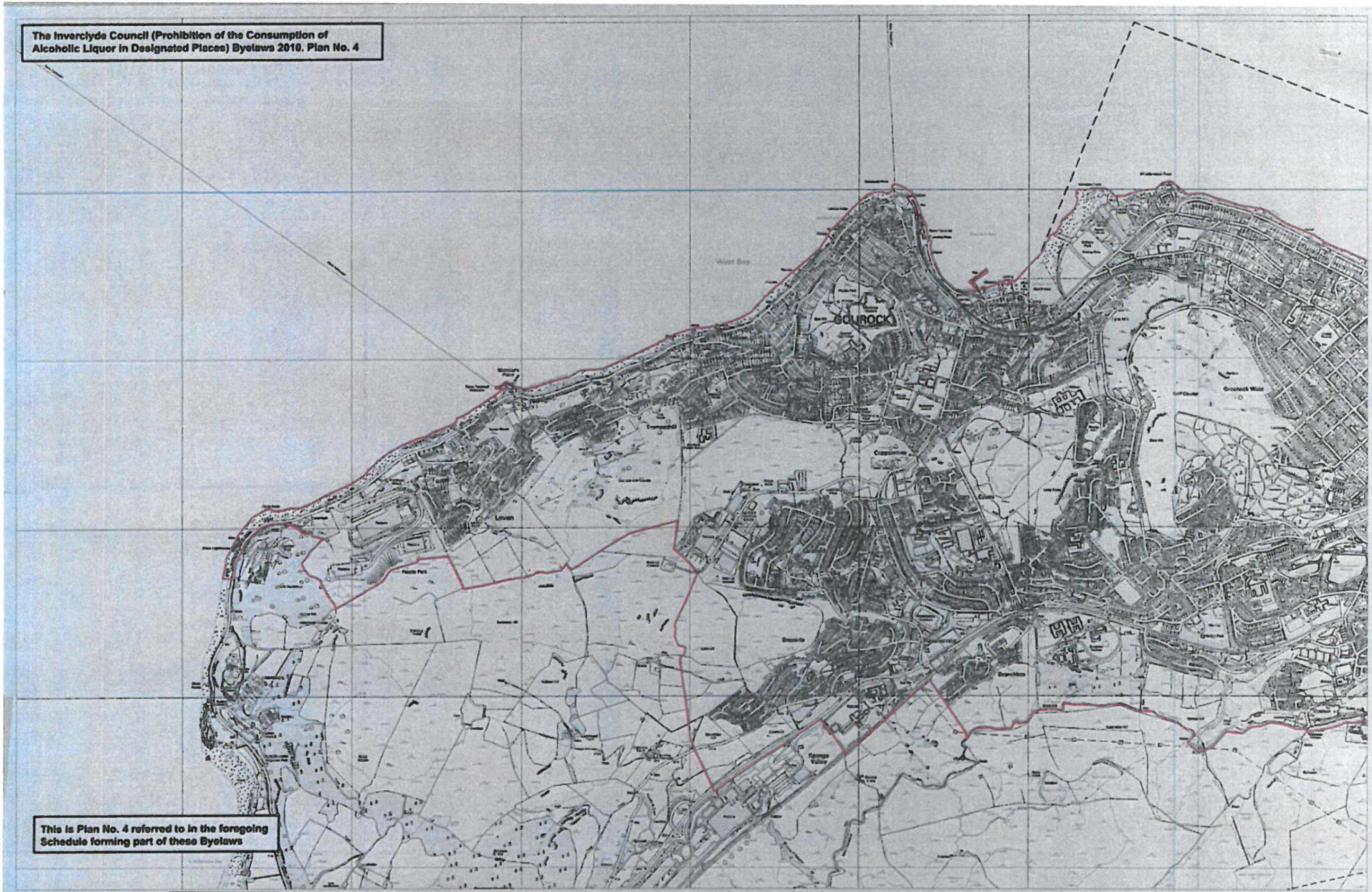


Inverclyde Council
Regeneration & Planning

[redacted]

SCALE 1:10,000
Drg. No. I2/486
GMcC APR 10

The Inverclyde Council (Prohibition of the Consumption of Alcoholic Liquor in Designated Places) Byelaws 2010. Plan No. 4

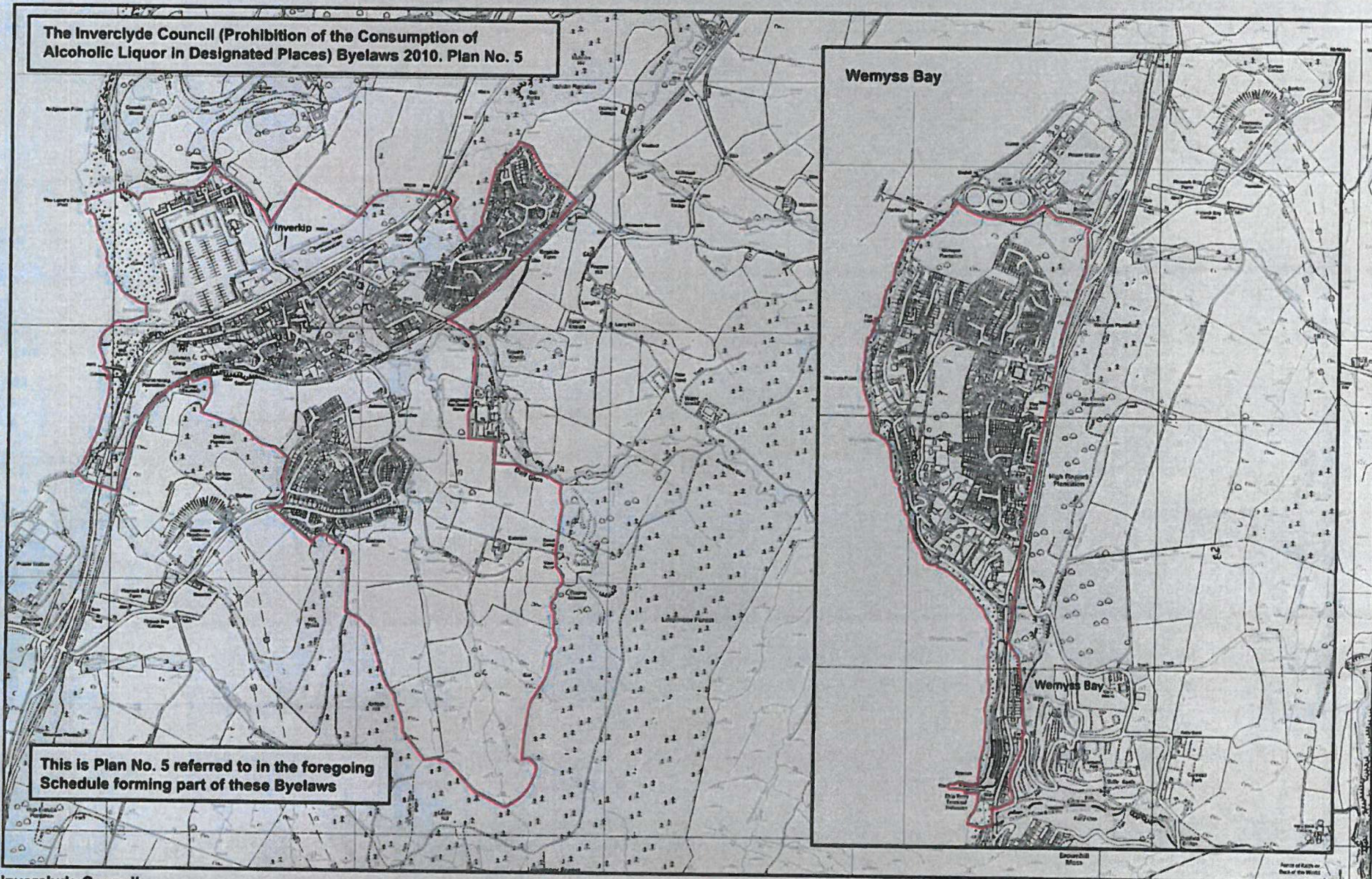


This is Plan No. 4 referred to in the foregoing Schedule forming part of these Byelaws

Inverclyde Council
Regeneration & Planning

[redacted]

SCALE 1:10,000
Drg. No. I2/467
GMcC APR 10



Inverclyde Council
Planning & Housing

[redacted]

SCALE 1:10,000
Drg. No. I2/468
GMcC NOV 09

APPENDIX 2

THE INVERCLYDE COUNCIL
(PROHIBITION OF CONSUMPTION OF ALCOHOLIC LIQUOR IN DESIGNATED PLACES) (AMENDMENT) BYELAWS 2021

The Inverclyde Council ("the Council") in exercise of the powers conferred on it by sections 201, 202 and 203 of the Local Government (Scotland) Act 1973, and of all other powers enabling it in that behalf, hereby makes the following byelaws:-

CITATION AND INTERPRETATION

1 (1) These byelaws may be cited as The Inverclyde Council (Prohibition of Consumption of Alcoholic Liquor in Designated Places) (Amendment) Byelaws 2021.

1 (2) In these byelaws "the principal byelaws" means the byelaws made by the Council on 7 October 2010 and confirmed by the Secretary of State for Scotland on 24 November 2010, prohibiting the consumption of alcohol in designated places.

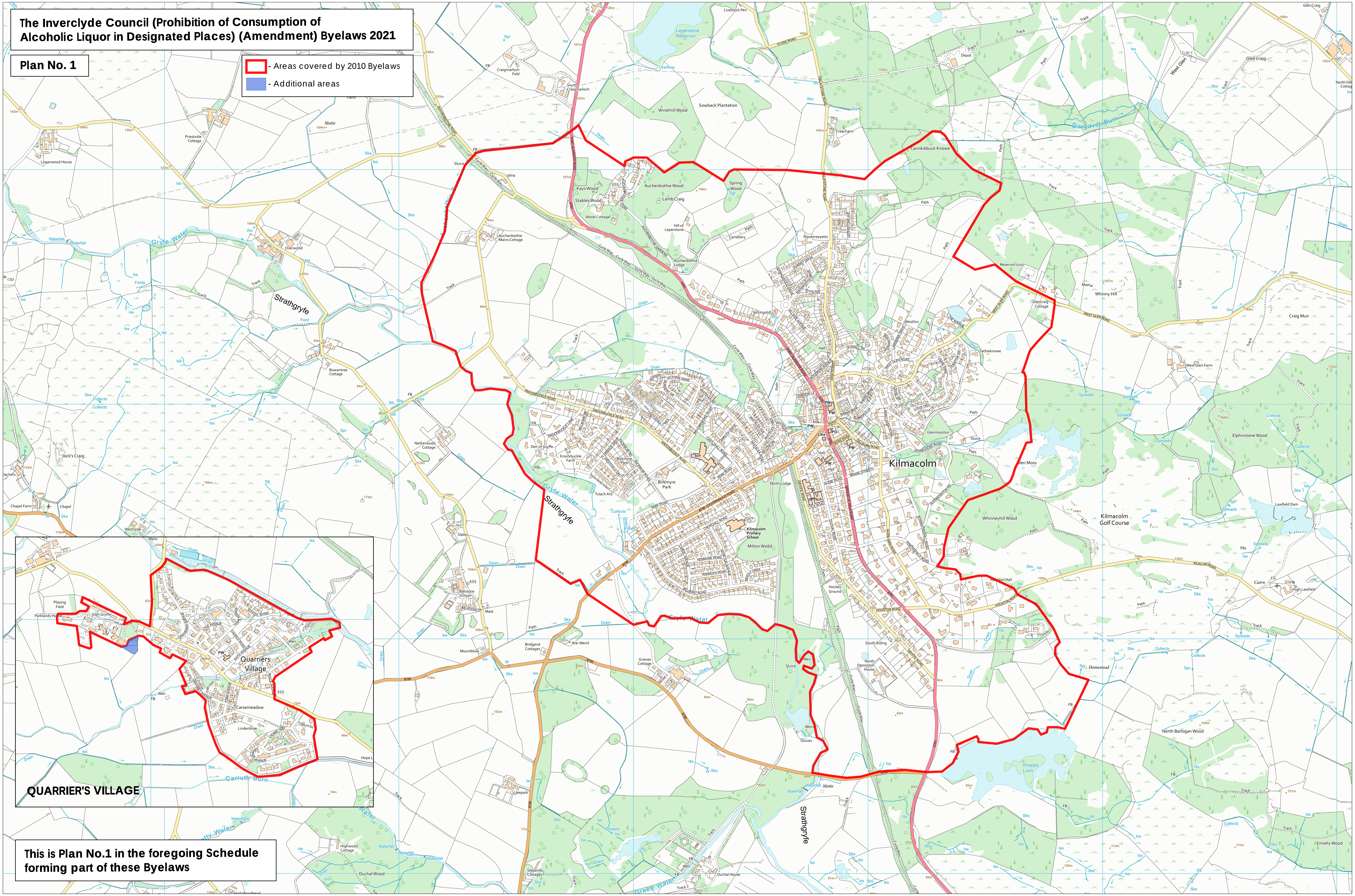
AMENDMENT OF PRINCIPAL BYELAWS

2 (1) The principal byelaws are amended as follows:-

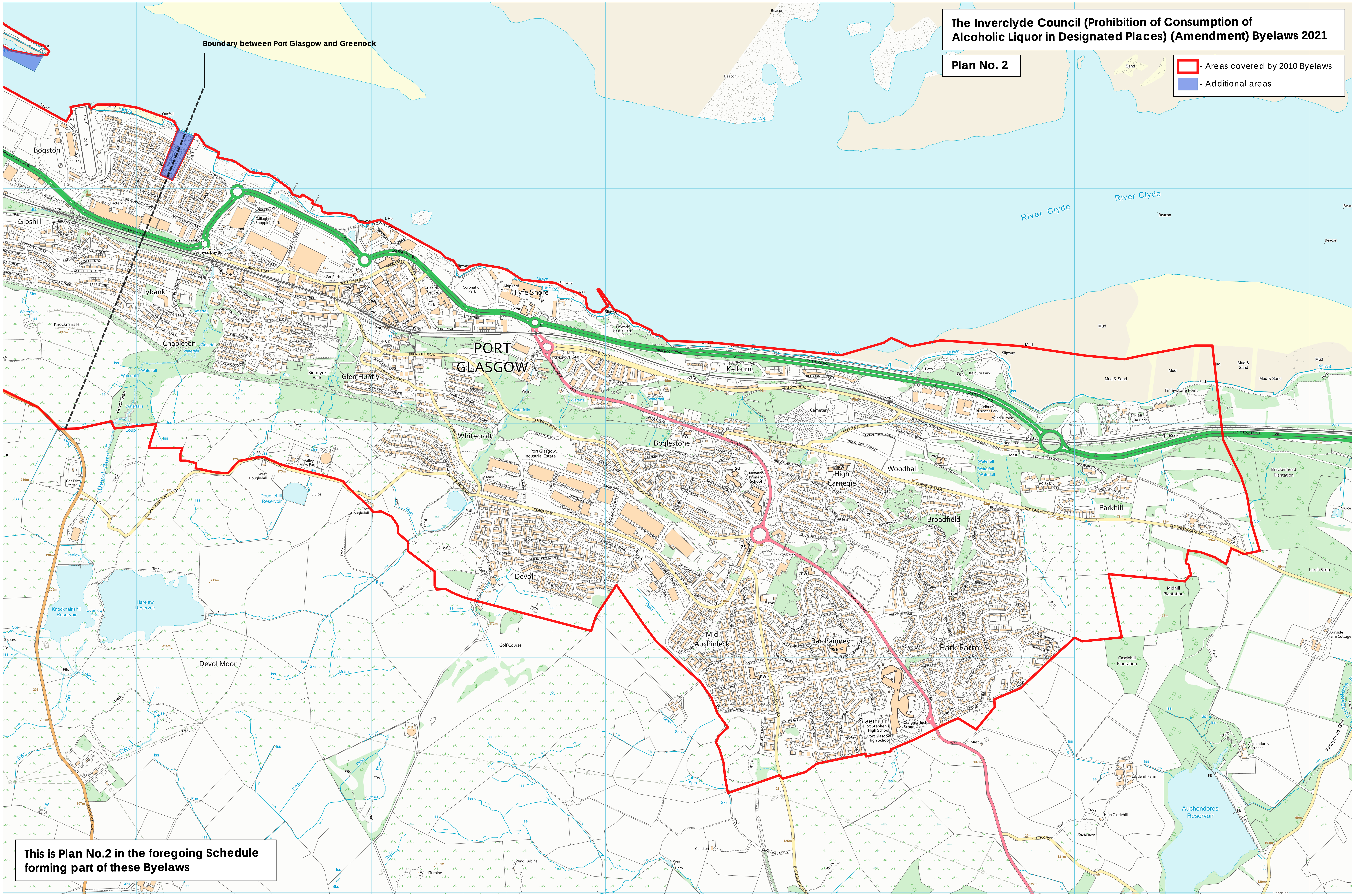
2 (2) Plan Nos 1-5 as attached to the principal byelaws are hereby revoked and Plan Nos 1-5 as attached hereto are substituted therefor.

Proper Officer Signature……………………………….

Date………………………………………..



Inverclyde Council
Regeneration & Planning



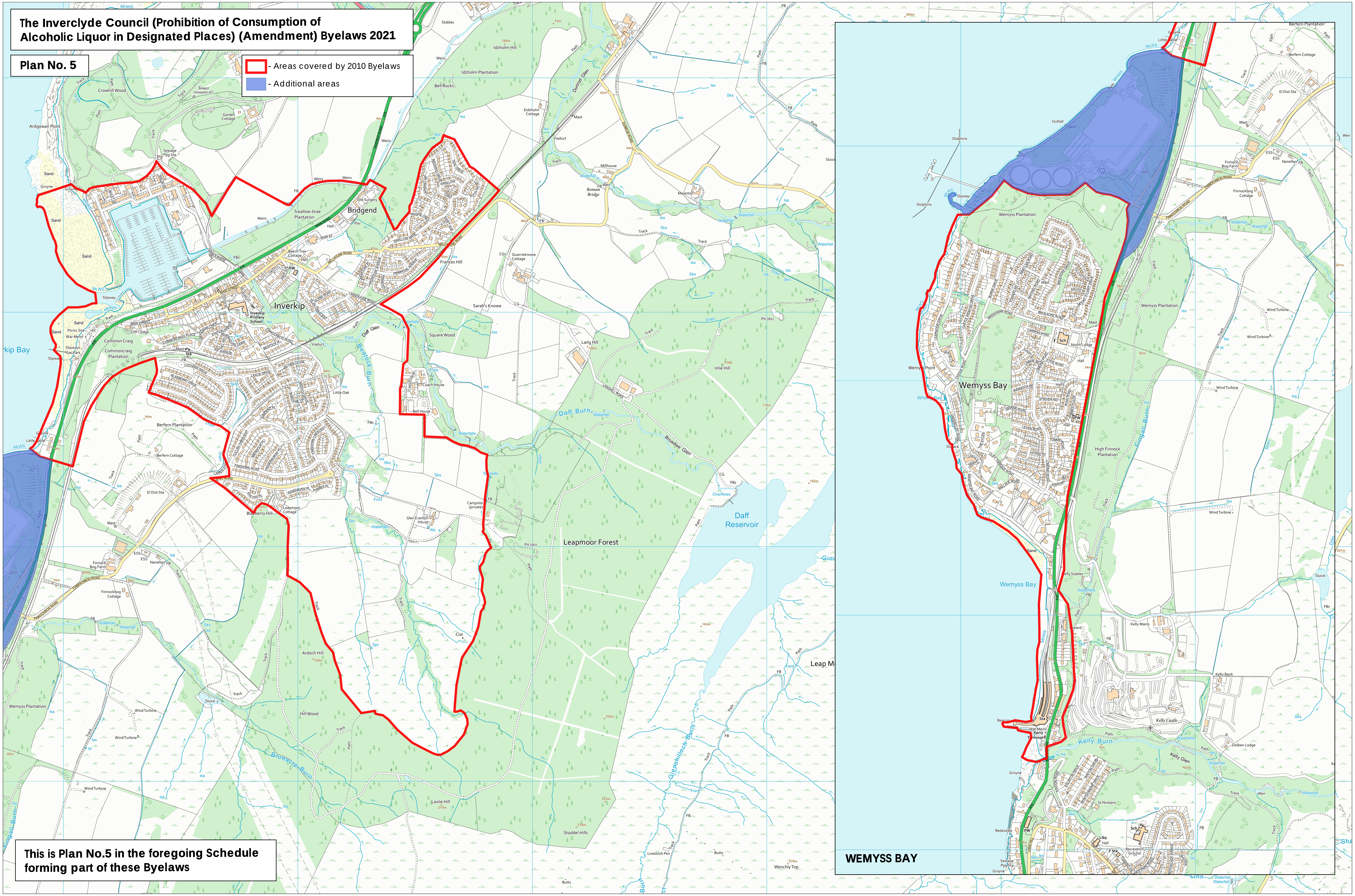
Inverclyde Council
Regeneration & Planning

SCALE 1:10,000
GMcC NOV 21

Inverclyde Council
Regeneration & Planning

SCALE 1:10,000
GMcC MAY 21

Inverclyde Council
Regeneration & Planning



Inverclyde Council
Regeneration & Planning

Inverclyde council

AGENDA ITEM NO: 4

Report To:	**Inverclyde Council**	**Date:**	**21 April 2022**
Report By:	**Head of Legal & Democratic Services**	**Report No:**	**LS/037/22**
Contact Officer:	**Iain Strachan**	**Contact No:**	**01475 712710**
Subject:	**Statutory Meeting – Location & Decisions by Lot**		

1.0 PURPOSE

1.1 The purpose of this report is to seek the Council's approval for officers to make arrangements that a venue other than the Council Chamber is used for the holding of the statutory meeting of Inverclyde Council in May 2022. This decision is being sought due to the desire that the meeting be one at which all elected members can attend in person, but also taking account of the current high incidence of Covid-19 infections in Inverclyde. In addition, this report seeks the Council's approval to a process by which decisions will be taken by lot when, during a meeting which is being held on a remote or hybrid basis, there is equality of votes but the Provost has no casting vote.

2.0 SUMMARY

2.1 On 17 February 2022, the Council decided to revert to hybrid meetings. The holding of hybrid meetings has again been shown to generally work well.

2.2 By law, the Council must hold its first meeting within 21 days of the local government elections in May 2022. This meeting, commonly called the statutory meeting, is unlike normal Council meetings, in that it rarely deals with the types of business normally considered by full Council. Instead, it is focused on electing key office bearers, and the forming of the new Council Administration, with the associated decision-making arrangements.

2.3 There is currently a high incidence of Covid-19 infections within Inverclyde. Whilst it is anticipated the number of infections will start to reduce, the Council needs to take account of this in planning for the statutory meeting, and related induction arrangements for the new Council, including to ensure no members are disadvantaged in taking part, such as those who might be clinically vulnerable to Covid-19. Given the ongoing impact of Covid-19, the importance of the statutory meeting and the fact that there will be new elected members not familiar with the hybrid meeting technology, it is proposed that officers make arrangements for the statutory meeting to be held at a suitable venue at which all members could attend in person, together with relevant officers and potentially members of the public, something that would not currently be possible with the Council Chamber in Municipal Buildings. In addition, it is expected that members will want to be able to attend the meeting in person, and it is the recommendation of officers that all members should do so unless otherwise prevented by virtue of having contracted Covid-19. A provisional booking has been made for the meeting to be held at the Town Hall in Municipal Buildings on Thursday 19th May 2022. Approval is sought to delegate authority to the Chief Executive to make suitable arrangements for this meeting. If any member cannot attend in person, due to having contracted Covid-19, then the meeting would be held on a hybrid basis from either the Council Chamber or Board Room 1, as the Town Hall is not suitable for hybrid meetings. Use of the Council Chamber or Board Room 1 could introduce the need to allocate available seats amongst groups, due to capacity issues with those locations.

2.4 Given the decision of the Council on 17 February, and the intention that the meeting is held with all members attending in person, Council will be asked to suspend Standing Orders in order to consider this report.

2.5 Under the Council's Standing Orders and Scheme of Administration, where there is equality of votes on a particular matter but the Provost does not have a casting vote, then "the decision shall be by lot". Whilst the instances of decisions being by lot are rare, the Council does not have a written protocol for how such a process is to be administered, and it is clear that it would be helpful to have such a protocol. This is especially the case given that administering a decision by lot in a hybrid or remote meeting has additional complications. As such, a draft protocol has been prepared and the Council is asked to approve this.

3.0 RECOMMENDATIONS

3.1 That the Council agree as follows:-

3.2 To delegate authority to the Chief Executive to make suitable arrangements for the holding of the first meeting of Inverclyde Council following the May 2022 local government elections, which meeting may be held at a venue other than the Council Chamber at Municipal Buildings, Greenock, with the Chief Executive to undertake suitable consultation on this matter with the Strategic Leadership Forum following the elections, it being noted that the intention is for this meeting to be a physical meeting, failing which a hybrid meeting from either the Council Chamber or Board Room 1; and

3.3 To approve the Decisions by Lot Protocol included in Appendix 1 to this report.

Iain Strachan
Head of Legal & Democratic Services

4.0 BACKGROUND

4.1 The Local Government (Scotland) Act 1994 stipulates that the first meeting of the Council must be held within 21 days of the ordinary election of councillors. This is commonly known as "the statutory meeting". Whilst the date of the statutory meeting will be confirmed following the May elections, it is currently being planned for Thursday 19 May 2022.

5.0 CONSIDERATIONS

Location of the Statutory Meeting

5.1 At its meeting on 17 February 2022, the Council agreed to revert to hybrid meetings. This reflected a lessening of the impact of the Covid-19 pandemic, and the general direction across Scotland to remove an increasing number of the public health restrictions that had previously been in place.

5.2 The holding of hybrid meetings has been shown to generally work well. In particular this has been due to the positive approach of elected members and officers, and their now being much more familiar with the technology and the practice of holding such meetings. Meeting Protocols have also been developed, and approved by Council, which have in turn assisted the efficiency and effectiveness of the meetings.

5.3 The statutory meeting is unlike normal Council meetings, in that it rarely deals with the types of business normally considered by full Council. Instead, it is focused on electing key office bearers, and the forming of the new Council Administration, with the associated decision-making arrangements. In particular, at this meeting the Council will elect the Provost, the Leader and the Depute Leader.

5.4 There is a large amount of important business to deal with at the statutory meeting. It is also now known that there will be new elected members joining the Council, who will be unfamiliar with the technology used for remote and hybrid meetings, and it is very important that they are not disadvantaged in their being able to take part in the meeting. In addition, it is expected that members will want to be able to attend the meeting in person, and it is the recommendation of officers that all members should do so, unless otherwise prevented by virtue of having contracted Covid-19. As such, there is a need to identify a suitable venue that will enable a physical meeting to be held at which all members could attend in person, together with relevant officers and potentially members of the public, something that would not be currently possible with the Council Chamber in Municipal Buildings.

5.5 Under current guidelines, the Council Chamber could likely only hold a maximum of 16 elected members around the horseshoe, with limited space for additional people around the room. The Council Chamber is a relatively small space which is not particularly well ventilated, space to move around is restricted (which creates pinch points), and if fully attended it would be very crowded with little space to allow people to keep a reasonable distance from others and comply with the Distance Aware scheme. Whilst physical barriers could potentially be used between elected members and officers/the public they would likely cause more issues, as they would make it awkward to move around and potentially give the wrong impression. The Council Chamber does, however, permit the option of a hybrid meeting using technology that has been proven to work. Board Room 1 in Municipal Buildings would likely offer the potential for a higher number of attendees to be present and is a potential alternative, and in respect of ventilation and camera footage for hybrid meetings is actually preferable to the Council Chamber. However, in order to maximise the number of attendees and provide a safer environment that enables more to feel able to attend, it is recommended that a larger alternative venue is used. As ever, the risk of an attendee contracting Covid-19 cannot be eliminated, but this would assist in reducing the risk so far as is reasonably practicable.

5.6 Given these considerations, officers have made a provisional booking of The Town Hall, Municipal Buildings, Greenock, for Thursday 19 May 2022. It is, however, recognised that in terms of the Council's Standing Orders and Scheme of Administration (SO4) all meetings of the Council shall take place at Municipal Buildings, Greenock “or such other place as the Council or the Proper Officer in consultation with the Provost may specify, it being declared that a virtual/remote or hybrid meeting arranged by the Council shall satisfy this”. As such, and in the event there is a need to hold the meeting elsewhere, the approval of Council is sought to the holding of the statutory meeting at a suitable venue other than Municipal Buildings. The Strategic Leadership Forum has already been consulted on this proposal.

5.7 It is to be noted that whilst the Town Hall would be suitable as an alternative venue for a physical meeting with all elected members and relevant officers in attendance, it would still present significant challenges and uncertainty if it became hybrid, with some attendees looking to engage remotely. This is because of its size and the height of the ceiling, which means that those attending remotely would struggle to hear what was being said, even with the use of microphones in the room. The Saloon in the Municipal Buildings would have better acoustics, but it does not use the Council’s ICT network, and it could not be guaranteed that the connection would be of sufficient strength given the number of potential users. There is also a need to ensure no members are disadvantaged in taking part in the meeting, such as those who might be clinically vulnerable to Covid-19. As such, if any member cannot attend in person, due to having contracted Covid-19, then the meeting would be held on a hybrid basis from the Council Chamber or Board Room 1. Use of either of these alternative venues could introduce the need to allocate available seats amongst groups, due to capacity issues. Council officers would, however, take all practicable measures to seek to optimise the number of attendees.

5.8 The Council would also need to ensure that the public had access to the meeting. This would be achieved by it being a physical meeting at which the public could also attend. If it was a hybrid meeting then it would be recorded for live and subsequent broadcast as meetings are currently.

5.9 In addition, it must also be noted that this proposal is only in respect of the statutory meeting. Given the resources involved in arranging this at an alternative venue, it would not be suitable for future normal Council/Committee/Board meetings. Officers will be exploring the options for the future holding of meetings, so that a suitable permanent solution can be identified, noting the challenges around the use of the Council Chamber. Officers would expect to bring a report back to Council later in 2022.

Decisions by Lot Protocol

5.10 The statutory meeting will deal with the appointment of members to particular offices and committees. It is to be noted that under the Council’s Standing Orders and Scheme of Administration (SO43) where there is equality of votes on such matters the Provost does not have a casting vote, and instead “the decision shall be by lot”. It is recognised that the instances of decisions being by lot are rare, and are not to be encouraged. However, the possibility of such a decision must be planned for. In light of this, and recognising that such meetings being held on a virtual/remote or hybrid basis add an additional layer of complexity, it is proposed the Council adopt the Decisions by Lot Protocol included in Appendix 1 to this report. Again, all elected members have already been consulted on the draft Protocol.

6.0 IMPLICATIONS

6.1 Finance

There are minor financial implications of the statutory meeting being held at another venue, but they can be contained within existing budgets.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A	N/A	N/A	£750	N/A	This is the estimated venue hire, exc VAT. There would be costs too, in terms of staff time. However, all costs would be contained within existing budgets..

Annually Recurring Costs/ (Savings)

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

6.2 **Legal**

The proposals in this report will facilitate the Council complying with its statutory obligations around the holding of the statutory meeting.

6.3 **Human Resources**

There are no Human Resources implications arising from 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 freedom of individuals.
X	NO

Repopulation

6.5 There are no repopulation issues.

7.0 CONSULTATIONS

7.1 The Strategic Leadership Forum met on 7th April 2022 and agreed that physical attendance should be maximised, if the meeting had to be held on a hybrid basis.

8.0 LIST OF BACKGROUND PAPERS

8.1 None.

APPENDIX 1

DECISIONS BY LOT PROTOCOL

For inclusion in approved Remote and Hybrid Meetings protocols and procedures for Committees and Boards

Remote Meeting Protocol - Insert new 4 (F)

In the case of equality of votes, and where the Provost does not have, or does not wish to exercise, a casting vote, and the Standing Orders stipulate that the decision shall be by lot, then the following procedure shall apply:-

- The decision shall be determined by a packet of cards being cut;

- The principle is that the mover of the motion/amendment whose cut of the cards reveals the highest value card shall be successful, with their motion/amendment being the decision;

- In the cards being cut, the Jokers shall first be removed- and the pack shuffled, Aces shall be treated as "high" and all suits shall have equal value;

- The cards shall be cut by the Chief Executive on behalf of the mover of the motion/amendment(s), as the case may be. As with a roll call vote, where a motion and two or more amendments have been moved and seconded, the cutting of the cards shall be taken in the first instance between the amendment last proposed and the amendment second last proposed. The successful proposal from that cutting of the cards shall then be taken against the amendment third last proposed- and so on until there remains only one amendment to be taken against the motion, and whichever of those is successful under this protocol shall be the decision of the Council.

- As with a roll call vote, the cards shall be cut in the following order, namely (i) on behalf of the mover of the amendment last proposed (or the amendment where there is only one amendment) and (ii) on behalf of the mover of the amendment second last proposed (and so on, where there are more than two amendments moved and seconded) and/or on behalf of the mover of the motion (as the case may be).

- Upon the cards being so cut, after each cut the Chief Executive shall show the card so selected to the camera on their laptop, with the Clerk calling out the identity of the card and recording it for the minute.

- After the cards have been cut, the Clerk shall call out the highest card and the respective mover, and declare the decision of that vote.

- If after the cards have been cut both cards have the same value (i.e. equally high), then the above process shall be repeated until such time as there is a single card which has a value higher than the other cut at that time.

- The Provost, taking the advice of the Clerk and the Chief Executive, shall determine any matters of procedure not expressly provided for above.

Hybrid Meeting Protocol - Insert new 4 (F)

In the case of equality of votes, and where the Provost does not have, or does not wish to exercise, a casting vote, and the Standing Orders stipulate that the decision shall be by lot, then the following procedure shall apply:-

- The decision shall be determined by a packet of cards being cut;

- The principle is that the mover of the motion/amendment whose cut of the cards reveals the highest value card shall be successful, with their motion/amendment being the decision;

- In the cards being cut, the Jokers shall first be removed and the pack shuffled, Aces shall be treated as "high" and all suits shall have equal value;

- The cards shall be cut by the mover of the motion/amendment(s), as the case may be, where such movers are **all** physically present in the room in which the meeting is being held and wish to do so, failing which or otherwise the cards shall be cut by the Chief Executive on behalf of the mover of the motion/amendment(s), as the case may be. As with a roll call vote, where a motion and two or more amendments have been moved and seconded, the cutting of the cards shall be taken in the first instance between the amendment last proposed and the amendment second last proposed. The successful proposal from that cutting of the cards shall then be taken against the amendment third last proposed- and so on until there remains only one amendment to be taken against the motion, and whichever of those is successful under this protocol shall be the decision of the Council.

- As with a roll call vote, the cards shall be cut in the following order, namely (i) on behalf of the mover of the amendment last proposed (or the amendment where there is only one amendment) and (ii) on behalf of the mover of the amendment second last proposed (and so on, where there are more than two amendments moved and seconded) and/or on behalf of the mover of the motion (as the case may be).

- Upon the cards being so cut, after each cut the member in question or the Chief Executive (as the case shall be) shall show the card so selected to those members present and the camera on a laptop that is in the room, with the Clerk calling out the identity of the card and recording it for the minute.

- After the cards have been cut, the Clerk shall call out the highest card and the respective mover, and declare the decision of that vote.

- If after the cards have been cut both cards have the same value (i.e. equally high), then the above process shall be repeated until such time as there is a single card which has a value higher than the other cut at that time.

- The Provost, taking the advice of the Clerk and the Chief Executive, shall determine any matters of procedure not expressly provided for above.

For a meeting that is being held with all members physically present in the same room, the Hybrid Meeting Protocol above shall be used, adapted as required, to deal with a situation where a decision is to be by lot.

Inverclyde council

AGENDA ITEM NO: 5

Report To:	**The Inverclyde Council**	**Date:**	**21 April 2022**
Report By:	**Interim Director Finance & Corporate Governance**	**Report No:**	**FIN/28/22/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Contract Cost Increase and Supply Issues**		

1.0 PURPOSE

1.1 The purpose of this report is to update the Council regarding emerging contractual, supply and delivery issues relating to a number of factors outwith the Council's control and to outline the potential implications.

2.0 SUMMARY

2.1 Members will be aware that there have been issues with material cost and delivery timescales for a number of commodities utilised by the Council over the last 2 years. These have related to a combination of the impact of Covid, Brexit and global demand.

2.2 Members will also be aware of significant increases in the price of oil and gas which is manifest both in the cost of petrol and diesel but also in the cost of utility bills. The war in Ukraine has added further pressure on these costs of fuel but is now also leading to supply difficulties for certain materials and food stuffs. The impact on the Council is beginning to manifest itself in a number of ways:

1. Requests from certain contractors to modify contract terms and conditions including contract rates.
2. Delays in the supply of materials and hence the delivery of capital projects.
3. Increases in capital project tender returns leading to either budget shortfalls for specific projects or fewer capital projects able to be delivered within the approved budget allocations.
4. Requests for support from the business community and partners.

2.3 The Corporate Management Team have considered this matter and have approved a procedure to guide senior officers as to the actions to be taken in the event of requests to vary contractual sums or contract terms and conditions. It is important that actions taken do not expose the Council to legal challenge so therefore whilst there is sympathy for the position faced by some contractors and there is a need to ensure continued service delivery, the Council needs to ensure that it complies with the regulations around procurement and support to businesses and that decisions are affordable and secure Best Value.

2.4 The Council therefore need to be aware of potential delays and cost increases in capital projects and the increased budgetary pressures within day to day service delivery. The Council has a limited unallocated Non-Pay Inflation Contingency and Capital Contingency and it is intended to provide an update on this matter to the June Policy & Resources Committee.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Council note the number of challenges being experienced within the UK, Scottish and local economy and the impact that this may have in terms of timescales for delivery and costs of capital projects plus the costs of day to day service delivery.

3.2 It is recommended that the Council note that a procedural note has been issued to officers regarding action to be taken in the event of request to vary contract terms and conditions or rates.

3.3 It is recommended that the Council note that the Interim Service Director Finance and Corporate Governance will present an update on this matter highlighting any financial and service delivery implications to the June Policy & Resources Committee.

Alan Puckrin
Interim Director Finance & Corporate Governance

4.0 BACKGROUND

4.1 Members will be aware that there have been issues with material cost and delivery timescales for a number of commodities utilised by the Council over the last 2 years. These have related to a combination of the impact of Covid, Brexit and global demand.

4.2 Members will also be aware of significant increases in the price of oil and gas which is manifest both in the cost of petrol and diesel but also in the cost of utility bills. The war in Ukraine has added further pressure on these costs of fuel but is now also leading to supply difficulties for certain materials and food stuffs

4.3 The Council has a limited non-pay inflation contingency within the Revenue Budget and a £0.8million “Covid” capital contingency.

5.0 CURRENT POSITION

5.1 The impact on the Council is beginning to manifest itself in a number of ways:

1. Requests from certain contractors to modify contract terms and conditions including contract rates.
2. Delays in the supply of materials and hence the delivery of capital projects.
3. Increases in capital project tender returns leading to either budget shortfalls for specific projects or fewer capital projects able to be delivered within the approved budget allocations.
4. Requests for support from the business community and partners.

5.2 An officer group has been set up to oversee any requests/issues and the group is supported by a procedure prepared by the Head of Legal & Democratic Services and Corporate Procurement Manager. The procedure covers 3 specific eventualities:

- Request to vary a Council contract
- Variation to a Scotland Excel/Consortium contract
- Request to vary an HSCP Commissioning arrangement

The CMT have agreed the procedure which has been issued to relevant officers.

5.3 It is important that actions taken do not expose the Council to legal challenge so therefore whilst there is sympathy for the position faced by some contractors and there is a need to ensure continued service delivery, the Council needs to ensure that it complies with the regulations around procurement and support to businesses and that decisions are affordable and secure Best Value.

6.0 IMPLICATIONS

6.1 **Finance**

It is too early to quantify the capital and revenue implications of the inflation and demand pressures set out in the report but if this situation continues for any length of time it will put real pressure on both the 2022/25 Capital Programme and 2022/23 Revenue Budget and increase the funding gap post 2022/23.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

6.2 **Legal**

Any variations agreed will require to comply with contract and procurement legislation and regulations, and the Council's associated governance framework. This will be overseen by an officer steering group.

6.3 **Human Resources**

There are no HR implications arising.

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**

There are no repopulation issues arising.

7.0 CONSULTATIONS

7.1 The CMT support the contents of this report and the procedure referred to in this report has been prepared in consultation with the Corporate Procurement Manager

8.0 BACKGROUND PAPERS

8.1 None

Inverclyde council

AGENDA ITEM NO: 6

Report To:	**Inverclyde Council**	**Date:**	**21 April 2022**
Report By:	**Chief Executive**	**Report No:**	**IC/02/22/SJ**
Contact Officer:	**Stuart Jamieson**	**Contact No:**	**01475 712385**
Subject:	**Inverclyde Task Force**		

1.0 PURPOSE

1.1 The purpose of this report is to highlight the recent engagement with the Scottish Government and confirm the creation of a new Inverclyde Task Force focussed on addressing a range of underlying long term issues affecting the community of Inverclyde and identifying funding solutions.

2.0 SUMMARY

2.1 In November 2021, the Council Leader and Chief Executive met with the Scottish Government Cabinet Secretary for Finance and the Economy to examine the underlying long term issues affecting Inverclyde and identify opportunities to address those.

2.2 Terms of reference have been created (appendix 1) to set out the scope of a new Inverclyde Task Force.

2.3 The terms of reference also highlight that in addition to a range of Council official and political representatives, that invitations to the new Inverclyde Task Force will be issued to officials of the Scottish Government; Scotland Office; political leaders including regional and constituency MSPs; MP for Inverclyde; representatives from a range of agencies including Inverclyde Chamber of Commerce; Federation of Small Business; Skills Development Scotland; Department of Work and Pensions; West College Scotland and Riverside Inverclyde Property Holdings.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Council:

(1) Agree the proposed terms of reference attached at appendix 1, and that a new Inverclyde Task Force is established reporting to the full Council and monitored through the Inverclyde Alliance local outcome improvement plan (LOIP); and

(2) Note that a report updating on the progress of the Inverclyde Task Force will be presented to the December meeting of the Council, and six-monthly thereafter.

LOUISE LONG
CHIEF EXECUTIVE

4.0 BACKGROUND

4.1 In November 2021, the Council Leader and Chief Executive met with the Scottish Government Cabinet Secretary for Finance and the Economy to examine underlying long term issues affecting Inverclyde and identify opportunities to address those.

4.2 A briefing was presented to the Cabinet Secretary and, following discussion, it was agreed that a new task force be created to examine opportunities and bring partners together to seek solutions.

4.3 The briefing paper highlighted a range of key facts about Inverclyde including population rates and deprivation levels.

4.4 The briefing also noted the impact of Covid-19 on Inverclyde and funding issues affecting local government in Scotland.

4.5 The briefing document also highlighted requests for assistance from the Scottish Government including support for the local economy; the local government settlement; investment in public infrastructure; investment in housing and the Council's commissioning of a report from the Fraser of Allander Institute and the previous ask of the Scottish Government to create a case for special funding Inverclyde.

4.6 Following the meeting, Council and Scottish Government officials have been engaged in the creation of a terms of reference (included at appendix 1).

4.7 It is now proposed that a new Inverclyde Task Force is created bringing together the range of organisations included in the terms of reference reporting to the full Council and monitored through the Inverclyde Alliance local outcome improvement plan (LOIP).

5.0 IMPLICATIONS

5.1 **Finance**

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.2 **Legal**

N/A

5.3 **Human Resources**

N/A

5.4 **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

5.5 **Repopulation**

Additional investment supporting Inverclyde and addressing long term health inequalities would be a crucial element of stabilising population decline in Inverclyde and helping to take steps towards repopulation and the future sustainability of communities.

6.0 CONSULTATIONS

6.1 N/A

7.0 BACKGROUND PAPERS

7.1 N/A

APPENDIX 1: TERMS OF REFERENCE

Terms of Reference for Inverclyde Socio-economic Task Force	
Aim	Our aim is to stimulate the Inverclyde economy creating opportunities for business and residents to ensure Inverclyde is a place of choice for people to live, work and thrive.
Key Objectives	To set out a shared vision and plan by developing a strong partnership that uses intelligence, knowledge, data sharing, and innovation to initially focus on the following key areas: • To ensure Inverclyde is prioritised for national and economic support including direct pre-approved access to grant funding, business and Government agency relocation/headquarters and new inward investment opportunities; • To create employment opportunities to improve on Inverclyde's pre pandemic employment rates; • To create new opportunities for business to grow; • To create new jobs and a pipeline of employability support; • To target investment to help shape the renewed economy, focused on growth sectors that will allow residents and businesses to adapt and thrive; • To identify funding opportunities to support infrastructure projects that support community benefit and community wealth building; • To engage local communities and business to help identify barriers and provide opportunities to create employment; • To monitor and review progress of the plan with milestones and a focus on outcomes.
Critical Success Factors	Success of a task force will see: • A clear vision and plan based on tangible socio economic evidence; • Increased job creation by using expertise and funding available through Scottish and UK Government to build a special case for Inverclyde; • Improvements on Inverclyde's pre pandemic employment rates; • Improved business start up; • Supported regeneration of the area through infrastructure projects which promote Inverclyde as a place to live and work; • Increased support to small business to ensure they are able to adapt and thrive sustainably in '*new normal'* post pandemic; • Increased jobs which in turn will begin to address intergeneration inequalities; • Maximised funding opportunities to support growth industries creating more green and blue jobs.
Membership	Scottish Government representative Scotland Office (UK Government) representative Member of Parliament for Inverclyde

	Member of Scottish Parliament for Greenock and Inverclyde (Constituency) Member of the Scottish Parliament for Renfrewshire North and West (Constituency) Members of the Scottish Parliament for West Scotland (Region) Inverclyde Council: • Leader of Inverclyde Council • Convenor Environment & Regeneration Committee • Group leaders and independent representative • Chief Executive • Corporate Director for Education, Communities and Organisational Development • Interim Director Environment and Regeneration • Service Manager Regeneration • Service Manager Communications Skills Development Scotland representative Department of Work and Pensions representative West College Scotland representative Riverside Inverclyde Property Holdings representative Inverclyde Chamber of Commerce representative Federation of Small Businesses representative
Frequency of Meetings	8 weekly.
Secretariat	The Secretariat will be provided by Inverclyde Council , working to the following standards: • The agenda and papers will be circulated at least a week before a meeting. • Agreed actions arising from a meeting will be circulated to attendees no more than a week after the meeting has taken place. • Co-ordination of meeting venue / virtual meeting arrangements, presentations and papers needed for meetings.
Reporting / monitoring arrangements	Inverclyde Council Full Council Alliance Board through Local Outcome Improvement Plan
Review Arrangements	Review after 6 months.

Inverclyde
council

AGENDA ITEM NO: 7

Report To:	**Inverclyde Council**	**Date:**	**21 April 2022**
Report By:	**Head of Legal & Democratic Services**	**Report No:**	**CM/LS/32/22**
Contact Officer:	**Colin MacDonald**	**Contact No:**	**01475 712113**
Subject:	**Capital Strategy 2022/32 – Remit from the Policy & Resources Committee**		

1.0 PURPOSE

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

2.0 SUMMARY

2.1 The Policy & Resources Committee at its meeting on 22 March 2022 considered a report by the Interim Director, Finance & Corporate Governance presenting an updated Capital Strategy as required by the CIPFA Prudential Code. A copy of the report to the Policy & Resources Committee is attached as Appendix 1.

2.2 The Policy & Resources Committee decided the following:

(1) that the Capital Strategy for 2022/32 be remitted to the Inverclyde Council for approval; and
(2) that the significant medium term financial challenges facing the Council in terms of maintaining and/or improving the assets which it owns be noted.

3.0 RECOMMENDATION

3.1 The Council is asked to approve the Capital Strategy 2022/32 and note the significant medium term financial challenges facing the Council in terms of maintaining and/or improving the assets which it owns.

Iain Strachan
Head of Legal & Democratic Services

Appendix 1

Inverclyde council

AGENDA ITEM NO. 7

Report To:	**Policy & Resources Committee**	**Date:**	**22 March 2022**
Report By:	**Interim Director, Finance & Corporate Governance**	**Report No:**	**FIN/25/22/AP/MT**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Capital Strategy 2022/32**		

1.0 PURPOSE

1.1 The purpose of this report is to present an updated Capital Strategy as required by the CIPFA Prudential Code.

2.0 SUMMARY

2.1 The Capital Strategy 2022/32 presents a longer term view of the asset management, financial and other issues affecting capital expenditure requirements and delivery. The Strategy is a requirement of the Prudential Code and is in addition to the existing plans and updates presented through the year to Committee and to the Council such as the Financial Strategy.

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

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

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

2.5 The Capital Strategy demonstrates that loan debt is expected to peak in the next 2 years and thereafter will reduce for the foreseeable future.

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

2.7 Overall the Capital Strategy confirms that current plans and requirements can be contained within the overall Financial Strategy in the medium term but that in the period from the mid/late 2020s, without either increases in the level of Capital Grant or a significant increase in Prudential Borrowing, it will become increasingly difficult to maintain the current asset infrastructure. This is a matter which will require to be considered by the new Council.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee remits the Capital Strategy for 2022/32 to the Inverclyde Council for approval.

3.2 It is recommended that the Committee notes the significant medium term financial challenges which face the Council in terms of maintaining and/or improving the assets which it owns.

Alan Puckrin
Interim Director, Finance & Corporate Governance

4.0 BACKGROUND

4.1 The Capital Strategy 2022/32 is attached as Appendix 1 and presents a longer term view of the asset management, financial and other issues affecting capital expenditure requirements and delivery. The Strategy is a requirement of the Prudential Code and is in addition to the existing plans and updates such as the Financial Strategy that are presented during the year to Committee and to the Council.

4.2 CIPFA produced the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management and revised both documents in December 2017. Inverclyde Council have adopted the Code of Practice on Treasury Management and comply with the Prudential Code. Both codes were revised in December 2021.

4.3 It is a statutory requirement for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue are affordable within the projected income of the Council for the foreseeable future. The projected revenue impact of the 2022/25 Capital Programme is built into the recently approved Revenue Budget.

5.0 CAPITAL STRATEGY

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

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

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

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

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

5.6 The Capital Strategy confirms the need for the Council to have a small level of continued prudential borrowing in the medium term based on current AMPs and estimated Government Grants/Receipts. This is sustainable in the medium term, (next 3-5 years), as the level of Loans Charges levels out.

5.7 The above proposal does not allow for the replacement of existing assets which in the longer term will need either significant investment or full replacement e.g. schools, leisure facilities or major new physical infrastructure projects. The next Council will require to consider this matter in the context of the significant revenue pressures reported as part of the Financial Strategy. This matter will be captured in the Financial Strategy and will be kept under review.

6.0 IMPLICATIONS

6.1 **Finance**

The Capital Strategy demonstrates that the Council's loan debt is due to reduce considerably over the period to 2029/30. Major decisions will be needed over the next 5 years regarding future investment in new/replacement assets to address those assets which by 2030 will be due for renewal.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

6.2 **Legal**

There are no Legal implications arising from this report.

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 (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

7.0 CONSULTATIONS

7.1 The Capital Strategy has been prepared in consultation with relevant officers and is supported by the Corporate Management Team.

8.0 BACKGROUND PAPERS

8.1 None

Appendix 1

Capital Strategy

2022 – 2032

Index

1.0 INTRODUCTION

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

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

1.3 Details of the Council's asset base, borrowing and debt are included within the audited financial accounts considered by Members and attracts far less attention than the Revenue Budget and Reserve position. At the 31st March 2021 the Council owned property plant and equipment assets valued at £428million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £542million. Much of the investment in this Asset Base has been funded by borrowing over preceding decades. The Council's external borrowing as at 16th February 2022 was:-

PWLB Debt	£ 89.0 million
Market Debt	£ 99.8 million
	£188.8 million

The bulk of this debt is due to be repaid at the point that the loan matures with some £26.4 million of the PWLB Debt due to be repaid by 31st March 2032.

1.4 Allied to this the Council maintains a Loan Charges record which is an internal record of investment and which is currently written down on annuity basis using the expected life span of the asset created/work carried out. For example a new school will generally be written off over 40 years whereas a roads resurfacing contract will be written off over 25 years. As at the 31st March 2022 the expected value of the Council's internal loan debt is £227.9 million. The repayment costs in 2021/22 are projected to be £16.1 million and these repayments include both Capital and Interest and are referred to as Loan Charges. It is Loan Charges which are funded by the Council's Revenue Budget.

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

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

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

1.8 The Council is coming to the end of a period of ambitious investment. This has seen a significant increase in the Council's Loan Debt over the last ten years and projections indicate that the Loan Debt will peak at approximately £235.0 million in 2024/25 but on the basis of limited prudential borrowing in future years the loan debt will reduce to around £184 million by 2031/32. Therefore it can be seen that there is a correlation between the reduction in the Council's internal loan debt and the repayment of the Council's external borrowing to the PWLB over the next 10-15 years.

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

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

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

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

2.0 GOVERNANCE AND REGULATORY FRAMEWORK

Legal and Regulatory Framework

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

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

and

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

2.2 In addition, CIPFA issued the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, both of which were last revised in December 2021.

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

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

2.3 The main regulations and statutory guidance that apply are:

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

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

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

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

Governance

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

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

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

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

2.8 The Treasury Management Practices ("TMPs") is an operational document that is updated at least every 3 years and that set-out the main principles under the Treasury Management Code and how the Council will comply with those principles. The TMPs were last updated in September 2021.

3.0 ASSET MANAGEMENT PLANS

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

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

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

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

3.5 School Estate Management Plan & Expansion of Early Learning & Childcare

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

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

The plan prior to the COVID-19 lockdown would have seen all major projects completed in 2020 reflecting the approval of the acceleration of the School Estate Management Plan agreed as part of the budget setting process in March 2016. The St Mary's Primary School project was completed in October 2020 however completion of the final project at Gourock Primary School has been impacted by the insolvency of the main contractor and COVID-19, with that project now projected to complete by summer 2022. The demolition of the last remaining decant facility, the former Sacred Heart Primary School, is currently underway and projected to be complete by the end of May 2022.

In addition to the projects taken forward and completed in 2014/15 to facilitate the Scottish Government commitment to the provision of 600 hours of Early Learning and Childcare, additional expenditure was approved in March 2016 to address works required to improve asset condition and suitability across the stand-alone facilities within the Early Years estate. The Council funded elements of the Early Years estate plan have now been completed with the final project to refurbish Hillend Children's Centre operational as of October 2021.

The Scottish Government plan to further increase the entitlement of early learning and childcare from 600 hours to 1140 hours has required substantial levels of investment in workforce and infrastructure to support the expansion. Inverclyde Council submitted its initial expansion plan to the Scottish Government in September 2017 and this was reported to the October 2017 Education & Communities Committee. A full re-working of the plan was undertaken with submission of a revised financial template in March 2018 and the revised plan was reported to the special Education & Communities Committee in June 2018. The Scottish Government confirmed a total Capital grant of £5.98m to Inverclyde Council as part of the overall 1140 hours funding for the infrastructure and capital funded elements of the expansion plan to be delivered between 2017/21. The original plan was phased from 2017/18 onwards to ensure that the required expanded capacity would be in place by 2020 however as a result of the impact of COVID-19, in April 2020 an order revoked the change to the 2014 Children and Young People's Act that requires education authorities to secure 1140 hours of ELC provision for all eligible children from August 2020. This meant that there would be no statutory duty for Authorities to provide 1140 hours of early learning and childcare (ELC) from August 2020. Given the progress already made within Inverclyde in the implementation of 1140 hours, it was possible to develop contingency plans to ensure that 1140 hours was still implemented across Inverclyde as of August 2020. All core 1140 hours expansion projects have now been completed with the final project for the new Larkfield Early Learning Centre operational as of November 2021.

The School Estate funding model also includes a lifecycle fund designed to address maintaining the condition and suitability of the revitalised estate. The fund allocations are profiled such that the initial allocation of circa £400K in 2014/15 increases to circa £2.5-3m per annum (subject to capital funding constraints and budget setting process). The lifecycle works address the on-going requirement for investment in the estate to maintain the overall condition of the assets at a good/satisfactory level. The allocation of this funding is based on annual review of the externally procured condition surveys and physical inspection of the various properties by the Council's Property Service. The most recent external condition surveys were undertaken via Aecom during 4th Quarter 2019. These surveys and Property Services assessment will inform the allocation of future lifecycle funding across the estate and this will become increasingly important in the coming years, particularly for the properties that were included early in the original programme.

A wider Learning Estate Review and strategy is now required to address the next 10+ years and future of the Learning Estate. Work has commenced on this in respect of roll projection analysis and assessment of the possible impacts of the new Local Development Plan and potential new housing provision. The new strategy will also include a full review of the Condition of the estate from the most recent external surveys and Property Services reviews. A full review of all suitability surveys has also been progressed in conjunction with Education Services and Heads of each establishment and this information was reflected in the 2021 Core Facts return. The strategy will also incorporate elements such as the 2021/28 Education Services Digital Learning Strategy approved at the November Education & Communities Committee. Energy efficiency including the implications of the Inverclyde Net Zero Strategy approved by the October 2021 Environment & Regeneration Committee and the emerging National policies around net zero carbon standards for public buildings will also have to be reflected in any future property asset strategies.

3.6 **Office AMP**

The Council's Office rationalisation proposals were originally presented and approved in September 2010. Linked with this was the prior approval in March 2010 for the development of a Customer Service Centre within Greenock Municipal Buildings designed to transform the way the Council communicates with its customers. The programme was part of a wider programme to modernise the Council's operations and working practices which included initiatives such as mobile and flexible working, electronic document management (EDRMS) and greater use of technology. The Offices Asset Management Plan (AMP) was taken forward on the premise that fewer desks than employees would be provided with the final projects within the Offices AMP completed in Autumn/Winter 2017. The Office Rationalisation programme resulted in a reduction of circa 40% of occupied floor space and circa 28% in terms of desk numbers with an increased potential desk space ratio through more efficient use of space across the same number of retained properties.

With the completion of the Office rationalisation programme, the majority of the Council's Operational Office space is now contained within the Greenock Municipal Buildings Campus. This is comprised of the main Municipal Buildings (including the refurbished/renovated former District Court offices), the Wallace Place Building and the James Watt Building. Property Services had undertaken studies across the Campus at the end of 2019, both internally and through external specialist space planning consultants, with a view to identifying where possibilities exist for more efficient use of space and to address improvements where existing space is less suitable for current use and/or in poorer condition. The challenges posed by COVID-19 necessitated a shift to different agile working delivery models including increased flexible, mobile and homeworking arrangements. As part of the COVID-19 Organisational Recovery Plan the Council has reviewed its agile working and other key policies and has developed a Hybrid Working Strategy with a 12 month pilot agreed involving a phased implementation between February and April 2022. A New Ways of Working project is also being taken forward over the same timeframe as the Hybrid working pilot which will examine the changes to the ways offices are being used within the Campus including changes in the use of technology and the potential for increased use of Electronic Document Management processes. The previously completed space studies will be revisited as part of this work stream to assess any potential property / ICT strategy implications connected with new ways of working.

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

3.7 **Depot AMP**

The Council's Depot rationalisation has involved the centralisation of Grounds, Waste and Transport at Pottery Street with a Gourock Civic Amenity site and the Building Service Unit (BSU) currently remaining at Devol Depot. The original Depot Asset Management Plan budget was £13m however the development of the masterplan led to refinement of the strategy / proposals with reviews of phasing and scope realising a £2.8m saving. The plan has been progressed to an advanced stage with the majority of projects completed by 2nd Quarter 2019 involving the phased works at Pottery Street including the salt barn, civic amenity site, vehicle maintenance facility / offices, fuel and vehicle wash facilities, and the refurbishment of the corner depot building / offices. The final element of the Depot AMP involving the Gourock Civic Amenity facility has commenced with the existing Civic Amenity facility closed at the end of January 2022 and temporarily relocated to Craigmuschat Quarry. Preparation for demolition of the existing Kirn Drive Depot building is on-going with follow-on works to improve the facility programmed to be complete late summer / early autumn 2022.

3.8 **Leisure AMP**

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

Following the implementation of the original Leisure Strategy above, a number of further projects were taken forward (Ravenscraig Activity Centre / Inverclyde Indoor Bowling / Lady Octavia Sports Centre / Boglestone Community Centre) through joint Council / Inverclyde Leisure funded projects. Plans for an indoor tennis facility at Rankin Park are also being explored through Inverclyde Leisure with a Council capital funding contribution committed and potential funding from the Transforming Scottish Indoor Tennis fund.

In 2018 the Council agreed to allocate £120,000 annually to supplement the funding in the Leisure Repairs and Renewals Fund to meet the life cycle costs associated with the large 3G Pitch estate. The on-going requirements for major maintenance and lifecycle replacement of sports pitches across the Leisure Estate are addressed through the Leisure Pitches Strategy Asset Management Plan and capital allocations monitored through the Education & Communities Committee. Condition surveys were undertaken via external specialists in late 2019 across the Leisure and School Estate pitches to inform a review of the Asset Management Plans and lifecycle replacement allowances. This information together with data on individual pitches hours of use from Inverclyde Leisure formed the basis of a revised asset plan which was approved by the September 2020 Education & Communities Committee. A programme of rejuvenation and carpet replacement works commenced in 4th Quarter 2020 with 3 pitches completed to date and 2 further pitches planned for 2022.

The major maintenance and lifecycle replacement requirements of the buildings for the Leisure Estate remains with the Council and this element of the Council's estate strategy is addressed within the Operational Properties portfolio and the allowances for statutory and planned maintenance / lifecycle works funded from the annual £2m General Property Service capital allocation monitored through the Environment & Regeneration Committee. Minor day to day maintenance and 'consumables' are the responsibility of Inverclyde Leisure in accordance with the Service Level Agreement which regulates access, standards of maintenance and division of responsibilities. The allocations through this fund will be vital in the coming years to address significant elemental renewal of ageing assets. The Council and Inverclyde Leisure had been working together late 2019 / early 2020 on a review of the leisure estate to inform future asset management planning. This review has recommenced as Inverclyde Leisure progress their post COVID recovery plan and review of their future Business Model.

3.9 **Roads AMP**

The Council approved a comprehensive Roads Asset Management Plan (RAMP) and funding model in August 2012. A total of £29m was proposed for the period April 2013 to March 2018 to improve our roads infrastructure – carriageways, footways, lighting columns and structures, this included road and pavement resurfacing works, an extensive road patching and pothole repairs programme, street lighting replacement works and improvements to bridges and roads structures.

Further to this investment, a second phase of RAMP funding was allocated to the value of £15m for the period April 2018 to March 2023.

Over 97% of the Council's streetlights have now been upgraded to low energy LED types which has halved electrical power consumption, reduced energy and maintenance costs to the Council and has reduced the carbon footprint.

Roads structural projects and programmes have delivered numerous bridge upgrades and improvements including a prioritised programme of inspection and repair.

The RAMP has resulted in a reduction in the number of Inverclyde's roads, footways, street lights and road structures which require ongoing maintenance treatment while providing an increased future lifespan.

Covid 19 lockdown periods and restricted working arrangements have proven difficult to deliver the full capital programme however we are now again progressing with the full Roads Asset Management Plan.

From the implementation of the RAMP in 2013 to present, the Road Condition Indicator (RCI) has continually reduced which demonstrates that the planned investment is resulting in a significant improvement to the condition of Inverclyde's road network.

The Road Condition Indictor (RCI) for carriageways as follows:

	SRMCS Survey Results			
Year	**Red**	**Amber**	**Green**	**RCI**
2011/13	13.55	35.42	51.0	**49.0**
2012/14	12.69	36.55	50.8	**49.2**
2013/15	10.80	35.47	53.7	**46.3**
2014/16	10.11	33.18	56.7	**43.1**
2015/17	8.57	31.96	59.5	**40.5**
2016/18	7.09	30.80	62.1	**37.9**
2017/19	7.44	30.02	62.5	**37.5**
2018/20	7.41	29.88	62.7	**37.3**
2019/21	5.73	29.57	64.7	**35.3**
2020/22	4.51	28.19	67.3	**32.7**

During this time Inverclyde Council has received awards from The Association for Public Service Excellence (APSE) for the most improved performer in 2016 for Roads, Highways and Winter Maintenance and for Street Lighting in 2017 and again in 2019.

3.10 **Vehicle AMP**

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

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

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

Taking advantage of bridge funding from Transport Scotland and technological advances allowing greater battery range has allowed a significant increase in the number of Ultra Low Emission Vehicles (ULEVs) on the Council fleet. The vehicle categories consisting cars, people carriers and vans up to 2500kg Gross Vehicle Mass (GVM) accounts for 50 vehicles. In 2017/18 there were 4 pure electric ULEVs accounting for 8% of fleet vehicles within these categories. Within the same categories in 2020/21 the Council now has 38 pure electric ULEVs accounting for 76%. It is anticipated based on current technologies that this figure will rise to 41 by 2021/22 accounting for 82% of the Councils fleet of light commercial vehicles. The Council is well placed to provide service users with a continuity of service whilst meeting the Scottish Government target of ending the sale of new petrol or diesel cars and light vans in Scotland by 2032.

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

3.11 **Open Spaces AMP**

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

In addition the Council has allocated over £3.0 million over the next 2 years to expand Burial Grounds provision and replace the Council's cremators. The identification of appropriate ground for burials has been challenging however the expansion of Knocknairshill Cemetery is now progressing and this, along with the acquisition of additional ground at Kilmacolm Cemetery, addresses the requirements for the medium term.

3.12 **ICT Asset Plan**

The ICT Asset Management Programme delivers a modern ICT infrastructure providing the most appropriate level of equipment, at best value to the Council across all of Inverclyde Council's Offices and Schools. It aims to allow staff to undertake their roles and responsibilities in as efficient and flexible a manner as possible and provide teachers and pupils with modern and sustainable learning technologies. The ICT AMP has an annual budget of £0.593m.

In line with the best practices for ICT Asset Management, the physical lifecycle of an ICT Asset has two distinct phases:

- Planning & Procurement
- Lifecycle & Disposal

A lesson learned from the COVID Emergency is the benefit of having a flexible and connected workforce. The Council has now adopted a policy of deploying laptops as the default device for officers, unless there is a technological or configuration requirement that would require a desktop.

Currently ICT implements a six year desktop and laptop refresh strategy, however it is accepted that due to the shorter support lifecycle of a laptop device that this will need to be reviewed. Initial plans is to implement a four year refresh policy. The 2021/22 refresh programme is replacing 820 laptop devices and 105 desktops.

ICT have completed a full refresh across the corporate estate to prepare for the introduction of Hybrid working replacing the majority of desktop devices with laptops.

The total number of devices in the programme is 5700

	Desktop PCs	Notebook PCs	Tablet PCs	Total
Schools	2846	1152	61	4059
Corporate	336	1272	33	1641
Total	3182	2424	94	5700

The programme also includes provision for replacement of core ICT equipment such as network storage, servers and infrastructure and the procurement and implementation of other services to support Hybrid working such as videoconferencing equipment.

3.13 **Scheme of Assistance**

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

The 2006 Act paves the way for applications for assistance with adaptations to be treated separately from applications for assistance with repairs and includes a general duty to provide financial assistance to make a house suitable for a disabled person.

All eligible adaptation works will receive a minimum of 80% grant assistance or, at the discretion of the Council, 100% grant can be awarded.

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

Year	Number of Homes Adapted	Small Repairs Provided
15/16	174	1705
16/17	181	1587
17/18	171	1701
18/19	195	1582
19/20	169	1620
20/21	133	582

As can be seen the 2020/21 figures are lower than previous years due to the ongoing effect of the Covid-19 pandemic, while recovery continues to be slow it is anticipated that the service will return to closer to previous years in 2021/22 with approximately 160 Homes Adapted and 1,950 Small Repairs currently being projected.

3.14 **HSCP Asset Management**

In addition to the regular review of HSCP properties to identify opportunities for reconfiguration of services that support co-location, there is an on-going work stream within the NHS Greater Glasgow & Clyde area to develop a Primary Care Property Strategy which seeks to better understand the current utilisation of property and its suitability for existing and future service provision. This strategy will assist with future business cases and inform board infrastructure investment decisions.

A number of shared service offices were addressed as part of the Offices Asset Management plan and consolidation within the Hector McNeil House building completed in 2014. Two further major HSCP projects secured Scottish Government funding support with the new Adult and Older People Complex Care Beds facility (Orchard View) completed in summer 2017 and the new Greenock Health and Care Centre which became operational in March 2021. The completion of the new Health and Care Centre facilitated further shared service / joint working with the business case predicated on the basis that the existing NHS owned Greenock Health Centre, Boglestone Clinic, Larkfield Child & Family Centre (CAMHS) Building, and Cathcart Centre, which were not fit for purpose, would be disposed of.

Further asset areas are being addressed via the phased re-provisioning of Inverclyde's Children's Residential Services with one unit (Kylemore) completed in March 2013 and a further unit (Cardross – 'the View') completed in January 2018. The progression of the final unit (Crosshill) has been impacted by the insolvency of the main contractor and COVI-19 with that project now projected to complete at the end of March 2022.

The Strategic Review of Services for Adults with Learning Disabilities in Inverclyde was signed off by the Integration Joint Board in December 2016. As part of the Service redesign, a number of properties historically used by the service have been decommissioned with flats at Lynedoch Street and Hope Street vacated and released back to the relevant RSL's. Golf Road was vacated in June 2018 and the McPherson Centre decommissioned in September 2018 with full integration into the Fitzgerald Centre following work within the Fitzgerald Centre to upgrade personal care facilities, storage and sensory areas undertaken over summer 2018. The longer term plan remains for a new Inverclyde Community Learning Disability Hub with business case approved in February 2020 and design proposals currently being developed.

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

Day to day investment in the HSCP buildings is funded from the general Property AMP but the funding for transformational change in service delivery requires to be funded elsewhere. For the Children's Units, funding came from a combination of prudential borrowing funded by service savings, reserves and core capital grant. The new Inverclyde Community Learning Disability Hub will also be funded by prudential borrowing.

3.15 City Deal

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

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

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

4.0 THE CAPITAL PROGRAMME

4.1 The Council traditionally approves a rolling three year Capital Programme each budget cycle. The February 2022 budget cycle brings the current Capital Programme up to 2024/25.

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

4.3 Current annual allocations amount to £8.973m (see table below) This amount includes the increased allocation to Roads to deliver the RAMP as well as an ongoing Life Cycle Maintenance allowance for School Estate.

Recurring annual Grant Allocations:

ICT	£0.593m
Roads (RAMP)	£2.500m
Zero Waste Fund	£0.060m
Parks & Open Spaces	£0.200m
Property	£2.000m
Scheme of Assistance	£0.500m
Leisure Pitches	£0.120m
School Estate	£3.000m
Total Annual allocations	£8.973m

General Capital Grant in 2022/23 £6.353m

The recent Scottish Government spending review has confirmed the General Capital Grant will remain at the current level until at least 2025/26 however changes in the distribution methodology are likely to reduce Inverclyde's share of the grant to approximately £6m. The General Capital Grant in 2022/23 then is approximately £2.6 million short of the ongoing Asset Maintenance requirement and this shortfall is likely to increase to approximately £3m. The current Financial Strategy assumes that the Council will prudentially fund £1.5 million of capital investment annually from 2023/24 which will partially address this. This shortfall will require to be funded from either capital receipts, revenue reserves and prudential borrowing or investment requires to be reduced.

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

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

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

4.7 A summary of the proposed 2022/25 Capital Programme is shown below. This was approved by the Council in February 2022.

Proposed Capital Programme 2022/2025

Expenditure/Projects by Committee	2022/23 £m	2023/24 £m	2024/25 £m	Totals £m
Policy & Resources	0.816	1.564	0.593	2.973
Environment & Regeneration	11.582	15.795	9.353	36.730
School Estate	2.201	2.550	5.500	10.251
Education & Communities	2.376	1.323	0.120	3.819
HSCP	1.717	5.499	1.135	8.351
	18.692	26.731	16.701	62.124
Financed By				
Government Grant	6.353	6.000	6.000	18.353
Sales/Contributions	0.320	0.320	0.320	0.960
Other Income	1.871	2.100	0	3.971
Revenue	3.420	3.256	0.233	6.909
Prudential Borrowing	1.764	9.587	4.475	15.826
Resources Carried Forward	13.238	0	0	13.238
	26.966	21.263	11.028	59.257
Shortfall in Resources				2.867
Recommended maximum overcommitment (5% of Resources)				2.963
Flexibility				(0.096)

5.0 DEBT AND FIXED ASSETS

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

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

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

Loan Charges/Loan Fund Debt – Loan Charges records are the Council's internal record of capital investment. Sums incurred are currently written down on annuity basis using the expected life span of the asset created/work carried out. The Loan Charges records allocate the capital incurred against the asset created/improved.

Loan Charges are an internal calculation and no money leaves the Council but it is Loan Charges which form the charge to the Revenue Budget as a proxy for depreciation.

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

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

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

5.4 Loan Fund Debt

The Council is coming to the end of a significant period of ambitious investment in the School Estate, Leisure Estate and the Office and Depot Estate. This has seen a significant increase in the Council's Loan Debt over the last ten years and projections indicate that the Loan debt will peak at approximately £235 million in 2024/25 but on the basis of limited prudential borrowing in future years the loan debt will reduce to around £184 million by 2031/32. Thereafter the debt gradually reduces and by 2042 there is only £111 million of the current debt outstanding. Given the current shortfall between Government Grant and annual capital requirements shown in 4.3, it is likely that Prudential Borrowing and hence debt will need to increase over this period.

5.5 External Debt

The Council's external borrowing as at 16th February 2022 was:-

PWLB Debt	£ 89.0 million
Market Debt	£ 99.8 million
	£188.8 million

The bulk of these loans are Maturity Loans i.e.: principal is due to be repaid at the point that the loan matures, with some £26.4 million of the PWLB Debt due to be repaid by 31st March 2032. Thereafter however there is a 25 year period where under £23 million is due to mature unless called in by the market lenders or the Council restructures its PWLB debt.

Taking 5.4 and 5.5 together then by 2037, on the basis of the Capital Expenditure plans outlined in this Strategy, the External Debt will exceed Loans Fund Debt. By 2042 the amount of External Debt would exceed Loan Charges Debt by £40 million if nothing else changes and this over borrowing would continue to grow over subsequent years.

5.6 **Balance Sheet Fixed Assets**

At the 31st March 2021 the Council owned property plant and equipment assets valued at £428million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £542million. This figure is significantly larger than the previous two figures as the Asset Value represents the fair value of the asset with assets revalued on a 5 yearly basis.

The average Asset Life Outstanding as at 31st March 2022 for the different category of assets is shown in the undernoted table. From this it can be seen that for the 3 main non-PPP asset categories, the average remaining life is approximately 24.7 years. At a high level this shows a correlation between the remaining life of the main assets in the balance sheet and the Loans Fund Debt.

	Average	
	Asset Life	Asset Life Outstanding
AUC	58.82	56.76
Community Assets	36.62	30.47
Infrastructure	29.93	18.30
OLB	27.53	25.43
PPP	31.73	29.20
VPE	6.25	2.09

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

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

6.0 LONGER TERM INVESTMENT PLANS

6.1 It can be seen from Section 4 of the Capital Strategy that it is unlikely that Government Grant and estimated Capital receipts will be sufficient to meet the required investment levels for the Council to maintain its current asset base. The current Financial Strategy assumes that the Council will prudentially fund £1.5 million of capital investment annually from 2023/24. Any prudential borrowing over and above this will need to be funded from savings delivered by the investment or service reduction. This will require the Council takes a conscious decision to disinvest in certain assets, reduce the number of assets it holds or cut day to day services.

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

6.3 Appendices B and C show the impact of this level of capital investment on the Loan Charges earmarked reserve, loan charges and loan debt for the period to 2041/42. From Appendix C it can be seen that projected Loan Charges would increase by almost £1.2 million between 2022/23 and 2031/32 whilst over the same period the Loan Debt will drop by £43.0million.

6.4 Despite the ongoing need for prudential borrowing the Council will see a reduction in the proportion of its Revenue Budget which is spent on servicing loan charges and also a significant reduction in the ratio of loan debt to revenue budget. From Appendix C it can be seen that the Loan Debt as a percentage of Revenue Budget drops by almost 20.2% over the 2022/32 period, whilst the % of the Revenue Budget spent on Loan Charges increases by 0.48% to 7.97%

6.5 Looking beyond 2031 involves a significant amount of uncertainty around both the funding of Local Government, the services which it will be expected to deliver and the nature of those services. However based on past investment and current service delivery then many of the assets built or significantly refurbished since local government re-organisation will become due for replacement/refurbishment. The Council will therefore require to consider how this massive investment would be funded as part of future Capital Strategies.

7.0 CONCLUSIONS

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

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

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

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

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

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

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

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

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

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

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

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

.

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

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

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

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

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

Inverclyde council

Appendix b

Finance Strategy
Loan Charges

		2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000
Balance B/fwd		766	368	776	1,078	1,167	1,032	1,343	1,668	1,922	2,448	3,085
Projected Loan Charges	a	11,614	11,608	11,814	12,127	12,451	12,105	12,191	12,362	12,190	12,179	12,177
Available Budget	b	12,716	12,016	12,116	12,216	12,316	12,416	12,516	12,616	12,716	12,816	12,916
Loan Charge Surplus/(Deficit)		1,102	408	302	89	(135)	311	325	254	526	637	739
Other Adjustments:												
Transfer to General Fund Reserves	c	(1,500)	0	0	0	0	0	0	0	0	0	0
		(1,500)	0	0	0	0	0	0	0	0	0	0
Balance at Year End		**368**	**776**	**1,078**	**1,167**	**1,032**	**1,343**	**1,668**	**1,922**	**2,448**	**3,085**	**3,824**
Interest Rate (Assumed):		3.35%	3.49%	3.60%	3.54%	3.60%	3.67%	3.72%	3.77%	3.85%	4.00%	4.15%

Notes

Revised projections as at February 2022 and excludes Loan Charges relating to funded models (SEMP, City Deal, Birkmyre Trust).
Includes the effect of decisions on SEMP acceleration taken in March 2016 including the £650k annual budget transferred to SEMP from 2021/22.
From 2018/19 onwards, general capital grant is applied to core allocations only and not to individually funded models (e.g. SEMP).

a Includes loan charges for new LD Centre based on spend between 2021/22, 2022/23, 2023/24 and 2024/25.
£100k annual cost increase from 2023/24 to reflect increased prudential borrowing of £1.5m.
Projected principal repayments on new projects from 2021/22 onwards are calculated on annuity basis.

b Adjustments to Available Budget:
For 2021/22
£650k removed from ongoing budget and transferred to SEMP relating to SEMP acceleration, as agreed in March 2016.
Budget from 2018/19 onwards reduced by £300k annually to 2022/23 to reflect reduction in Scottish Government grant support resulting from repayment of historic debt.
Budget increased by £1,191k annually due to budget and projected AMP loan charges now included above and not separately budgeted for.
Budget increased by £1,130k annually due to budget and projected VRP loan charges now included above and not separately budgeted for.
For 2022/23
£400k reduction in budget.
For 2023/24
Budget from 2023/24 onwards increased by £100k annually for annual Prudential Borrowing.

c Transfer to General Fund Reserves as agreed in December 2021.

Appendix c

LONG TERM LOANS FUND PROJECTIONS BASED ON CAPITAL STRATEGY

	Loans Fund Debt End of Year	Total Loan Charges	Assumed Interest Rate	Revenue Stream	% of Loans Fund Debt to Revenue Stream	% of Loan Charges to Revenue Stream
	£000	£000	£000	£000		
2022/23	226,620	16,339	3.49%	218,230	103.84%	7.49%
2023/24	233,333	16,679	3.60%	215,372	108.34%	7.74%
2024/25	235,073	16,960	3.54%	214,372	109.66%	7.91%
2025/26	223,899	17,347	3.60%	213,372	104.93%	8.13%
2026/27	217,687	17,050	3.67%	214,372	101.55%	7.95%
2027/28	211,216	17,180	3.72%	215,372	98.07%	7.98%
2028/29	204,385	17,395	3.77%	216,372	94.46%	8.04%
2029/30	197,557	17,287	3.85%	217,272	90.93%	7.96%
2030/31	190,651	17,389	4.00%	218,372	87.31%	7.96%
2031/32	183,641	17,494	4.15%	219,472	83.67%	7.97%
2032/33	176,656	17,461	4.31%	220,672	80.05%	7.91%
2033/34	169,489	17,634	4.48%	221,872	76.39%	7.95%
2034/35	161,866	17,962	4.60%	223,072	72.56%	8.05%
2035/36	153,962	18,148	4.76%	224,372	68.62%	8.09%
2036/37	147,101	17,070	4.98%	225,672	65.18%	7.56%
2037/38	140,403	16,832	5.16%	226,972	61.86%	7.42%
2038/39	133,537	16,952	5.37%	228,372	58.47%	7.42%
2039/40	126,431	17,134	5.60%	229,772	55.02%	7.46%
2040/41	118,939	17,427	5.84%	231,172	51.45%	7.54%
2041/42	111,188	17,622	6.15%	232,572	47.81%	7.58%

Notes:
1. The Revenue Stream is an estimate of GRG/NDRI plus Council Tax.
2. The % of Loan Charges to Revenue Stream above excludes debt charges on PPP assets and so is not comparable with the Ratio of Financing Costs to Net Revenue Stream included in the Treasury Strategy.

Inverclyde council

AGENDA ITEM NO: 8

Report To:	**Inverclyde Council**	**Date:**	**21 April 2022**
Report By:	**Head of Legal & Democratic Services**	**Report No:**	**CM/LS/33/22**
Contact Officer:	**Colin MacDonald**	**Contact No:**	**01475 712113**
Subject:	**Treasury Management Strategy Statement and Annual Investment Strategy 2022/23-2025/26 – Remit from the Policy & Resources Committee**		

1.0 PURPOSE

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

2.0 SUMMARY

2.1 The Policy & Resources Committee at its meeting on 22 March 2022 considered a report by the Interim Director, Finance & Corporate Governance seeking approval for the (1) Treasury Management Strategy Statement and Annual Investment Strategy for 2022/26, (2) Treasury Policy Limits, (3) a policy on the repayment of Loans Fund advances, (4) the Council's Prudential and Treasury Management Indicators for the next 4 years and (5) the List of Permitted Investments. A copy of the report to the Policy & Resources Committee is attached as Appendix 1.

2.2 The Policy & Resources Committee decided the following:

That the following be remitted to the Inverclyde Council for approval, all as detailed in the report:
(a) Treasury Management Strategy and Annual Investment Strategy;
(b) Authorised Limits for 2022/26;
(c) Treasury Management Policy Statement;
(d) Policy on repayment of Loans Fund advances;
(e) Treasury Policy Limits;
(f) Prudential Indicators and Treasury Management Indicators; and
(g) List of Permitted Investments (including those for the Common Good Fund).

3.0 RECOMMENDATION

3.1 The Council is asked to approve the following all as detailed in the report to the Policy & Resources Committee on 22 March 2022:
(a) Treasury Management Strategy and Annual Investment Strategy;
(b) Authorised Limits for 2022/26;
(c) Treasury Management Policy Statement;
(d) Policy on repayment of Loans Fund advances;
(e) Treasury Policy Limits;
(f) Prudential Indicators and Treasury Management Indicators; and
(g) List of Permitted Investments (including those for the Common Good Fund).

Iain Strachan
Head of Legal & Democratic Services

Appendix 1

Inverclyde council

AGENDA ITEM NO. 8

Report To:	**Policy & Resources Committee**	**Date:**	**22 March 2022**
Report By:	**Interim Director, Finance & Corporate Governance**	**Report No:**	**FIN/24/22/AP/KJ**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Treasury Management Strategy Statement and Annual Investment Strategy 2022/23-2025/26**		

1.0 PURPOSE

1.1 The purpose of this report is to seek approval for the Treasury Management Strategy Statement and Annual Investment Strategy for 2022/26, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, the Council's Prudential and Treasury Management Indicators for the next 4 years and the List of Permitted Investments.

2.0 SUMMARY

2.1 The report sets out the Council's proposed Treasury Management Strategy and Annual Investment Strategy for 2022/26, Treasury Policy Limits, and Prudential and Treasury Management Indicators for the next 4 years including the proposed Authorised Limits.

2.2 The report also proposes a List of Permitted Investments listing the types of investments and limits for those investments. There are no changes to the proposed Permitted Investments from those agreed in 2021.

2.3 The Treasury Management Strategy, Annual Investment Strategy, Treasury Policy Limits, Prudential Indicators, and Treasury Management Indicators have been set based on the Council's current and projected financial position (including the approved 2022/25 Capital Programme) and the latest estimated interest rate levels.

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

2.5 In line with the Council's Financial Regulations, Scottish Local Government Investment Regulations, the Treasury Management Code, and the Prudential Code, the proposals in this report require approval by the Full Council.

3.0 RECOMMENDATIONS

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

a. Treasury Management Strategy and Annual Investment Strategy;
b. Authorised Limits for 2022/26;
c. Treasury Management Policy Statement set out in paragraph 5.2;
d. Policy on repayment of Loans Fund advances set out in paragraph 8.2;
e. Treasury Policy Limits;
f. Prudential Indicators and Treasury Management Indicators;
g. List of Permitted Investments (including those for the Common Good Fund).

Alan Puckrin
Interim Director, Finance & Corporate Governance

4.0 BACKGROUND

4.1 This report presents, for approval, a Treasury Management Strategy Statement and Annual Investment Strategy, Treasury Policy Limits, a policy on the repayment of Loans Fund advances, and Prudential and Treasury Management Indicators for 2022/26.

4.2 CIPFA produced the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management and revised both documents in December 2017. Inverclyde Council have adopted the Code of Practice on Treasury Management and comply with the Prudential Code.

Both codes were revised in December 2021 with an immediate requirement that Councils must not borrow to invest primarily for financial return (which this Council does not do) and additional reporting requirements to be implemented from financial year 2023/24 on types of investments and additional Prudential and Treasury Indicators.

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

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

4.5 It is a statutory requirement for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue are affordable within the projected income of the Council for the foreseeable future. The projected revenue impact of the 2022/25 Capital Programme was built into the approved 2022/23 Revenue Budget.

5.0 TREASURY MANAGEMENT ISSUES - SUMMARY

5.1 The main Treasury Management issues from this report are:

a. The Capital/Treasury Management position, Prudential Indicators, Treasury Management Indicators and Policy Limits are shown in Section 6 below.
b. The proposed Treasury Strategy and Investment Strategy are shown in Section 7 below.
c. The Full Council is requested to approve the Authorised Limits for 2022/26 as shown in paragraph 6.5.
d. As of 31 March 2022, the accounting treatment of operating leases is planned to change and the value of those leases must be added to the Council's debt and assets. The values for the leases are being determined to comply with the changes to the accounting treatment. Any impact on the indicators and limits in Section 6 will be included in future reports on Treasury Management activities.
e. The Full Council is requested to approve the policy on the repayment of Loans Fund advances as shown in paragraph 8.2.
f. The UK Bank rate has increased twice in recent months to 0.50% from the historic low of 0.10% set in emergency meetings in March 2020. Further increases are forecast during 2022 although economic uncertainties due to COVID-19, inflation and other issues will have implications for UK interest rates, new borrowing rates (due to the impact of market sentiments on UK gilt prices), investment rates, and inflation. The Council will continue to monitor the situation and take advice from its treasury advisers.
g. There are no changes to the proposed Permitted Investments (in Appendix 1) from those agreed in 2021.

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

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

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

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

Current Treasury Management Position

6.1 The Council's treasury management position at 16 February 2022 comprised:

		Principal		Average Rate
		£000	£000	
DEBT				
Fixed Rate funding	PWLB	89,029		
	Market	71,000	160,029	3.84%
Variable Rate funding	PWLB	0		
	Market	28,796	28,796	4.86%
			188,825	4.00%
Other Long Term Liabilities (PPP)			57,566	---
TOTAL DEBT			**246,391**	
INVESTMENTS				
Call Accounts			17,812	0.16%
Notice Accounts			14,589	0.45%
Fixed Term Deposits			0	0.00%
TOTAL INVESTMENTS			**32,401**	0.29%

The Investments above are for treasury management cash balances only and exclude non-cash balances treated as investments under Investment Regulation 31 (see Appendix 2 for categories).

Capital Expenditure and Borrowing

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
Capital Programme	19,381	18,892	26,281	16,701	3,644

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
New borrowing	0	7,400	10,000	5,000	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	7,600	7,500	0	0
TOTAL	0	15,000	17,500	5,000	0

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

The Council's Gross External Debt compared to the Capital Financing Requirement as at each year-end (including the effect of the proposed borrowing in paragraph 6.3) is as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000	£000
Capital Financing Requirement (CFR)	287,139	283,887	288,392	287,815	273,886
External Debt (Including PPP)	246,200	251,581	259,337	262,020	249,266
Under/(Over) Against CFR	40,939	32,306	29,055	25,795	24,620

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

Debt Limits

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	Limit	**Limit**	**Limit**	**Limit**	**Limit**
Authorised limit for external debt	£000	£000	£000	£000	£000
Borrowing	232,000	230,000	233,000	235,000	237,000
Other Long Term Liabilities (PPP)	61,000	58,000	56,000	54,000	51,000
TOTAL	293,000	288,000	289,000	289,000	288,000
Operational boundary for external debt	£000	£000	£000	£000	£000
Borrowing	214,000	212,000	220,000	222,000	224,000
Other Long Term Liabilities (PPP)	61,000	58,000	56,000	54,000	51,000
TOTAL	275,000	270,000	276,000	276,000	275,000

Approval is being sought for the Authorised Limits for 2022/23 to 2025/26.

6.6 The Council sets limits on the maturity of fixed rate and variable rate borrowing for the coming financial year. The limits proposed for 2022/23 are:

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

The proposed limits are the same as set in 2021. They reflect the requirement that the Council's Market debt is treated based not on when the debt is due to actually mature but on when the lender could request an increase in the interest rate (when the Council could accept the increase or repay the debt).

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

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2021/22**
	Limit	**Limit**	**Limit**	**Limit**	**Projected Outturn at Year-End**
Maximum percentage of debt repayable in any year	25%	25%	25%	25%	21.19% (Repayable in 2077/78)
Maximum proportion of debt at variable rates	45%	45%	45%	45%	15.25%
Maximum percentage of debt restructured in any year	30%	30%	30%	30%	0.00%

The proposed limits are the same as set in 2021.

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

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

These interest rate exposures are managed and monitored by the Council through management reports on treasury management that are received and reviewed by the Interim Director, Finance & Corporate Governance.

Affordability

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

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Ratio of financing costs (including PPP) to net revenue stream	10.29%	10.49%	10.87%	11.09%	11.56%

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	Projected	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Ratio of net debt (debt and PPP less investments) to net revenue stream	97.5%	100.5%	106.5%	109.1%	104.9%

Investments

6.11 The Council's estimated investments position (after the proposed borrowing in paragraph 6.3) is shown in Appendix 2 and includes transactions treated as investments under the Investment Regulations. Included in Appendix 2 (as Cash balances managed in house) are the following estimated Bank Deposits:

	2022/23	2023/24	2024/25	2025/26
	Estimate	**Estimate**	**Estimate**	**Estimate**
	£000	£000	£000	£000
Cash balances managed in house				
1 April	35,000	32,151	29,889	28,149
31 March	32,151	29,889	28,149	25,456
Change in year	(2,849)	(2,262)	(1,740)	(2,693)

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	Limit	**Limit**	**Limit**	**Limit**	**Limit**
Upper limit for total principal sums invested for over 365 days	£000 10,000	£000 10,000	£000 10,000	£000 10,000	£000 10,000

The Council have not entered into any investments of more than 365 days during 2020/21 to date and does not expect to do so during the remainder of the year.

Accounting Changes – Leases

6.13 As of 31 March 2022, the accounting treatment of operating leases is planned to change and the value of those leases must be added to the Council's debt and assets. The values for the leases are being determined to comply with the changes to the accounting treatment. Any impact on the indicators and limits in Section 6 will be included in future reports on Treasury Management activities.

7.0 PROPOSED TREASURY STRATEGY AND INVESTMENT STRATEGY

Interest Rate Forecasts

7.1 The Council has appointed Link Treasury Services Limited as treasury advisers with part of their service being to assist the Council to formulate a view on interest rates. Link's latest interest rate forecasts (as at 8 February 2022) are:

As At	Bank Rate	Investment Rates			PWLB Borrowing Rates			
		3 month	6 month	1 year	5 year	10 Year	25 year	50 Year
	%	%	%	%	%	%	%	%
March 2022	0.75	0.80	1.00	1.40	2.20	2.30	2.40	2.20
June 2022	1.00	1.00	1.10	1.50	2.30	2.40	2.50	2.30
Sept 2022	↓	↓	1.20	1.60	↓	↓	↓	↓
Dec 2022	1.25	1.20	1.30	1.70	↓	↓	2.60	2.40
March 2023	↓	↓	↓	↓	↓	↓	↓	↓
June 2023	↓	↓	↓	1.60	↓	↓	↓	↓
Sept 2023	↓	↓	↓	↓	↓	↓	↓	↓
Dec 2023	↓	↓	↓	1.50	↓	↓	↓	↓
March 2024	↓	↓	↓	1.40	↓	↓	↓	↓
June 2024	↓	↓	↓	↓	↓	↓	↓	↓

Sept 2024	↓	↓	↓	↓	↓	↓	↓	↓
Dec 2024	↓	↓	↓	↓	↓	↓	↓	↓
March 2025	↓	↓	↓	↓	↓	↓	↓	↓

7.2 The UK Bank rate has increased twice in recent months to 0.50% from the historic low of 0.10% set in emergency meetings in March 2020. Further increases are forecast during 2022. Even at the forecast Bank rate levels, there will continue to be a cost of carry for any new borrowing that would cause an increase in investments (for the difference between borrowing and investment interest rates).

Treasury Strategy – Borrowing

7.3 The proposed borrowing is as shown in paragraph 6.3 whilst the proposed authorised limit for 2022/23 is shown in paragraph 6.5.

7.4 Any borrowing will depend on an assessment by the Interim Director, Finance & Corporate Governance based on the Council's requirements and financial position, adopting a cautious but pragmatic approach and after seeking advice and interest rate/economic forecasts from the Council's treasury advisers.

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

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

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

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

The maximum extent to which borrowing in advance would be undertaken by this Council is the borrowing requirement identified in paragraph 6.3 above for 2022/2025.

Treasury Strategy - Debt Rescheduling

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

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

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

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

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

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

Investments – Policies/Strategy

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

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

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

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

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

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

The list of investment instruments proposed for possible use by the Council (including those for the Common Good Fund) and for which Council approval is being sought are listed in Appendix 1 along with details of the risks from each type of investment.

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

There are no changes to the proposed Permitted Investments from those agreed in 2021.

7.16 Creditworthiness Policy
The Council's proposed Creditworthiness Policy for 2022/23, as follows, is unchanged from that agreed in 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. from the UK

or

b. from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if not issued by Fitch). Countries currently meeting this criterion (as at 9 February 2022) include Australia, Canada, France, Germany, Sweden, the USA, and the UK.

7.23 Investment Strategy

Appendix 2 includes forecasts of investment balances.

7.24 The Bank Rate was increased from the historic low of 0.10% to 0.25% in December 2021 and then to 0.50% in February 2022. Link's current forecast is for further increases to 0.75% in March 2022, 1.00% in May 2022 and 1.25% in November 2022 and to remain at that level until at least March 2025. Their Bank Rate forecasts for financial year ends (March) are as follows:

- 2022/23 0.75%
- 2023/24 1.25%
- 2024/25 1.25%.

7.25 Link advise that, for 2022/23, clients should budget for an investment return of 1.00% on investments placed during the financial year for periods of up to 100 days.

7.26 The Council uses an investment benchmark to assess the performance of its investments. The benchmark now being used is the 3 month SONIA compounded interest rate. This replaced LIBID rates which, for all periods, stopped being produced at the end of 2021.

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

Policy on Use of External Service Providers

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

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

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

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

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

7.32 The TMPs are kept under review, with a full revision every 3 years. The latest full revision took place in 2021.

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

Training for Members

7.34 The last training session on Treasury Management was held for Members on 4 August 2017. Further training will be arranged after the Local Government elections in May 2022.

8.0 LOANS FUND ADVANCES

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

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

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

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

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

	2020/21	2021/22	2022/23
	Actual	Projected	Estimated
	£000	£000	£000
Balance As At 1 April	240,871	232,106	227,869
Add: Advances For The Year	3,515	4,038	6,928
Less: Repayments For The Year	12,280	8,275	8,177
Balance As At 31 March	232,106	227,869	226,620

8.4 For the projected loans fund advances outstanding as at 31 March 2022, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	8,177
Years 2-5	31,608
Years 6-10	40,466
Years 11-15	39,576
Years 16-20	34,998
Years 21-25	34,491
Years 26-30	21,696
Years 31-35	9,651
Years 36-40	3,307
Years 41-45	1,140
Years 46-50	1,088
Years 51-55	999
Years 56-60	156
Years 61-65	36
Years 66-70	43
Years 71-75	52
Years 76-80	62
Years 81-85	74
Years 86-90	88
Years 91-95	106
Years 96-100	55
TOTAL	227,869

9.0 IMPLICATIONS

9.1 **Finance**

Adopting the Treasury Strategy and the Investment Strategy for 2022/23 and the following three years will allow a balance to be maintained between opportunities to continue to generate savings for the Council and minimising the risks involved.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

9.2 **Legal**

There are no Legal implications arising from this report.

9.3 **Human Resources**

There are no HR implications arising from this report.

9.4 **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

10.0 CONSULTATIONS

10.1 This report has drawn on advice from the Council's treasury advisers (Link Treasury Services Limited).

11.0 BACKGROUND PAPERS

11.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2021 Edition
CIPFA – The Prudential Code for Capital Finance in Local Authorities – 2021 Edition
Scottish Parliament – The Local Government Investments (Scotland) Regulations 2010 (Scottish Statutory Instrument 2010 No. 122)
Scottish Government - Finance Circular 5/2010 – The Investment of Money by Scottish Local Authorities
Scottish Parliament – The Local Government (Capital Finance and Accounting) (Scotland) Regulations 2016 (Scottish Statutory Instrument 2016 No. 123)
Scottish Government - Finance Circular 7/2016 - The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 – Loans Fund Accounting

Appendix 1

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

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

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

Notes:

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

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

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

Non-Treasury Investments

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

"(a) All share holding, unit holding and bond holding, including those in a local authority owned company, is an investment.

(b) Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment.

(c) Loans made to third parties are investments.

(d) Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975 are not investments.

(e) Investment property is an investment."

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

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

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

Permitted Investments – Common Good

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

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

Treasury Risks Arising From Permitted Instruments

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

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

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

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

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

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

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

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

Controls on Treasury Risks

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

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

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

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

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

Unlimited Investments

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

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

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

2. High Credit Worthiness Banks and Building Societies
   See paragraphs 7.16 to 7.22 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will seek to ensure diversification of its portfolio with the following limits:
   - Limit for any single institution (except Council's bankers): £15m
   - Limit for Council's bankers: £50m (or as approved by the Council or Committee)
   - Limit for any one group of counterparties: £30m (£50m or as approved by the Council or Committee for the group including the Council's bankers).

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

Objectives of Each Type of Investment Instrument
Investment Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted':

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

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

   b) Term deposits with high credit worthiness banks and building societies
   See paragraphs 7.16 to 7.22 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Council will seek to ensure diversification of its portfolio of deposits as practicable and as explained above. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

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

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

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

   a) Term deposits, notice accounts and call accounts with high credit worthiness banks which are fully or semi nationalised
   As for 1.b), 1.c) and1.d) above but Government ownership implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This Council considers that this indicates a low and acceptable level of residual risk.

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

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

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

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

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

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

Appendix 2

FORECASTS OF INVESTMENT BALANCES

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

INVESTMENT FORECASTS	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000
Cash balances managed in house				
1 April	35,000	32,151	29,889	28,149
31 March	32,151	29,889	28,149	25,456
Change in year	(2,849)	(2,262)	(1,740)	(2,693)
Average daily cash balances	33,576	31,020	29,019	26,803
Holdings of shares, bonds, units (includes authority owned company)				
1 April	2	2	2	2
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	2	2	2	2
Loans to local authority company or other entity to deliver services (Inverclyde Leisure)				
1 April	354	531	470	408
Advances	235	0	0	0
Repayments	58	61	62	64
31 March	531	470	408	344
Loans made to third parties				
1 April	113	89	77	65
Advances	0	0	0	0
Repayments	24	12	12	13
31 March	89	77	65	52
Investment properties				
1 April	0	0	0	0
Purchases	0	0	0	0
Sales	0	0	0	0
31 March	0	0	0	0
TOTAL OF ALL INVESTMENTS				
1 April	35,469	32,773	30,438	28,624
31 March	32,773	30,438	28,624	25,854
Change in year	(2,696)	(2,335)	(1,814)	(2,770)

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

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

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

Inverclyde council

AGENDA ITEM NO: 9

Report To:	**Inverclyde Council**	**Date:**	**21 April 2022**
Report By:	**Head of Legal & Democratic Services**	**Report No:**	**LS/034/22**
Contact Officer:	**Diane Sweeney**	**Contact No:**	**01475 712147**
Subject:	**McLean Museum and Art Gallery Management Policies and Service Improvement Plan 2022-25 – Remit from the Education & Communities Committee**		

1.0 PURPOSE

1.1 The purpose of this report is to request the Council, as Trustees of the Watt Institution, to note the decision made by the Education & Communities Committee relative to the approval of the McLean Museum and Art Gallery Management Policies and Service Improvement Plan.

2.0 SUMMARY

2.1 The Education & Communities Committee at its meeting on 8 March 2022 considered a report by the Corporate Director Education, Communities & Organisational Development seeking approval for (1) updated management policies on collections care and conservation, documentation, and access, and (2) the Service Improvement Plan for 2022-25 for the McLean Museum and Art Gallery. A copy of the report to the Education & Communities Committee is attached as Appendix 1.

2.2 The Education & Communities Committee decided the following:

(1) that approval be given to (a) the McLean Museum and Art Gallery Collections Care and Conservation Policy, Documentation Policy and Access Policy, and (b) the Service Improvement Plan 2022-25, in order to meet the requirements of the Arts Council England Accreditation Scheme; and
(2) that this decision be referred to the next meeting of the Inverclyde Council for noting as trustees of the Watt Institution.

3.0 RECOMMENDATION

3.1 The Trustees are asked to note the decision of the Education & Communities Committee relative to the Watt Institution Collections Policies.

Iain Strachan
Head of Legal & Democratic Services

Inverclyde council

Appendix 1

AGENDA ITEM NO: 6

Report To:	**Education & Communities Committee**	**Date:**	**8 March 2022**
Report By:	**Corporate Director Education Communities and Organisational Development**	**Report No:**	**EDUCOM/16/22/AW**
Contact Officer:	**Alana Ward, Service Manager**	**Contact No:**	**01475 712330**
Subject:	**McLean Museum and Art Gallery Management Policies and Service Improvement Plan 2022-25**		

1.0 PURPOSE

1.1 The purpose of this report is to seek Committee approval for updated management policies on collections care and conservation, documentation, and access, and also a Service Improvement Plan 2022-25 for the McLean Museum and Art Gallery.

2.0 SUMMARY

2.1 The Collections Care and Conservation, Documentation, and Access policies for the McLean Museum and Art Gallery have been updated, and a Service Improvement Plan 2022-25 has been developed. The adoption and implementation of these policies and plans by the Inverclyde Council, the governing body of the McLean Museum and Art Gallery, is a requirement of the Arts Council England (ACE) Accreditation Scheme which sets nationally agreed standards for museums in the UK.

2.2 Formal approval of these management policies and Service Improvement Plan by the Committee was not a requirement of the previous Accreditation Standard (2013) but it is a requirement of the revised Accreditation Standard (2018). The 2013 versions of these policies and plans were approved by the Head of Inclusive Education, Culture and Corporate Policy in 2013 rather than the Education and Communities Committee. There have been no substantial changes made to any of the policies and those revisions that have taken place are for reasons of brevity and clarity only. The draft revised Museum management policies and Service Improvement Plan 2022-25 can be viewed at: https://www.inverclyde.gov.uk/community-life-and-leisure/heritage-services/museum/policies-and-management

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee:

- approves the McLean Museum and Art Gallery Collections Care and Conservation Policy, Documentation Policy and Access Policy, and the Service Improvement Plan 2022-25 to meet the requirements of the Arts Council England Accreditation Scheme; and
- refers the decision of the Committee to the next meeting of the Inverclyde Council for noting as Trustees of the Watt Institution.

Ruth Binks
Corporate Director Education, Communities and Organisational Development

4.0 BACKGROUND

4.1 The adoption and implementation of Collections Care and Conservation, Documentation, and Access policies, as well as a Service Improvement Plan 2022-25, for the McLean Museum and Art Gallery by the Inverclyde Council, the governing Body of the McLean Museum and Art Gallery, is a requirement of Arts Council England (ACE) Accreditation Scheme for museums in the UK.

4.2 The McLean Museum and Art Gallery currently enjoys Accredited Status within the Scheme and seeks to retain this status as it is a benchmark standard which attracts Government funding. Museums that do not meet the standard do not receive Government grants.

4.3 These policies and plans supersede all previous and existing policies and plans, formal or informal, relating to the management of the museum. There have been no substantial changes made to the policies and those revisions that have taken place are for reasons of brevity and clarity only. The revised management policies and Service Improvement Plan 2022-25 can be viewed at: https://www.inverclyde.gov.uk/community-life-and-leisure/heritage-services/museum/policies-and-management

5.0 IMPLICATIONS

5.1 **Finance**

There are no known financial implications arising from this report.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.2 **Legal**

The Head of Legal & Democratic Services comments that, as the Watt Institution is held and administered by the Council as Trustees, any recommendation of this Committee will require to be referred to the Trustees of the Watt Institution for noting.

5.3 **Human Resources**

There are no known Human Resources implications arising from this report.

5.4 **Equalities**

Equalities

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

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

(b) Fairer Scotland Duty

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

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

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

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

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

5.5 **Repopulation**

The Watt Institution is a key part of Inverclyde's tourism, culture and heritage offer, providing services to visitors and residents of Inverclyde.

6.0 CONSULTATIONS

7.1 None

8.0 BACKGROUND PAPERS

8.1 DRAFT McLean Museum and Art Gallery Collections Conservation and Care Policy
DRAFT McLean Museum and Art Gallery Documentation Policy
DRAFT McLean Museum and Art Gallery Access Policy
DRAFT McLean Museum and Art Gallery Service Improvement Plan 2022-25