Inverclyde
council

Agenda 2014

Inverclyde Council

For meeting on:

10	April	2014

Inverclyde council

Municipal Buildings, Greenock PA15 1LY

Ref: SL/AI

Date: 2 April 2014

A meeting of The Inverclyde Council will be held on Thursday 10 April 2014 at 4pm within the Municipal Buildings, Greenock.

GERARD MALONE
Head of Legal and Property Services

BUSINESS

**** Copy to follow**

1. **Apologies and Declarations of Interest**

NEW BUSINESS

2. **Minutes of Meetings of The Inverclyde Council, Committees, Sub-Committees and Boards**

	Police & Fire Scrutiny Sub-Committee	(p 53)
	Inverclyde Council	(pp 54 - 64)
	Audit Committee	(p 65)
	Human Resources Appeals Board	(p 66)
	Inverclyde CHCP Sub-Committee	(pp 67 - 70)
	Planning Board	(pp 71 - 75)
	Local Review Body	(pp 76 - 77)
	Environment & Regeneration Committee	(pp 78 - 83)
	Education & Communities Committee	(pp 84 - 91)
	General Purposes Board	(pp 92 - 94)
	Policy & Resources Committee	(p 95 - 99)
**	Planning Board	(pp100 -)
**	General Purposes Board	( )

3. **Human Resources Appeals Board - Resignation of Councillor McIlwee**
Report by Acting Corporate Director Environment, Regeneration & Resources

4. **Grants Sub-Committee - Resignation of Councillor Clocherty**
Report by Acting Corporate Director Environment, Regeneration & Resources

5. **Greenock Arts Guild Board - Resignation of Councillor Brennan**
Report by Acting Corporate Director Environment, Regeneration & Resources

6. **Appointment of Member to Greenock Prison Visiting Committee**
Report by Acting Corporate Director Environment, Regeneration & Resources

7. **Statutory Review of Polling Places**
Report by Acting Corporate Director Environment, Regeneration & Resources

8. **Review of Local Government Electoral Arrangements: Proposals for Councillor Numbers**
Report by Acting Corporate Director Environment, Regeneration & Resources

9. **Kindred Clubs of Port Glasgow - Toll Boys' Memorial**
Report by Acting Corporate Director Environment, Regeneration & Resources

10. **Legal Services for Forces Personnel (Armed Forces Legal Action) - Request for Support from Inverclyde Council**
Report by Acting Corporate Director Environment, Regeneration & Resources

REMITS FROM COMMITTEES

11. **Treasury Management Strategy Statement and Annual Investment Strategy 2014/15 - 2016/17 - Remit from Policy & Resources Committee**
Report by Acting Corporate Director Environment, Regeneration & Resources

The documentation relative to the following items has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information in respect of the following item being that set out in paragraph 6 of Part I of Schedule 7(A) of the Act and the nature of the exempt information in respect of the item thereafter being that set out in the paragraphs of Part I of Schedule 7(A) of the Act as detailed in the minute of the relevant Committee or Board.

NEW BUSINESS

12. **Appendix 1 relative to Agenda Item 6 (Appointment of Member to Greenock Prison Visiting Committee) providing information on the proposed replacement Member**

13. **Business in the Appendix**

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

Inverclyde council

AGENDA ITEM NO: 3

Report To:	**The Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**SL/LA/1149/14**
Contact Officer:	**Sharon Lang**	**Contact No:**	**01475 712112**
Subject:	**Human Resources Appeals Board - Resignation of Councillor McIlwee**		

1.0 PURPOSE

1.1 The purpose of this report is to request the Council to appoint a Member to the Human Resources Appeals Board following the resignation of Councillor McIlwee. Councillor McIlwee is also currently the Vice-Chair of the Board.

1.2 The other Members of the Board are Councillors Brennan, Brooks, Jones and Shepherd.

2.0 RECOMMENDATION

2.1 The Council is asked to appoint a Member to the Human Resources Appeals Board to fill the vacancy following the resignation of Councillor McIlwee and also to appoint a new Vice-Chair.

Sharon Lang
Legal & Property Services

Inverclyde council

AGENDA ITEM NO: 4

Report To:	**The Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**SL/LA/1148/14**
Contact Officer:	**Sharon Lang**	**Contact No:**	**01475 712112**
Subject:	**Grants Sub-Committee - Resignation of Councillor Clocherty**		

1.0 PURPOSE

1.1 The purpose of this report is to advise the Council of the resignation of Councillor Clocherty as both Chair and Member of the Grants Sub-Committee and to request the filling of the resulting vacancies.

1.2 The other Members of the Sub-Committee are Councillors Campbell-Sturgess, Dorrian, McIlwee, Shepherd and Wilson.

2.0 RECOMMENDATION

2.1 The Council is asked to appoint a Member to the Grants Sub-Committee and also to appoint a Chair, following the resignation of Councillor Clocherty.

Sharon Lang
Legal & Property Services

Inverclyde council

AGENDA ITEM NO: 5

Report To:	**The Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**SL/LA/1150/14**
Contact Officer:	**Sharon Lang**	**Contact No:**	**01475 712112**
Subject:	**Greenock Arts Guild Board - Resignation of Councillor Brennan**		

1.0 PURPOSE

1.1 The purpose of this report is to request the Council to appoint a Member to the Board of Greenock Arts Guild following the resignation of Councillor Brennan.

1.2 The other Board Member is Councillor Wilson.

2.0 RECOMMENDATION

2.1 The Council is asked to consider appointing a Member to the Board of Greenock Arts Guild to fill the vacancy following the resignation of Councillor Brennan.

Sharon Lang
Legal & Property Services

Inverclyde council

AGENDA ITEM NO: 6

Report To:	**The Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**FJ/AI/LA/1151/14**
Contact Officer:	**Fraser Jarvie, Legal Services Manager, Legal & Property Services**	**Contact No:**	**01475 712121**
Subject:	**Appointment of Member to Greenock Prison Visiting Committee**		

1.0 PURPOSE

1.1 The purpose of this report is to advise the Council of the vacancy which exists on Greenock Prison Visiting Committee (PVC) arising from the resignation of Alexander Nimmo who has been a member in excess of 20 years and to seek approval of the appointment of a replacement member of the public to this position.

2.0 SUMMARY

2.1 Greenock Prison requires a Visiting Committee. This is a statutory requirement for Councils of the Prison's catchment area as detailed in the Prisons (Scotland) Act 1989. The relevant local authorities, including Inverclyde Council are required to provide representation, based upon the likely prisoner demographic and subsequent percentage of the population of each Council.

2.3 In accordance with the guidance of the Association of Visiting Committees for Scottish Penal establishments (the AVC) posts relating to the new prison at Low Moss were advertised in the local press in 2012 and following interview 2 members were selected for those positions. However, the quality of applications for the post being high, a short list was retained on the understanding that any subsequent vacancies would be offered to the individual at the top of that list.

2.4 Due to the recent uncertainty regarding the future of PVCs in Scotland, Councils have experienced difficulty in attracting members. In particular the position allocated to Argyll & Bute and North Ayrshire Councils are currently unfilled and this puts additional pressure on the current members of the Committee. It is therefore important to fill this post at the earliest opportunity.

3.0 RECOMMENDATIONS

3.1 That the candidate identified at Appendix 1 be appointed as a member of HMP Greenock Visiting Committee to fill the vacancy created by the resignation of Alexander Nimmo.

Fraser Jarvie
Legal & Property Services

4.0 BACKGROUND

4.1 It is a statutory requirement in terms of the Prisons (Scotland) Act 1989 for every prison to have a Visiting Committee (VC). The Councils of the prison's catchment area have the duty to appoint appropriate members to the PVC. The role of the VC has however been subject of a review by the Scottish Government and a new system of prison monitoring is to be introduced. It is understood that it is the government's intention for the new system to come into effect by December 2014. However consultation on the proposals has been ongoing for some time and it is quite possible that it will be the summer of 2015 before the change is effected. In the meantime the Council's statutory responsibility will continue. A summary of the background of the applicant identified as the most suitable candidate is attached at Appendix 1.

5.0 IMPLICATIONS

Finance

5.1 There are no financial implications.

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					

Legal

5.2 The Council will meet its statutory obligations by making an appointment to fill the vacancy on the PVC.

Equalities

5.3 The previous position was publicly advertised to ensure as wide a range of potential applicants as possible, this will have a positive benefit in respect of the Council's equality agenda.

Repopulation

5.4 There are no repopulation implications.

6.0 CONSULTATIONS

6.1 N/A

7.0 LIST OF BACKGROUND PAPERS

7.1 N/A

Inverclyde council

AGENDA ITEM NO: 7

Report To:	**Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**GM/LA/1154/14**
Contact Officer:	**Gerard Malone**	**Contact No:**	**01475 712710**
Subject:	**Statutory Review of Polling Places**		

1.0 PURPOSE

1.1 This report asks Elected Members to (1) consider the representations received on the statutory review of Polling Places by the consultation deadline and (2) approve the draft Polling Scheme, as detailed in **Appendix 1** to this report.

2.0 SUMMARY

2.1 The process for the statutory review of Polling Places was reported to and considered by the Council at its meeting on 20 February 2014.

2.2 The current Polling Scheme, which forms **Appendix 2**, will be used in the European Election in May 2014 and the Scottish Referendum in September 2014 (subject to any amendments to take account of any building works and / or closures in respect of which the Chief Executive has delegated authority to make such arrangements).

2.3 The Polling Scheme has been reviewed, however, in response to the statutory process and this draft forms **Appendix 1.** The amendments and representations thereon are specified in detail within this report. This report requests Elected Members to consider the draft Polling Scheme in **Appendix 1**, to consider the representations received and to approve the reviewed Polling Scheme to take effect as from 1 January 2015 for all elections thereafter (subject to future reviews, statutory and otherwise).

3.0 RECOMMENDATIONS

The Council is requested to:-

3.1 consider the representations received and approve the draft Polling Scheme forming **Appendix 1** for elections from 1 January 2015.

3.2 delegate to the Chief Executive authority to make such amendments thereto as may from time to time be necessary to take account of any building works and / or closures in order to facilitate suitable and reasonable polling arrangements.

Gerard Malone
Head of Legal & Property Services

4.0 BACKGROUND

4.1 In terms of the Representation of the People Act 1983, local authorities are required to designate Polling Places for the purposes of elections and to review those arrangements at least every four years.

4.2 The Council previously reviewed its electoral arrangements in 2010/11 and must, therefore, review those arrangements in the period between 1 October 2013 and 31 January 2015.

4.3 Within Inverclyde, the Council's practice has been to review its polling arrangements as each scheduled Election approaches. In conducting its reviews, the Council must seek to ensure that:-

(i) all electors in the constituency have such reasonable facilities for voting as are practicable in the circumstances; and
(ii) so far as is reasonably practical, the polling places it is responsible for are accessible to all voters, including those who are disabled and when considering the designation of a polling place, it must have regard to the needs of persons with disabilities.

4.4 The timetable for the Council's Statutory Review was outlined in the February 2014 report. Notification has already been published and contact has been made with relevant interested parties such as Elected Members, Community Councils and organisations representing the disabled.

5.0 CURRENT POLLING SCHEME

5.1 The European Election will take place on 22 May 2014 and the Scottish Referendum will take place on 18 September 2014. For these polls, the current approved Polling Scheme will be utilised (**Appendix 2**). In terms of any adjustments that are required to take account of planned or scheduled building works, the Chief Executive already has delegated authority to amend these polling arrangements.

5.2 The current Polling Scheme will apply for the European Elections in May and the Scottish Referendum in September 2014, respectively.

6.0 PROPOSED POLLING SCHEME

6.1 The draft Polling Scheme proposed forms **Appendix 1**.

6.2 This draft Polling Scheme has been prepared to meet the requirements of the Statutory Review. It proposes certain amendments to the current Polling Scheme:

(i) it is proposed that the Council now reverts to using Whinhill Primary School (formerly Overton Primary School) for those voters within Polling Districts IG16/IG10. These voters have recently been using The Play Station, Kenilworth Crescent, Greenock during the school refurbishment works. The Play Station is not ideal due to its arrangements for disabled access.

(ii) it is proposed to utilise St Andrew's Primary School for those voters within Polling District IG 27. Those voters have latterly utilised Garvel Deaf Centre during refurbishment of the school. The Garvel Deaf Centre has now closed and St Andrew's Primary School is now available; it is very suitable for use as a polling place;

(iii) latterly, those voters in Polling District IG35 have voted in Ravenscraig Sports Centre. Given uncertainty regarding the availability of Ravenscraig Sports Centre in the future, alternative premises require to be identified. It is therefore proposed that the Council confirms that Aileymill Primary School is identified for use by voters within Polling District IG35;

(iv) Ardgowan Primary School - This Primary School is currently scheduled for refurbishment. It has proved impossible to identify a suitable alternative, without realignment of Polling Districts. The Returning Officer has identified that the Ardgowan Club, Ardgowan Square, Greenock is the nearest suitable and available alternative. It is therefore proposed that these premises be utilised as a replacement for Ardgowan Primary School. Consequently, the Council will also require to make a small adjustment to the District Boundary line to encompass the Ardgowan Club. This will have the knock-on effect of requiring some 400 voters who currently vote in the Watt Hall to now vote in the Ardgowan Bowling Club. For those voters, the Ardgowan Club is actually closer to where they reside than is the Watt Hall. A plan indicating the suggested changes is attached (**Appendix 3**).

6.3 As is required, if any adjustments are required to be made to take account of planned or scheduled building works to premises within the Polling Scheme, the Chief Executive will be granted delegated authority to make such arrangements.

6.4 Representations on the draft Polling Scheme have been received within the statutory timescale and are as follows:-

(i) An Inverclyde elector (name and email address supplied) – e-mail received from an elector confirming that she is a wheelchair user who drives. The elector states that her polling places have been in various locations in Port Glasgow including St Francis Primary and Clune Park Resource Centre. It is her view "that they are not the most accessible; make-shift ramps, etc, are often inadequate and there is often no suitable parking. I note that Holy Family Church Hall is also used – this too is not ideal due to the steep incline at both top and bottom entrances to the Church.

"I was told by a member of staff today to suggest alternatives. Would it not be best to make use of the shared campus of St Stephen's / Port Glasgow High? This would certainly make access easier. Also St Michael's Primary, Newark Primary and Rainbow Nursery have easy access / parking and are much better than the usual places I have mentioned above including Boglestone Community Centre."

Comment – in response, for Elected Member consideration: St Francis Primary School is suitable for disabled access. Clune Park Resource Centre has a permanent ramp which complies with access requirements. The Holy Family Church Hall is located at a steep hill but at the entrance area it does have a satisfactory entrance: in the past, Officers have looked at this location and no other suitable Polling Place has been determined that meets the requirements for this area. In respect of the schools that have been mentioned, it is confirmed that secondary schools are not preferred as polling venues as these can be disruptive to pupils in the progress to or during exam time. For that reason, no secondary schools are used by the Council as Polling Places. Where possible, alternatives are sought to primary schools and nurseries and in this particular instance it is considered that Boglestone is a good and wholly acceptable venue and one which is also suitable for disabled access. It is not proposed that the Polling Scheme be altered in relation to these representations.

(ii) Iain McKenzie, MP has written to confirm his satisfaction with the proposed scheme but to request that if alternative locations are being sought, then the use of Fancy Farm Tenants Hall should be considered.

Comment – in response, for Elected Member consideration: the present location for this area is St Joseph's Primary and this has a good access, suitable for disabled use and also has a parking area for ease of use by voters. The Fancy Farm Tenants Hall could be considered as a venue but there is no extensive parking outside the Hall available and it is located at the periphery of the electoral area (whereas St Joseph's is located within the middle and is accessible to all voters in this area). It is not proposed to promote Fancy Farm Tenants Hall as a polling place.

(iii) Councillor Rebecchi has suggested the possible use of St Ninian's Church Hall, Warwick Road instead of Aileymill Primary in the event of Ravenscraig Sports Centre closing.

Comment – in response, for Elected Member consideration: an inspection took place following Councillor Rebecchi's suggestion and it is reported to Elected Members that the venue is considered unsuitable because of the stairs up to the entrance and the current state of disrepair at the footpath entrance area. A temporary ramp is available for access but it is not thought that the entranceway is suitable at present for Polling Scheme inclusion.

7.0 IMPLICATIONS

Finance

7.1 There are no finance implications identified.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

Legal

7.2 This proposal complies with the relevant electoral legislation.

Human Resources

7.3 There are no implications.

Equalities

7.4 The draft Polling Scheme has been reviewed to take account of the provision of suitable premises to facilitate ease of access for all voters throughout Inverclyde and this to promote participation in local democracy for all of its citizens.

Repopulation

7.5 There are no repopulation implications

8.0 CONSULTATIONS

8.1 This report has been the subject of consultation with the Chief Executive and the Corporate Director Education, Communities and Organisational Development

9.0 BACKGROUND PAPERS

9.1 None

APPENDIX 1
DRAFT POLLING SCHEME

INVERCLYDE COUNTY CONSTITUENCY

Polling District	Polling Place
IN01	Carsemeadow, Craigbet Road, Quarriers Village, Bridge of Weir
IN02	St Columba Church Hall, Bridge of Weir Road, Kilmacolm
IG02	Holy Family Church Hall, Parkhill Avenue, Port Glasgow
IG03	Struthers Memorial Church, Arran Avenue, Port Glasgow
IG04	Park Farm Community Hall, Oronsay Avenue, Port Glasgow
IG05	St Francis’ Primary School, East Barmoss Avenue, Port Glasgow
IG06	Clune Park Resource Centre, Montgomerie Street, Port Glasgow
IG07	Boglestone Community Centre, Dubbs Place, Port Glasgow
IG08	Port Glasgow Lesser Town Hall, Port Glasgow
IG09	St John’s Primary School, Mary Street, Port Glasgow
IG11	Gibshill Childrens’ Centre, Smillie Street, Greenock
IG12	Auchmountain Halls, Burnhead Street, Greenock
IG13	Craigend Resource Centre, McLeod Street, Greenock
IG14	Crawfurdsburn Community Centre, Carwood Street, Greenock
IG15	St Lawrence’s Social Club, Cartsburn Street, Greenock
IG16 & IG10	Whinhill Primary School, Peat Road, Overton, Greenock
IG17	Wellpark/Mid Kirk Church Hall, Clyde Square, Greenock
IG18	Salvation Army Centre, Enter from Roxburgh Street, Greenock
IG19	McLean Museum & Art Gallery, Watt Hall, 15 Kelly Street, Greenock
IG20	Ardgowan Club, Ardgowan Square, Greenock
IG21	Finnart Scout Hall, 159 Finnart Street, Greenock
IG22	Lyle Kirk Hall, Bentinck Street, Greenock
IG23	St. Patrick’s Primary School, Broomhill Street, Greenock
IG24	Lady Alice Primary School, Inverkip Road, Greenock
IG25	Grieve Road Community Centre, Grieve Road, Greenock
IG26	St Joseph’s Primary School, Wren Road, Greenock

APPENDIX 1
DRAFT POLLING SCHEME

INVERCLYDE COUNTY CONSTITUENCY

Polling District	Polling Place
IG27	St Andrews Primary School, Westmorland Road, Greenock
IG28	Cardwell Bay Sailing Club, Cove Road, Gourock
IG29	Gamble Halls, Enter from Davidson Drive, Gourock
IG30	St Ninian’s Primary School, Staffa Street, Gourock
IG31	Moorfoot Primary School, Moorfoot Drive, Gourock
IG32	Spinnaker Hotel, Albert Road, Gourock
IG33	Royal Gourock Yacht Club, Ashton Road, Gourock
IG34	Upper Larkfield Community Hall, Lothian Road, Greenock
IG35	Aileymill Primary School, Norfolk Road, Greenock
IG36	Branchton Community Centre, Branchton Road, Greenock
IG37	Inverkip Primary School, Station Road, Inverkip
IG38	Wemyss Bay Community Centre, Ardgowan Road, Wemyss Bay

APPENDIX 2

CURRENT POLLING SCHEME

INVERCLYDE COUNTY CONSTITUENCY

Polling District	Current Polling Place
IN01	Carsemeadow, Craigbet Road, Quarriers Village, Bridge of Weir
IN02	St Columba Church Hall, Bridge of Weir Road, Kilmacolm
IG02	Holy Family Church Hall, Parkhill Avenue, Port Glasgow
IG03	Struthers Memorial Church, Arran Avenue, Port Glasgow
IG04	Park Farm Community Hall, Oronsay Avenue, Port Glasgow
IG05	St. Francis' Primary School, East Barmoss Avenue, Port Glasgow
IG06	Clune Park Resource Centre, Montgomerie Street, Port Glasgow
IG07	Boglestone Community Centre, Dubbs Place, Port Glasgow
IG08	Port Glasgow Lesser Town Hall, Port Glasgow
IG09	St John's Primary School, Mary Street, Port Glasgow *** Note 1**
IG11	Gibshill Childrens' Centre, Smillie Street, Greenock
IG12	Auchmountain Halls , Burnhead Street, Greenock
IG13	Craigend Resource Centre, McLeod Street, Greenock
IG14	Crawfurdsburn Community Centre, Carwood Street, Greenock
IG15	St Lawrence's Social Club, Cartsburn Street, Greenock
IG16 / IG10	The Play Station, Kenilworth Crescent, Greenock *** Note 2**
IG17	Wellpark/Mid Kirk Church Hall, Clyde Square, Greenock
IG18	Salvation Army Centre, Enter from Roxburgh Street, Greenock
IG19	McLean Museum & Art Gallery, Watt Hall, 15 Kelly Street, Greenock
IG20	Ardgowan Primary School, Newton Street, Greenock *** Note 3**
IG21	Finnart Scout Hall, 159 Finnart Street, Greenock
IG22	Lyle Kirk Hall, Bentinck Street, Greenock
IG23	St Patrick's Primary School, Broomhill Street, Greenock
IG24	Lady Alice Primary School, Inverkip Road, Greenock
IG25	Grieve Road Community Centre, Grieve Road, Greenock
IG26	St Joseph's Primary School, Wren Road, Greenock

APPENDIX 2

CURRENT POLLING SCHEME

INVERCLYDE COUNTY CONSTITUENCY

Polling District	Current Polling Place
IG27	Garvel Deaf Centre, Chester Road, Greenock
IG28	Cardwell Bay Sailing Club, Cove Road, Gourock
IG29	Gamble Halls, Enter from Davidson Drive, Gourock
IG30	St Ninian's Primary School, Staffa Street, Gourock
IG31	Moorfoot Primary School, Moorfoot Drive, Gourock
IG32	Spinnaker Hotel, Albert Road, Gourock
IG33	Royal Gourock Yacht Club, Ashton Road, Gourock
IG34	Upper Larkfield Community Hall, Lothian Road, Greenock
IG35	Ravenscraig Sports Centre, Auchmead Road, Greenock
IG36	Branchton Community Centre, Branchton Road, Greenock
IG37	Inverkip Primary School, Station Road, Inverkip
IG38	Wemyss Bay Community Centre, Ardgowan Road, Wemyss Bay

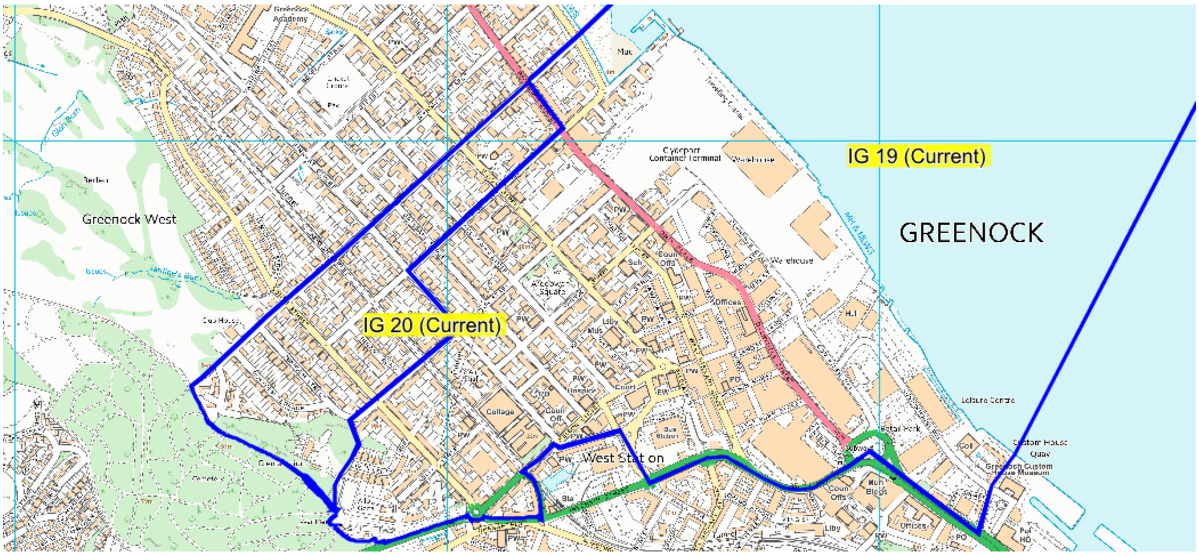
<u>Notes</u>

Delegated arrangements which modify current approved scheme.

***Note 1.** IG09 St. John's Primary School, Mary Street, Port Glasgow – This polling place is open for the European Election but will be closed in June 2014 and thus be unavailable. So, IG09 voters will use Port Glasgow Bowling Club, Birkmyre Avenue, Port Glasgow for the Scottish Referendum in September 2014.

***Note 2**. IG16 / IG10 The Play Station, Kenilworth Crescent, Greenock – This polling place was used temporarily because of refurbishment of Overton Primary School (now Whinhill Primary School). Because of lack of disabled access at The Play Station, both the European Election and the Scottish Referendum will revert to Whinhill Primary School.

***Note 3.** IG20 Ardgowan Primary School, Newton Street, Greenock – Now closed for refurbishment and Ardgowan Club, Ardgowan Square, Greenock will be used for both the European Election and Scottish Referendum.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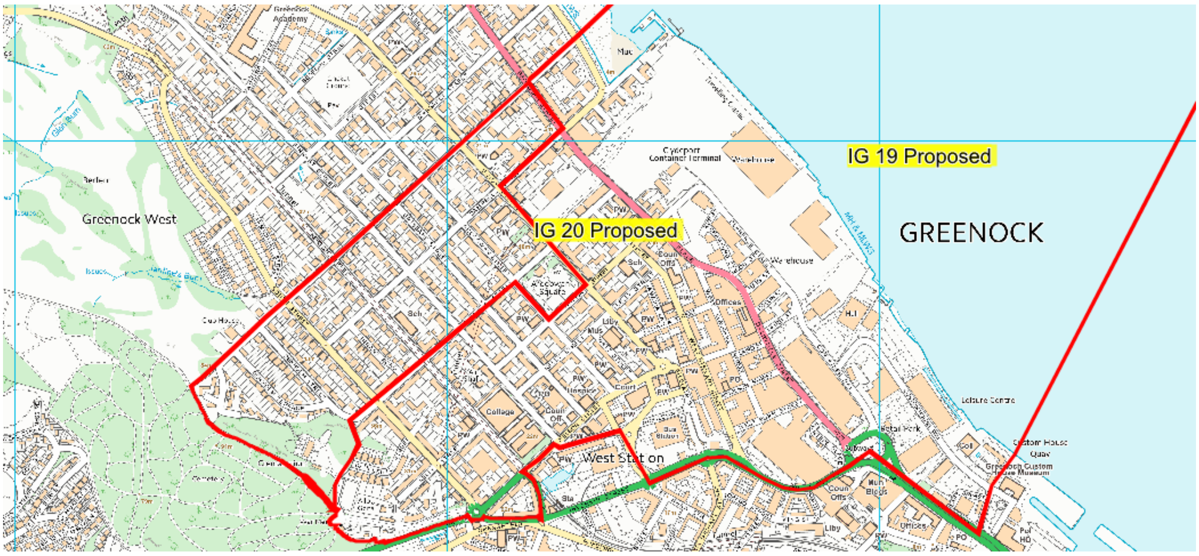
GREENOCK
Greenock West
IG 20 (Current)
West Station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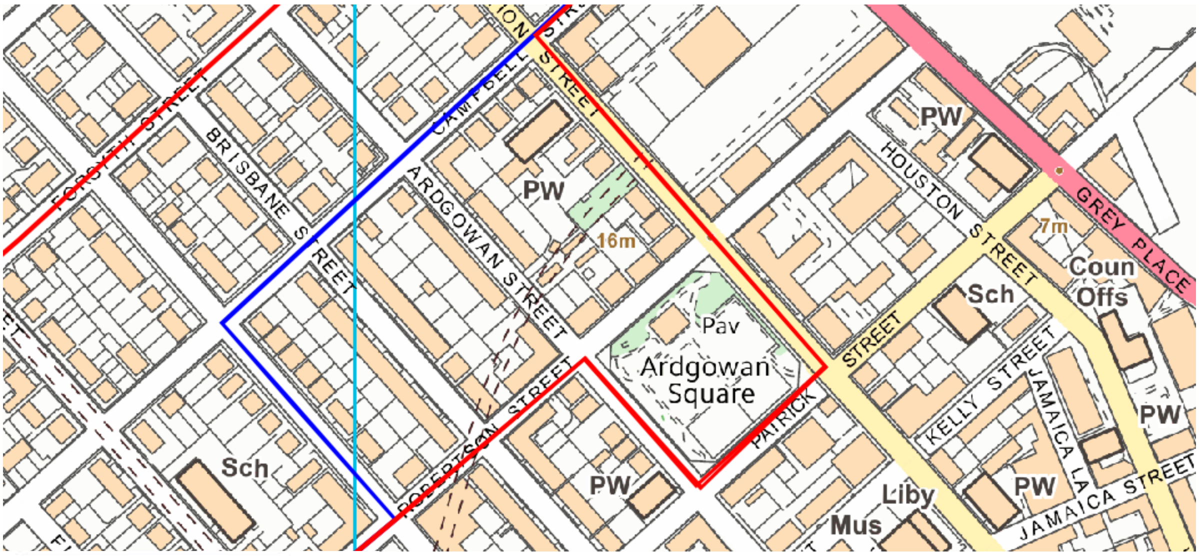
West Station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Inverclyde council

AGENDA ITEM NO: 8

Report To:	**Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration and Resources**	**Report No:**	**GM/LA/1155/14**
Contact Officer:	**Gerard Malone**	**Contact No:**	**712710**
Subject:	**Review of Local Government Electoral Arrangements: Proposals for Councillor Numbers**		

1.0 PURPOSE

1.1 The purpose of this report is to ask the Council to consider its response to proposals by the Local Government Boundary Commission for Scotland to increase the number of Councillors for Inverclyde as part of a review of local government electoral arrangements.

2.0 SUMMARY

2.1 The Local Government Boundary Commission for Scotland ("the Commission") has commenced its review of Scotland's local government electoral arrangements. The review will result in recommendations for the numbers of Councillors for each Scottish local authority and, subsequently, the number and boundaries of wards for the election of those Councillors.

2.2 The Commission has drawn up its recommendations for the numbers of Councillors based upon a methodology that, for the first time, takes into account both population distribution and levels of deprivation.

2.3 At this stage, the Commission is proposing that Inverclyde Council has an increase of Councillor numbers from 20 to 22 Elected Members. Any consultations on this proposal require to be submitted to the Commission by 23 April 2014. The timetable for the other aspects of the electoral review, thereafter, is specified within this report.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Council considers the terms of this report and the proposal by the Local Government Boundary Commission for Scotland for an increase in Councillor numbers to 22 for Inverclyde Council and that it be remitted to the Chief Executive to submit its formal consultation response by 23 April 2014.

Gerard Malone
Head of Legal and Property Services

4.0 BACKGROUND

4.1 The Commission is established in terms of the Local Government (Scotland) Act 1973 as an independent body with responsibility for keeping under review local government electoral arrangements in Scotland. The Commission is a non-departmental public body and it is required to conduct electoral reviews at intervals of between 8 to 12 years. The Commission is independent and non-political and makes recommendations for:

- The number of Councillors in each local authority
- The number of wards for local government elections and their boundaries; and,
- The extent of Council areas.

4.2 In terms of the current position, the Commission recommended the current multi-member wards which have been used for local government elections in Scotland in 2007 and 2012.

4.3 When reviewing electoral arrangements, the Commission is required to take account of the following issues:

- the interests of effective and convenient local government;
- within each Council, each Councillor should represent as far as possible the same number of electors;
- local ties which would be broken by making a particular boundary;
- the desirability of fixing boundaries that are easily identifiable; and,
- special geographical considerations.

4.4 The Commission has drawn up recommendations for the number of Councillors in each Council within Scotland based upon a methodology that, for the first time, takes into account levels of deprivation as well as population distribution. Using these factors, similar Councils are grouped together for the purpose of determining Councillor numbers.

4.5 This stage of the review comprises consultation with Councils on the number of Councillors. The next stage of the review will be a consultation with the public on Councillor numbers and that is expected to commence later, in May 2014. Thereafter, subsequent stages of the review will comprise consultations on proposed ward boundaries.

5.0 COUNCILLOR NUMBERS

5.1 The Commission believes that two factors are crucial in determining Councillor numbers for any local authority and these are (1) population distribution and (2) levels of deprivation. The Commission believes that deprivation is a reasonable indicator for a whole range of factors that impact both on Council services and on the workload of Councillors.

5.2 The Commission has used the September 2013 electorate data from the electoral register and has also used information from the Scottish Index of Multiple Deprivation measuring factors of: employment, income, geographic access, crime, housing, health and education.

5.3 The Commission has applied this methodology and has placed Inverclyde Council and Glasgow City Council within the same categorisation. The formal, detailed categorisation criterion is “less than 30% of the population living outwith settlements of 3000 or more AND 30% or more of the population living in the most deprived areas”.

5.4 With this categorisation in mind, the Commission has determined that there should be a ratio of 2800 electors per Councillor within Inverclyde. In formulating these recommendations, the Commission will be seeking to achieve ratios as close as possible to this average in every ward.

5.5 A further aim of the review is to ensure that there is a good level of electoral parity as an outcome of the review. This means that the Commission is seeking to ensure that each elector’s vote within a Council area should be of equal worth and the Commission will later be seeking to achieve ratios as close as possible to the authority average in every ward. The Commission recognises that the geography and demography of the areas can be very different which may have knock-on effects on the levels of electoral parity that can be achieved through the review.

5.6 The Local Governance (Scotland) Act 2004 specifies that each ward will return either 3 or 4 Councillors. The Commission will design each ward so that its number of electors justifies either 3 or 4 Elected Members. The choice of the number of Councillors for each ward will depend on the overall pattern of wards the Commission feels is appropriate for the area and which achieves good electoral parity.

5.7 The current proposals for Councillor numbers are attached as **appendix 1** and indicate that for Inverclyde Council the existing Councillor number of 20 will be increased by 2 to 22 Elected Members (subject to the outcome of the review). At the present time, the Council is only requested to respond to the proposed Councillor numbers by the consultation deadline of 23 April 2014.

5.8 Thereafter, there will be subsequent proposals and consultations on ward boundaries and the timescale from the Commission is as follows:

Stage	Description	Start (approx)	Finish (approx)
	Reviews commence	February 2014	
1	Commission meets separately with all 32 councils to provide a background to the Reviews	February 2014	April 2014
1A	2 month statutory consultation period with councils on council size	February 2014	April 2014
1B	12 week public consultation period on council size	May 2014	August 2014
2A	Commission considers responses and agrees on council size	September 2014	December 2014
2B	Commission develops proposals on ward boundaries	September 2014	December 2014
3A	2 month statutory consultation period with councils on ward boundaries	January 2015	March 2015
3B	12 week public consultation on ward boundaries	April 2015	Early July 2015
4A (Optional)	Development of Revised Proposals for wards	September 2015	September 2015
4B (Optional)	Consultation of Revised Proposals for wards, local inquiry	October 2015	December 2015
5	Commission considers all representations and develops its final recommendations before submitting its Reports to Scottish Ministers	September 2015	May 2016

From the above, it will be noted that the consultation with Councils on ward boundaries will commence in January 2015.

6.0 IMPLICATIONS

Finance

6.1 The proposed increase in Elected Members will result in increased costs for members' salaries plus travel etc. It is not clear at this point how much of these cost will be funded by the Government.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Services to Members	Salaries and Travel	16/17	45		Represents gross cost which could be partially offset by Government Funding.

Legal

6.2 The review is a statutory process which requires to be completed during appointed intervals all as specified in the Local Government (Scotland) Act 1973. The present electoral review is part of this statutory process. The review only affects electoral arrangements for local government. Constituencies for the Scottish Parliament or the United Kingdom Parliament are not affected by the present review (those reviews are undertaken by the separate Boundary Commission for Scotland).

Human Resources

6.3 There are no HR implications.

Equalities

6.4 The population and the electorate of any local authority area are constantly changing with migration into or out of the Council area (as well as within the wards of the Council area itself). It is important to ensure that Elected Members are not representing considerably more or fewer electors than their colleagues and the review will ensure that there are fair levels of representation throughout Inverclyde.

Repopulation

6.5 There are no direct implications for repopulation within Inverclyde.

7.0 CONSULTATIONS

7.1 This report has been the subject of consultation with the Chief Executive and the Corporate Director Education, Communities and Organisational Development.

8.0 CONCLUSIONS

8.1 At the present time, the Council is being asked to comment on the proposed increase of Councillor numbers to 22 Elected Members for Inverclyde. Subsequently, the Commission will issue any consultation papers affecting ward boundaries and this will be reported to the Council in early 2015, according to the review timetable.

9.0 LIST OF BACKGROUND PAPERS

9.1 Local Government Boundary Commission for Scotland – Fifth reviews of electoral arrangements – www.lgbc-scotland.gov.uk.

Local Government Boundary Commission for Scotland

Fifth Reviews of Electoral Arrangements

Proposed councillor numbers

council area	existing councillor numbers	proposed councillor numbers	change
Aberdeen City	43	45	2
Aberdeenshire	68	70	2
Angus	29	27	-2
Argyll & Bute	36	33	-3
Clackmannanshire	18	18	0
Dumfries & Galloway	47	43	-4
Dundee City	29	31	2
East Ayrshire	32	32	0
East Dunbartonshire	24	22	-2
East Lothian	23	21	-2
East Renfrewshire	20	18	-2
Edinburgh, City of	58	63	5
Eileanan an Iar, Na h-	31	28	-3
Falkirk	32	30	-2
Fife	78	75	-3
Glasgow City	79	85	6
Highland	80	72	-8
Inverclyde	20	22	2
Midlothian	18	18	0
Moray	26	25	-1
North Ayrshire	30	33	3
North Lanarkshire	70	77	7
Orkney Islands	21	21	0
Perth & Kinross	41	40	-1
Renfrewshire	40	43	3
Scottish Borders	34	32	-2
Shetland Islands	22	22	0
South Ayrshire	30	27	-3
South Lanarkshire	67	64	-3
Stirling	22	23	1
West Dunbartonshire	22	22	0
West Lothian	33	34	1
	1,223	1,216	-7

Inverclyde council

AGENDA ITEM NO: 9

Report To:	**The Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**HC/LA/1152/14**
Contact Officer:	**Helena Couperwhite**	**Contact No:**	**01475 712111**
Subject:	**Kindred Clubs of Port Glasgow – Toll Boys' Memorial**		

1.0 PURPOSE

1.1 The purpose of this report is to consider a request from the Kindred Clubs of Port Glasgow, to support the erection of a monument at the site of the former Toll Booth, Port Glasgow, to which the Toll Boys' Memorial Plaque is to be re-positioned.

2.0 SUMMARY

2.1 A memorial plaque in memory of the men who lost their lives in World War I is currently housed on the tenement wall of a property in Robert Street, Port Glasgow.

2.2 The Kindred Clubs have requested that the Council consider the attached letter, to support the erection of a monument and the re-positioning of the Toll Boys' plaque on the newly erected memorial at the site of the former Toll House which they estimate will cost in the region of £10,000. **(APPENDIX).**

3.0 RECOMMENDATION

3.1 That the Council consider the request from the Kindred Clubs of Port Glasgow.

Helena Couperwhite
Legal & Property Services

4.0 BACKGROUND

4.1 The background is as set out in the letter from the Kindred Clubs of Port Glasgow. **(APPENDIX).**

5.0 PROPOSAL

5.1 It is proposed that the Council consider the request from the Kindred Clubs of Port Glasgow for a contribution towards the cost of erection of a memorial and the re-positioning of the Toll Boys' plaque on the newly erected memorial at the site of the former Toll House. Any contribution would be paid on commencement of the project.

6.0 IMPLICATIONS

Finance

6.1 The Head of Finance advises that the source of funding for any contribution would be the Revenue Contingency.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
TBC					

Annually Recurring Costs/ (Savings)

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

Legal

6.2 There are no legal implications arising from this report.

Human Resources

6.3 There are no HR implications arising from this report.

Equalities

6.4 There are no equalities implications arising from this report.

Repopulation

6.5 There are no repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 N/A

8.0 LIST OF BACKGROUND PAPERS

8.1 None

APPENDIX

Kindred Clubs of Port Glasgow

Provost R Moran
Inverclyde Council
Municipal Buildings
Clydde Square
GREENOCK

RECEIVED
- 6 MAR 2014
SS

The Toll Boys

On behalf of the Kindred Clubs of Port Glasgow I am writing to ask for your support with our endeavours to re-site the memorial plaque in memory of the above lads who perished during WW1.

The current plaque is on the wall of the tenement building at 5 Robert Street, Port Glasgow. We wish to remove this and re-site the memorial on the site of the Toll House. We have the support of the Planning Committee Chairman, Councillor David Wilson who is prepared to be our liaison with Inverclyde Council regarding Planning Issues.

The memorial is in honour of the young men, all of whom were unemployed, who spent their days at The Toll House, repairing furniture etc to help others in the local community and who laid down their lives for their country during WWI.

We feel that it is fitting that a memorial be placed to them, on the site of the Old Toll House and that we honour the memory of not only these young lads, but also those local men and women who have laid down their lives in subsequent conflicts.

Should this project be of interest to you, please contact Ronnie on 07810 578 577. Any assistance you can give will be gratefully received.

On behalf of Kindred Clubs of Port Glasgow

Ronald Wilson
Chairman/Secretary

Association of Kindred Clubs, c/o Mr R Wilson, RFCSAPGB,
1 Bouverie Street, Port Glasgow PA14 5PG

Inverclyde council

AGENDA ITEM NO: 10

Report To:	**The Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**HC/LA/1152/14**
Contact Officer:	**Helena Couperwhite**	**Contact No:**	**01475 712111**
Subject:	**Legal Services for Forces Personnel (Armed Forces Legal Action) – Request for Support from Inverclyde Council**		

1.0 PURPOSE

1.1 The purpose of this report is to advise of a request received from Armed Forces Legal Action, seeking the Council's agreement to become a supporter of the organisation. A copy of the organisation's Corporate Covenant is attached. Appendix 1

2.0 SUMMARY

2.1 Armed Forces Legal Action (AFLA) is a nationwide scheme, founded in July 2013, by Scottish solicitor and current RAF officer Allan Steele. It brings together lawyers from across the UK who offer reduced fees to currently serving and, in certain circumstances, former serving members of the armed forces.

3.0 RECOMMENDATION

3.1 That the Council consider the request from Armed Forces Legal Action to become a supporter of the Organisation.

Helena Couperwhite
Legal & Property Services

4.0 BACKGROUND

4.1 The background is as set out in the e-mail from Armed Forces For Legal Action. Appendix 2

4.2 AFLA member law firms offer a discount of between 15% and 33% of fees to:-

- Serving HM Armed Forces personnel (regular and reserve)
- Those who left HM Armed Forces within the previous two years
- Those members of HM Armed Forces who have sustained serious combat injuries (Lifetime cover)
- Recipients of the Victoria Cross and the George Cross (Lifetime cover)
- Bereaved next of kin recipients of the Elizabeth Cross (Lifetime cover)

4.3 AFLA is already supported by the Scottish Government, the Law Society of Scotland, St John Scotland and East Renfrewshire Council. If the Council agrees to support the organisation, it will be listed as a supporter on the organisation's website www.armedforceslegalaction.org.uk. There is no cost to the Council in expressing support; it is solely an outward expression that the Council supports the organisation's objective of helping the armed forces community.

5.0 PROPOSAL

5.1 It is proposed that the Council consider the request from Armed Forces Legal Action.

6.0 IMPLICATIONS

Finance

6.1 There are no financial implications arising from this report.

One off Costs

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

Annually Recurring Costs/ (Savings)

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

Legal

6.2 There are no legal implications arising from this report.

Human Resources

6.3 There are no HR implications arising from this report.

Equalities

6.4 This will afford members of the armed forces the opportunity to access legal advice..

Repopulation

6.5 There are no repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 N/A

8.0 LIST OF BACKGROUND PAPERS

8.1 None

APPENDIX 1

Corporate Covenant

The Armed Forces Corporate Covenant

ARMED FORCES LEGAL ACTION

We, the undersigned, commit to honour the Armed Forces Covenant and support the Armed Forces Community. We recognise the value Serving Personnel, both Regular and Reservists, Veterans and military families contribute to our business and our country.

Signed on behalf of ARMED FORCES LEGAL ACTION

Signed: [redacted] [redacted]

Name: ANDREW McKENDRICK

Position Held: HONORARY PRESIDENT (Wg Cdr (retired))

Date: 17th February 2014

ARMED FORCES LEGAL ACTION
FOR SERVICES RENDERED

Ministry of Defence

The Armed Forces Covenant

An Enduring Covenant Between

The People of the United Kingdom
Her Majesty's Government

– and –

All those who serve or have served in the Armed Forces of the Crown

And their Families

The first duty of Government is the defence of the realm. Our Armed Forces fulfil that responsibility on behalf of the Government, sacrificing some civilian freedoms, facing danger and, sometimes, suffering serious injury or death as a result of their duty. Families also play a vital role in supporting the operational effectiveness of our Armed Forces. In return, the whole nation has a moral obligation to the members of the Naval Service, the Army and the Royal Air Force, together with their families. They deserve our respect and support, and fair treatment.

Those who serve in the Armed Forces, whether Regular or Reserve, those who have served in the past, and their families, should face no disadvantage compared to other citizens in the provision of public and commercial services. Special consideration is appropriate in some cases, especially for those who have given most such as the injured and the bereaved.

This obligation involves the whole of society: it includes voluntary and charitable bodies, private organisations, and the actions of individuals in supporting the Armed Forces. Recognising those who have performed military duty unites the country and demonstrates the value of their contribution. This has no greater expression than in upholding this Covenant.

Section 1: Principles Of The Armed Forces Corporate Covenant

1.1 We, Armed Forces Legal Action, will endeavour in our business dealings to uphold the key principles of the Armed Forces Covenant, which are:

- *no member of the Armed Forces Community should face disadvantage in the provision of public and commercial services compared to any other citizen*
- *in some circumstances special treatment may be appropriate especially for the injured or bereaved.*

Section 2: Demonstrating our Commitment

2.1 Armed Forces Legal Action recognises the value serving personnel, reservists, veterans and military families bring to our business. We will seek to uphold the principles of the Armed Forces Covenant, by:

- *promoting the fact that we are an armed forces-friendly organisation; (we exist solely to assist members of the Armed Forces of the Crown and their families)*
- *seeking to support the employment of veterans young and old; (we will encourage members to support this principle)*
- *striving to support the employment of Service spouses and partners; (we will encourage members to support this principle)*
- *endeavouring to offer a degree of flexibility in granting leave for Service spouses and partners before, during and after a partner's deployment; (we will encourage members to support this principle)*
- *seeking to support our employees who choose to be members of the Reserve forces, including by accommodating their training and deployment where possible; (having no employees ourselves, we will encourage members to support this principle)*

- *offering support to our local cadet units, either in our local community or in local schools, where possible; (we will encourage members to support this principle)*
- *aiming to actively participate in Armed Forces Day; (our launch in 2014 will be in the week prior to Armed Forces Day 2014 and will promote the same)*
- *offering a discount to members of the Armed Forces Community; (this is what we exist for - we will encourage members to support this principle)*
- *any additional commitments Armed Forces Legal Action could make (based on local circumstances).*

2.2 We will publicise these commitments through our literature and/or on our website, setting out how we will seek to honour them and inviting feedback from the Service community and our customers on how we are doing.

APPENDIX 2

Sharon Lang

From: Helena Couperwhite
Sent: 31 March 2014 11:56
To: Helena Couperwhite
Subject: FW: Armed Forces Legal Action

From: Linzie Steele [mailto:afla@live.co.uk]
Sent: 29 March 2014 13:05
To: AFLA
Subject: Armed Forces Legal Action

ARMED FORCES LEGAL ACTION
FOR SERVICES RENDERED

Dear Provost,

Armed Forces Legal Action (AFLA) is a nationwide initiative founded by my husband, Scottish solicitor and serving officer Allan Steele, in July 2013.

AFLA brings together lawyers from all parts of the United Kingdom to offer discounted legal services to the men and women who safeguard our country when they themselves need assistance.

To date, supporters of AFLA include:

- The Scottish Government;
- The Law Society of Scotland;
- The Royal British Legion Scotland; and
- St John Scotland.

Last week, our local authority, East Renfrewshire Council, joined this growing list of supporters.

I now write to ask if your council would consider joining East Renfrewshire by showing its support for AFLA.

AFLA is completely apolitical - it seeks solely to look after a section of our society, some members of which have borne enormous personal loss over the last twelve years in particular. AFLA will continue to do that, long after medals have been awarded and when the memories of Iraq and Afghanistan begin to fade from the national conscience. Having your council's support will assist in reminding society of the debt owed to our Service personnel.

The AFLA website can be viewed at:

http://armedforceslegalaction.org.uk/

I thank you in advance for considering this approach and stand by to address any questions you may have.

Yours sincerely,

Linzie

Linzie Steele

Armed Forces Legal Action

For Services Rendered

Inverclyde council

AGENDA ITEM NO: 11

Report To:	**The Inverclyde Council**	**Date:**	**10 April 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**RMcG/LA/1156/14**
Contact Officer:	**Rona McGhee**	**Contact No:**	**01475 712113**
Subject:	**Treasury Management Strategy Statement and Annual Investment Strategy - 2014/15-2016/17 - Remit from Policy & Resources Committee**		

1.0 PURPOSE

1.1 The purpose of this report is to request the Council to consider a remit from the Policy & Resources Committee of 25 March 2014.

2.0 SUMMARY

2.1 The Policy & Resources Committee on 25 March considered a report by the Acting Corporate Director Environment, Regeneration & Resources on the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/17, Treasury Policy Limits, the Council's Prudential and Treasury Management Indicators for the next three years and the List of Permitted Investments.

2.2 A copy of the report submitted to the Policy & Resources Committee is attached as Appendix 1. This provides background information together with information on the implications of the recommendations and consultations undertaken.

2.3 The Committee decided:

(1) that the following, as outlined in the report, be remitted to the Inverclyde Council for approval:
(a) Treasury Management Strategy;
(b) Annual Investment Strategy;
(c) Treasury Policy Limits;
(d) Prudential Indicators;
(e) Treasury Management Indicators; and
(f) List of Permitted Investments (including those for the Common Good Fund); and
(2) that approval be given to a revised £60m limit for investments that may be held with the Bank of Scotland until the end of June 2015.

3.0 RECOMMENDATION

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

Rona McGhee
Legal & Property Services

Inverclyde council

APPENDIX
AGENDA ITEM NO. 11

Report To:	**Policy & Resources Committee**	**Date:**	**25 March 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**FIN/19/14/JB/KJ**
Contact Officer:	**Jan Buchanan**	**Contact No:**	**01475 712223**
Subject:	**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY - 2014/15-2016/17**		

1.0 PURPOSE

1.1 The purpose of this report is to present to Committee the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/17, Treasury Policy Limits, the Council's Prudential and Treasury Management Indicators for the next 3 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 2014/17, Treasury Policy Limits, and Prudential and Treasury Management Indicators for the next 3 years.

2.2 The report also proposes a List of Permitted Investments listing the types of investments and limits for those investments. There is one change to the list of permitted investments from that agreed in 2013 – it is proposed to add Money Market Funds as a type of investment that could be used if required.

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 projected capital expenditure) and on expected interest rate levels.

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

3.0 RECOMMENDATIONS

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

a. Treasury Management Strategy
b. Annual Investment Strategy
c. Treasury Policy Limits
d. Prudential Indicators
e. Treasury Management Indicators
f. List of Permitted Investments (including those for the Common Good Fund).

3.2 It is recommended that the Committee approves, until the end of June 2015, a revised £60m limit for investments that may be held with the Bank of Scotland.

Jan Buchanan
Head of Finance

4.0 BACKGROUND

Statutory Requirements

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

The Act therefore requires 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 and included as paragraphs 5.25 to 5.40 of this report) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

CIPFA Requirements

4.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2011) was adopted by this Council on 12th April 2012.

4.3 Treasury Management is defined in the Code as:
"The management of the local 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."

4.4 The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Policy & Resources Committee.

4.5 The proposed strategy for 2014/17 in respect of the following aspects of the treasury management function is based upon the officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury consultants.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential and Treasury Management Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy;
- policy on the use of external service providers; and
- any extraordinary treasury issues.

4.6 It is a statutory requirement for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue are affordable within the projected income of the Council for the foreseeable future.

4.7 Treasury Management is a complex area with its own terminology and acronyms. In order to aid the Committee's understanding a Glossary of Terms is attached as Appendix 4.

5.0 PROPOSED TREASURY STRATEGY, PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT INDICATORS

Treasury Limits For 2014/15 To 2016/17

5.1 It is a statutory duty under part 7 of the Local Government in Scotland Act 2003 and supporting regulations for the Council to determine and keep under review how much it can afford to allocate to capital expenditure. This amount is termed the "Affordable Capital Expenditure Limit".

5.2 The Council must have regard to the Prudential Code when setting the Affordable Capital Expenditure Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

5.3 Whilst termed an "Affordable Capital Expenditure Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability (such as PPP and finance lease arrangements). The affordable capital expenditure limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

Prudential and Treasury Management Indicators For 2014/15 To 2016/17

5.4 Inverclyde Council has adopted the CIPFA Code of Practice on Treasury Management which was last revised in November 2011.

5.5 **<u>Members should note that, due to changes in accounting rules from 2009/10 onwards, the Prudential and Treasury Management Indicators include, where required, the effect of assets being provided to the Council under PPP and finance lease arrangements.</u>**

Current Portfolio Position

5.6 The Council's treasury portfolio position at 19/2/2014 (Number 9 – Prudential Indicator) comprised:

		Principal		**Average Rate**
		£000	£000	
Fixed rate funding	PWLB	117,336		
	Market	55,000	172,336	4.00%
Variable rate funding	PWLB	0		
	Market	52,943	52,943	4.55%
			225,279	4.13%
Other long term liabilities			71,819	---
TOTAL DEBT			**297,098**	
TOTAL INVESTMENTS			**60,957**	**0.80%**

Borrowing Requirement

5.7 The Council's borrowing requirement is as follows:

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000 Actual	£000 Projected	£000 Estimate	£000 Estimate	£000 Estimate
New borrowing	30,000	0	1,200	18,800	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	0	5,800	1,200	4,000
TOTAL	30,000	0	7,000	20,000	4,000

5.8 The main Prudential and Treasury Management Indicators are as follows:

	2013/14	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	Estimate	**Probable Outturn**	**Estimate**	**Estimate**	**Estimate**
Capital Expenditure (Number 5 - Prudential Indicator)	£000	£000	£000	£000	£000
Capital Programme	46,609	35,067	27,872	39,040	10,699
PPP Schools/Finance Leases (incl. accounting adjustments)	(1,953)	(1,985)	(2,109)	(1,931)	(2,051)
Total	44,656	33,082	25,763	37,109	8,648
Ratio of financing costs (including PPP/ Finance Leases) to net revenue stream (Number 1 - Prudential Indicator) #					
Non – HRA	11.47%	11.93%	12.27%	13.07%	14.55%
Net external borrowing and capital financing requirement (Number 4 - Prudential Indicator)	£000	£000	£000	£000	£000
As At 31 March	(53,669)	(71,736)	(56,638)	(45,788)	(44,019)
Capital Financing Requirement as at 31 March (Number 6 - Prudential Indicator)	£000	£000	£000	£000	£000
Non – HRA	313,606	304,768	307,429	321,793	311,851
Upper limit for total principal sums invested for over 364 days (Number 14 - Treasury Management Indicator)	£10,000,000	£0 *	£10,000,000	£10,000,000	£10,000,000

- The Council's General Revenue Grant has been reduced for these years due to the loss of the Police and Fire Joint Boards. As a result, the Council's ratio of financing costs to its now-reduced GRG and other income increases from that reported in previous years.

* - This is the probable outturn of investments beyond 364 days as at 31/3/14 (against an upper limit of £10,000,000). There were no sums invested beyond 364 days during 2012/13.

	2013/14	**2014/15**	**2015/16**	**2016/17**
	Estimate	**Estimate**	**Estimate**	**Estimate**
Authorised limit for external debt (Number 7 - Treasury Management Indicator)	£000	£000	£000	£000
Borrowing	266,000	262,000	280,000	271,000
Other long term liabilities	71,900	74,000	72,000	70,000
TOTAL	337,900	336,000	352,000	341,000
Operational boundary for external debt (Number 8 - Treasury Management Indicator)	£000	£000	£000	£000
Borrowing	258,800	255,000	272,000	264,000
Other long term liabilities	71,900	72,000	70,000	68,000
TOTAL	330,700	327,000	342,000	332,000

	2014/15	**2015/16**	**2016/17**
	Estimate	**Estimate**	**Estimate**
Incremental impact of capital investment decisions			
Incremental increase in council tax (band D) per annum (Number 2 - Prudential Indicator)	£0.04	£0.08	£0.01
Upper limit for fixed interest rate exposure (Number 11 - Treasury Management Indicator)	140%	130%	120%
Upper limit for variable rate exposure (Number 12 - Treasury Management Indicator)	40%	40%	40%

5.9 The limits on the maturity of fixed rate borrowing during 2014/15 (Number 13 – Treasury Management Indicator) are as follows:

Maturity Structure	Upper Limit	Lower Limit	2013/14 Probable Outturn
Under 12 months	40%	0%	3.46%
12 months and within 24 months	40%	0%	20.71%
24 months and within 5 years	40%	0%	21.14%
5 years and within 10 years	40%	0%	26.33%
10 years and within 30 years	40%	0%	5.15%
30 years and within 50 years	40%	0%	23.21%
50 years and within 70 years	40%	0%	0.00%

This Indicator has been prepared in accordance with the revised Treasury Management Code which requires that the Council's Market debt (see 5.6 above) is shown 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).

Treasury Policy Limits

5.10 In addition to the Prudential Indicators and Treasury Management Indicators, the Council has Policy Limits, as follows:

	2014/15 Estimate	**2015/16 Estimate**	**2016/17 Estimate**	**2013/14 Probable Outturn at Year-End**
Maximum Percentage of Debt Repayable In Any Year	25%	25%	25%	18.17%
Maximum Proportion of Debt At Variable Rates	40%	40%	40%	21.78%
Maximum Percentage of Debt Restructured In Any Year	30%	30%	30%	0.000%

Prospects For Interest Rates

5.11 The Council has appointed Sector Treasury Services Ltd (who use the trading name "Capita Asset Services") as treasury consultants and part of their service is to assist the Council to formulate a view on interest rates. The table in 5.12 gives the Sector view.

5.12 Sector interest rate forecasts – 21th February 2014

As At	**Bank Rate**	**Investment (LIBID) Rates**			**PWLB Borrowing Rates**			
		3 month	**6 month**	**1 year**	**5 year**	**10 year**	**25 year**	**50 year**
	%	%	%	%	%	%	%	%
March 2014	0.50	0.50	0.60	0.80	2.60	3.70	4.40	4.40
June 2014	0.50	0.50	0.60	0.80	2.60	3.70	4.40	4.50
Sept 2014	0.50	0.50	0.60	0.80	2.70	3.80	4.50	4.50
Dec 2014	0.50	0.50	0.60	0.80	2.80	3.80	4.60	4.60
March 2015	0.50	0.50	0.60	0.90	2.90	3.90	4.70	4.70
June 2015	0.50	0.60	0.70	1.10	2.90	3.90	4.70	4.80
Sept 2015	0.50	0.70	0.80	1.20	3.00	4.00	4.80	4.90
Dec 2015	0.75	0.80	1.00	1.40	3.10	4.10	4.90	5.00
March 2016	0.75	0.90	1.20	1.60	3.20	4.20	5.00	5.10
June 2016	1.00	1.00	1.30	1.70	3.20	4.30	5.00	5.10
Sept 2016	1.25	1.20	1.50	1.90	3.30	4.40	5.10	5.10
Dec 2016	1.50	1.50	1.70	2.10	3.40	4.50	5.10	5.20
March 2017	1.75	1.70	2.00	2.30	3.50	4.50	5.10	5.20

5.13 Appendix 1 explains the Economic Background affecting the proposed Treasury Management Strategy and Annual Investment Strategy.

Borrowing Strategy

5.14 Sector advise that, until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. Growth has, however, rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors (services, manufacturing and construction). This is very encouraging as there needs to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

5.15 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Interest rates for new borrowing, whilst still relatively historically low, have risen during 2013 and are on a rising trend.
- There will remain a possible cost of carry – any borrowing undertaken that results in an increase in investments could incur a revenue loss between borrowing costs and investment returns.

5.16 In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Officers, in conjunction with the treasury consultants, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- If it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would be postponed, and potential rescheduling from fixed rate funding into short term borrowing would be considered.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be reappraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

5.17 Gross Debt v. Capital Financing Requirement

Comparison of Gross Debt and Capital Financing Requirement At Year-End	2012/13	2013/14	2014/15	2015/16	2016/17
	£000 Actual	£000 Projected	£000 Estimate	£000 Estimate	£000 Estimate
External Debt (Including PPP and Finance Leases)	298,215	291,930	290,983	307,863	304,283
Capital Financing Requirement	296,906	304,768	307,429	321,793	329,688
Under/(Over) Against Latest CFR Projection For Year	(1,309)	12,838	16,446	13,930	7,568

As shown in 5.7 above, the Council borrowed earlier in 2012/13 to fund its estimated capital expenditure in year but some of that estimated expenditure was rephased to 2013/14 (as advised in reports on the Capital Programme), hence the 2012/13 position shown in the table above.

5.18 Against this background, caution will be adopted with the 2014/15 treasury operations. The Chief Financial Officer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Policy & Resources Committee.

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

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

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

The maximum extent to which borrowing in advance would be undertaken by this Council is the borrowing requirement identified above for 2014/2017.

Debt Rescheduling

5.20 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt has been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates. This has meant that PWLB-to-PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. Some interest savings might, however, still be achievable through using LOBO (Lenders Option Borrowers Option) loans and other market loans in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

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

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

5.23 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).

5.24 All rescheduling will be reported to the Policy & Resources Committee and the Full Council and will be within the Treasury Policy Limits.

Annual Investment Strategy

5.25 <u>Investment Policy</u>
The Council will have regard to the Local Government Investment (Scotland) Regulations 2010 and accompanying finance circular and the 2011 revised CIPFA Treasury Management in 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.

5.26 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.

5.27 There are a large number of investment instruments that the Council could use. The list of investment instruments proposed for possible use by the Council (including those for the Common Good Fund) are listed in Appendix 2 along with details of the risks from each type of investment. The list of proposed investments reflects a low risk appetite and approach to investments by the Council.

<u>There is one change to the list of permitted investments from that agreed in 2013 – it is proposed to add Money Market Funds as a type of investment that could be used if required.</u>

Money Market Funds are highly regulated investment products into which funds can be invested and they offer the highest possible credit rating (AAA) whilst offering instant access and the diversification of risk. Such Funds are used by an increasing number of other Councils. The placing of funds into a Money Market Fund would only be undertaken if appropriate and in line with the Council's Treasury Strategy and Investment Strategy.

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

5.29 Appendix 3 is a list of forecasts of investment balances.

5.30 Bank of Scotland – Counterparty Limit
The Council's Counterparty Limit for investments with the Bank of Scotland is currently £70m but is due to revert back to £50m at the end of June 2014.

The Council has a continuing unusual situation with a high level of approved capital investment and it needs to ensure it has sufficient funds to meet its requirements as they arise. This means holding a high level of investments.

In light of ongoing and forthcoming activity in the next 12-18 months, the Committee is requested to approve, until the end of June 2015, a £60m limit of investments that may be held with the Bank of Scotland.

5.31 Creditworthiness Policy
The Council uses the creditworthiness service provided by Sector Treasury Services. 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.

5.32 This modelling approach combines credit ratings, credit watches and credit outlooks in a 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.

5.33 The Council will use counterparties within the following durational bands and with the following limits per counterparty:

Colour Category	Maximum Period for Individual Investments	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 will be £50m or as agreed by Committee.

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

5.34 The Sector 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 F1, Long Term rating A-, Viability ratings of A-, and a Support rating of 1. 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.

5.35 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 Sector creditworthiness service.

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

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

5.36 Country Limits

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

5.37 Investment Strategy

The Bank Rate has been unchanged at 0.50% since March 2009. It is forecast to remain at this level until quarter 4 of 2015 and then to rise gently from thereon. Bank Rate forecasts for financial year ends (March) are as follows:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.75%
- 2016/17 1.75%

There are upside risks to these forecasts (i.e. the start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

5.38 Sector advise that, for 2014/15, clients should budget for an investment return of 0.50% on investments placed during the financial year for periods of up to 100 days.

5.39 The Council will avoid locking into longer term deals while investment rates are down at historically low levels 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.

5.40 End of Year Investment Report

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

Policy on Use of External Service Providers

5.41 The Council uses Sector Treasury Services Ltd as its external treasury management advisers and uses the services of brokers for investment deals as required.

5.42 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 our external service providers.

5.43 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

5.44 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.

5.45 The TMPs are kept under review, with a full revision every 3 years. The last full revision was in 2011 and so the TMPs have been fully revised in 2014.

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

6.0 IMPLICATIONS

Finance

6.1 Adopting the Treasury Strategy and the Investment Strategy for 2014/15 and the following two years will allow a balance to be maintained between opportunities to continue to generate savings for the Council and minimising the risks involved.

Legal

6.2 There are no Legal implications arising from this report.

Human Resources

6.3 There are no HR implications arising from this report.

Equalities

6.4 There are no equalities implications arising from this report

Repopulation

6.5 There are no repopulation implications arising from this report.

7.0 CONSULTATIONS

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

8.0 LIST OF BACKGROUND PAPERS

8.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2011 Edition
CIPFA – The Prudential Code for Capital Finance in Local Authorities – 2011 Edition
Scottish Government – The Local Government Investments (Scotland) Regulations 2010 (Scottish Statutory Instrument 2010 No. 122)
Scottish Government - Finance Circular 5/2010 Investment of Money by Scottish local authorities 1.4.10.

ECONOMIC BACKGROUND

The following economic background is based on information from the Council's treasury consultants, Sector Treasury Services Ltd:

1. **The UK Economy**
   a. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth strongly rebounded in 2013 - quarter 1 (+0.3%), quarter 2 (+0.7%) and quarter 3 (+0.8%), to surpass all expectations as all three main sectors (services, manufacturing and construction) contributed to this strong upturn. The Bank of England has, therefore, upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8%, (2015 unchanged at 2.3%). The November Report stated that: -

      > "In the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent-up demand. But significant headwinds - both at home and abroad - remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise. That underpins the MPC's intention to maintain the exceptionally stimulative stance of monetary policy until there has been a substantial reduction in the degree of economic slack. The pace at which that slack is eroded, and the durability of the recovery, will depend on the extent to which productivity picks up alongside demand. Productivity growth has risen in recent quarters, although unemployment has fallen by slightly more than expected on the back of strong output growth."

   b. Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates.
   c. The Bank of England issued Forward Guidance in August which stated that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey/International Labour Organisation) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly quarter 4 2014 in November. The UK unemployment rate has already fallen to 7.4% on the three month rate to October 2013 (although the rate in October alone was actually 7.0%). The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the August Inflation Report noted that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that there is potential for a significant amount of GDP growth to be accommodated without a major reduction in unemployment. However, it has been particularly encouraging that the strong economic growth in 2013 has also been accompanied by a rapid increase in employment and forward hiring indicators are also currently very positive. It is therefore increasingly likely that early in 2014, the MPC will need to amend its forward guidance by reducing its 7.0% threshold rate and/or by adding further wording similar to the Federal Reserve's move in December (see below).

d. While the Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS) was extended to encourage banks to expand lending to small and medium size enterprises. The second phase of Help to Buy, aimed at supporting the purchase of second hand properties, started in earnest in January 2014. These measures have been so successful in boosting the supply of credit for mortgages, and so of increasing house purchases, (though levels are still far below the pre-crisis level), that the Bank of England announced at the end of November that the FLS for mortgages would end in February 2014. While there have been concerns that these schemes are creating a bubble in the housing market, house price increases outside of London and the south-east have been much weaker. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.
e. Inflation (measured by the Consumer Prices Index) has fallen from a peak of 3.1% in June 2013 to 1.9% in January 2014. It is expected to remain near to the 2% target level over the MPC's two year time horizon.

f. The UK lost its AAA ratings from Fitch and Moody's during 2013 but that caused little market reaction.

2. The Global Economy

<u>Eurozone</u>

a. The sovereign debt crisis has eased considerably during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. In December, Ireland escaped from its three year Eurozone bailout programme as it had dynamically addressed the need to substantially cut the growth in government debt, reduce internal price and wage levels and promote economic growth. The Eurozone finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The European Central Bank's pledge to buy unlimited amounts of bonds of countries which ask for a bail out has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of Greece 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet Eurozone targets for fiscal correction. Whilst a Greek exit from the Euro is now improbable in the short term, as Greece has made considerable progress in reducing its annual government deficit and a return towards some economic growth, some commentators still view an eventual exit as being likely. There are also concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.
b. Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under Eurozone imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition which will implement a Eurozone imposed austerity programme and undertake overdue reforms to government and the economy. There are also concerns over the lack of political will in France to address issues of poor international competitiveness.

USA

c. The economy has managed to return to robust growth in Q2 2013 of 2.5% year-on-year and 4.1% year-on-year in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March 2013, and increases in taxation. The Federal Reserve therefore decided in December to reduce its $85bn per month asset purchases programme of quantitative easing by $10bn. It also amended its forward guidance on its pledge not to increase the central rate until unemployment falls to 6.5% by adding that there would be no increases in the central rate until 'well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% longer run goal'. Consumer, investor and business confidence levels have all improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

China

d. There are concerns that Chinese growth could be on an overall marginal downward annual trend. There are also concerns that the new Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan

e. The initial euphoria generated by "Abenomics", the huge Quantitative Easing operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation and so help to support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and, on current trends, will fall from 128m to 100m by 2050.

3. Sector's Forward View

a. Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.
b. There could well be volatility in gilt yields over the next year as financial markets anticipate further tapering of asset purchases by the Federal Reserve. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. Equally, while the political deadlock and infighting between Democrats and Republicans over the budget has almost been resolved the raising of the debt limit, has only been kicked down the road. A final resolution of these issues could have a significant effect on gilt yields during 2014.
c. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.
d. The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

e. The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the Eurozone debt crisis, or a break-up of the Eurozone, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where Eurozone institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the Eurozone will be tepid for the next couple of years and some Eurozone countries experiencing low or negative growth, will, over that time period, see a significant increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the Eurozone debt crisis. While the ECB has adequate resources to manage a debt crisis in a small Eurozone country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to Eurozone politicians.

f. Downside risks currently include:
   - UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as most consumers are maxed out on borrowing and wage inflation is less than CPI inflation, so disposable income is being eroded.
   - A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014
   - Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
   - Prolonged political disagreement over the raising of the US debt ceiling.
   - A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
   - A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
   - The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
   - The Italian political situation is frail and unstable; this will cause major difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
   - Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts, especially if it looks likely that one, or more countries, will need to leave the Eurozone.
   - A lack of political will in France, (the second largest economy in the Eurozone), to dynamically address fundamental issues of low growth, poor international uncompetitiveness and the need for overdue reforms of the economy.
   - Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
   - Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds.

g. The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
   - A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
   - A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
   - UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
   - In the longer term - an earlier than currently expected reversal of Quantitative Easing in the UK; this could initially be implemented by allowing gilts held by the Bank of England to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

Appendix 2

PERMITTED INVESTMENTS

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	Sector Colour Category GREEN	Instant	No	Unlimited	Call Facility
Notice Accounts – Banks and Building Societies	Sector Colour Category GREEN	Notice Period	No	50%	3 Months
Term Deposits – Banks and Building Societies	Sector Colour Category GREEN	Term	No	80%	2 Years
Deposits With Counterparties Currently In Receipt of Government Support / Ownership					
Call Accounts – UK Nationalised/ Part-Nationalised Banks	Sector Colour Category BLUE	Instant	No	Unlimited	Call Facility
Notice Accounts – UK Nationalised/ Part-Nationalised Banks	Sector Colour Category BLUE	Notice Period	No	50%	3 Months
Term Deposits – UK Nationalised/ Part-Nationalised Banks	Sector Colour Category BLUE	Term	No	95%	2 Years
Securities					
Certificates of Deposit – Banks and Building Societies	Sector 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	AAAmmf with Fitch or equivalent with Moody's/Standard & Poors	See Note 2 Below	See Note 2 Below	50%	Call Facility

Notes:

1. The Liquidity Risk on a Certificate of Deposit is for the Term of the Deposit (if the Certificate is held to maturity) or the Next Banking Day (if sold prior to maturity). There is no Market Risk if the Certificate is held to maturity, only if the Certificate is sold prior to maturity (with an implied assumption that markets will not freeze up and so there will be a ready buyer).
2. The objective of Money Market Funds is to maintain the value of assets but such Funds hold assets that can vary in value. The credit ratings agencies, however, require the unit values to vary by almost zero.

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 consultants 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%	---
(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%	---
(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	15%	---
(e) Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	10%	---

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) (for the BPRA), will have loans to third parties (category (c)) arising from decisions on such loans made by the Council, and may have investment property (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	---
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%	---
Investment property	Assessment would be made of property to be held as investment property	Period of holding	Yes	95%	---

Treasury Risks Arising From Permitted Instruments
All of the investment instruments in the above tables are subject to the following risks:

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

2. **Liquidity risk**
This is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. The column in the above tables headed as 'market risk' will 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 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 high creditworthiness to enable investments to be made safely.

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 instruments that the Council may purchase which 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 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 high 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 5.31 to 5.36 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 (Bank of Scotland): £70m (or as approved by the Council or Committee)
   - Limit for any one group of counterparties: £30m (£70m 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 at a time when many authorities are disappointed at the failure in 2008 of credit ratings to protect investors from the Icelandic bank failures and are both cautious about other forms of investing and are prepared to bear the loss of income to the treasury management budget compared to earnings levels in previous years. 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 5.31 to 5.36 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) and now that measures have been put in place to avoid over reliance on credit ratings, the Council feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. The Council will seek to ensure diversification of its portfolio of deposits 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 generally means 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. However, there are a number of call accounts which at the time of writing, offer rates 2-3 times more than term deposits with the DMADF. 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 securities issued by deposit taking institutions (mainly banks) so they can be sold if the need arises. However, that liquidity (and flexibility) comes at a price so the interest rate on a Certificate of Deposit is less than placing a Fixed Term Deposit with the same bank.

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

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.

   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 undertake investments involving property but may have investment property should there be a reclassification, due to accounting rules, of individual properties held by the Council.

Appendix 3

FORECASTS OF INVESTMENT BALANCES

Investment Regulation 31 requires the Council to provide forecasts for the level of investments for the next three years, in line with the time frame of our capital investment programme. These forecasts are as follows:

INVESTMENT FORECASTS	2014/15	2015/16	2016/17
	Estimate	Estimate	Estimate
	£000	£000	£000
Cash balances managed in house			
1st April	58,899	40,192	31,858
31st March	40,192	31,858	36,451
Change in year	(18,707)	(8,334)	4,593
Average daily cash balances	49,546	36,025	34,155
Cash balances managed by cash fund managers			
1st April	0	0	0
31st March	0	0	0
Change in year	0	0	0
Average daily cash balances	0	0	0
TOTAL CASH BALANCES			
1st April	58,899	40,192	31,858
31st March	40,192	31,858	36,451
Change in year	(18,707)	(8,334)	4,593
Average daily cash balances	49,546	36,025	34,155
Holdings of shares, bonds, units (includes authority owned company)			
1st April	2	2	2
Purchases	0	0	0
Sales	0	0	0
31st March	2	2	2
Loans to local authority owned company or other entity to deliver services			
1st April	0	0	0
Advances	0	0	0
Repayments	0	0	0
31st March	0	0	0
Loans made to third parties			
1st April	2,321	2,282	2,256
Advances	14	10	10
Repayments	53	36	36
31st March	2,282	2,256	2,230
Investment properties			
1st April	0	0	0
Purchases	0	0	0
Sales	0	0	0
31st March	0	0	0

INVESTMENT FORECASTS (Continued)	2014/15	2015/16	2016/17
	Estimate	**Estimate**	**Estimate**
	£'000	£'000	£'000
TOTAL OF ALL INVESTMENTS			
1st April	61,222	42,476	34,116
31st March	42,476	34,116	38,683
Change in year	(18,746)	(8,360)	4,567

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.

The "holdings of shares, bonds, units (includes authority owned company)" are for Common Good whilst the Investment properties includes Council property and Common Good property.

Appendix 4

TREASURY MANAGEMENT
GLOSSARY OF TERMS

Affordable Capital Expenditure Limit
The amount that the Council can afford to allocate to capital expenditure in accordance with the requirements of the Local Government in Scotland Act 2003 and supporting regulations.

Authorised Limit for External Debt
This is a limit for total Council external debt as set by the Council based on debt levels and plans.

Bank of England
The central bank for the UK with ultimate responsibility for setting interest rates (which it does through the Monetary Policy Committee or "MPC").

Bank Rate
The interest rate for the UK as set each month by the Monetary Policy Committee ("MPC") of the Bank of England. This was previously referred to as the "Base Rate".

Call Date
A date on which a lender for a LOBO loan can seek to apply an amended interest rate to the loan. The term "call date" is also used in relation to some types of investments with a maturity date where the investments can be redeemed on call dates prior to the maturity date.

Capital Expenditure
Expenditure on or for the creation of fixed assets that meets the definition of Capital Expenditure under the accounting rules as set-out in the Code of Practice on Local Authority Accounting in the United Kingdom and for which the Council are able to borrow.

Capital Financing Requirement
The Capital Financing Requirement (sometimes referred to as the "CFR") is a Prudential Indicator that can be derived from the information in the Council's Balance Sheet. It generally represents the underlying need to borrow for capital expenditure.

CDS Spread
A CDS Spread or "Credit Default Swap" Spread is the cost of insuring against default by a Counterparty. Increases in the CDS Spread for a Counterparty may indicate concerns within the market regarding a Counterparty.

Certificates of Deposit
Certificates of Deposit (or CDs) are a form of investment and similar to Fixed Term Deposits in that the investment is with a named Bank or Financial Institution, matures on a set date, and is repaid with interest on the maturity date. Unlike a Fixed Term Deposit, a CD can also be traded in the market prior to maturity.

CIPFA
CIPFA is the Chartered Institute of Public Finance and Accountancy who produce guidance, codes of practice, and policy documents for Councils.

Consumer Prices Index
The Consumer Prices Index ("CPI") is a means of measuring inflation (as is the Retail Prices Index or "RPI"). The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try to keep CPI at or close to the target set by the Government (currently the target is 2%). The calculation of the CPI includes many items of normal household expenditure but the calculation excludes some items such as mortgage interest payments and Council Tax.

Counterparty
Another organisation involved in a deal i.e. if the Council enters a deal with a bank then the bank would be referred to as the "Counterparty".

Credit Ratings
Credit ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an opinion on the relative ability of a financial institution to meet its financial commitments. Credit ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

The highest credit rating is AAA.

European Central Bank
Sometimes referred to as “the ECB”, the European Central Bank is the central bank for the Eurozone and is the equivalent of the Bank of England. The European Central Bank sets interest rates for the Eurozone.

Eurozone
This is the name given to the countries in Europe that have the Euro as their currency. Interest rates in the Eurozone are set by the European Central Bank. The Eurozone is comprised of the following 18 countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Fed Rate
This is the interest rate for the US. Rates for the US are set by the Federal Reserve (the central bank for the US and the equivalent of the Bank of England).

Federal Reserve
Sometimes referred to as “the Fed”, the Federal Reserve is the central bank for the US and is the equivalent of the Bank of England. The Federal Reserve sets interest rates for the US.

Fixed Rate Funding/Investments
This term refers to funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments is fixed and does not change.

Fixed Term Deposit
A Fixed Term Deposit or Fixed Term Investment is an investment with a named bank or financial institution which matures on a set date and which is repaid with interest on the maturity date. Fixed Term Deposits cannot be traded and cannot be terminated before the maturity date without the payment of a penalty (if at all).

Flat Yield Curve
A flat yield curve occurs where the yield for long-term investments is the same or similar to the yield for short-term investments – the period of the investment makes no or little difference to the yield on the investment.

G7/G8/G20
These are forums for discussions by the governments of large world economies.

The G7 is comprised of Canada, France, Germany, Italy, Japan, the UK, and the USA. The G8 is the G7 plus Russia (with the European Union also attending). The G20 is comprised of 19 countries (including the G7 and Russia) plus the European Union.

Gilt Yields
A gilt yield is the effective rate of return that someone buying a gilt at the current market price will receive on that gilt. Since the market price of a gilt can vary at any time, the yield will also vary.

Gilts
Gilts are bonds (i.e. debt certificates) that are issued (i.e. sold) by the UK Government. When they issue gilts the Government sets the interest rate that applies to the gilt, sets when they will repay the value of the gilt, and it agrees to make interest payments at regular intervals until the gilt is repaid or redeemed. Gilts are traded in the financial markets with the price varying depending on the interest rate applicable to the gilt, when the gilt will be repaid (i.e. when it will mature), on Bank Rate expectations, and on market conditions.

Gross Domestic Product
Gross Domestic Product ("GDP") is a measure of the output of goods and services from an economy.

Growth
Positive growth in an economy is an increase in the amount of goods and services produced by that economy over time. Negative growth in an economy is a reduction in the amount of goods and services produced by that economy over time.

IMF
The International Monetary Fund oversees the world financial system and seeks to stabilise international exchange rates, facilitate development, and provide resources to countries in balance of payments difficulties or to assist with poverty reduction.

Incremental Impact of Capital Investment Decisions
These are Prudential Indicators that reflect the impact on Council Tax of movements in projected and estimated capital expenditure within and between financial years.

Inflation
Inflation is the term used for an increase in prices over time. It can be measured in various ways including using the Consumer Prices Index ("CPI") or the Retail Prices Index ("RPI").

Inverted Yield Curve
An inverted or negative yield curve shows long-term investments having lower yields than short-term investments (an investor gets a better yield by investing for a shorter period).

Investment Regulations
The Local Government in Scotland Act 2003 allows the Scottish Ministers to introduce Regulations to extend and govern the rules under which Scottish Councils may invest funds. The Local Government Investments (Scotland) Regulations 2010 came into effect on 1st April 2010.

LIBID
This is the London Interbank Bid Rate – an interest rate that is used between banks when they wish to attract deposits from each other.

LIBOR
This is the London Inter Bank Offering Rate – an interest rate that is used as a base for setting interest rates for deals between banks.

LOBO
This is a form of loan that the Council has with some lenders. The term is short for the phrase "Lender Option/Borrower Option".

Money Market Fund
A Money Market Fund (or MMF) is a highly regulated investment product into which funds can be invested. An MMF offers the highest possible credit rating (AAA) whilst offering instant access and the diversification of risk (due to the MMF's balances being investing in selected and regulated types of investment product with a range of different and appropriately credit-rated counterparties).

MPC
The MPC or Monetary Policy Committee is a committee of the Bank of England that meets each month (in a meeting over 2 days) to set the Bank Rate for the UK.

Negative Yield Curve
A negative or inverted yield curve shows long-term investments having lower yields than short-term investments (an investor gets a better yield by investing for a shorter period).

Net Borrowing Requirement
This is the difference between the Council's net external borrowing and its capital financing requirement. Under the Prudential Code the Council's net external borrowing should not, except in the short term, exceed its capital financing requirement. The Net Borrowing Requirement should therefore normally be a negative figure.

Operational Boundary
This is a level of debt set by the Council at lower than the Authorised Limit and which Council debt levels should not normally exceed during normal operations.

Positive Yield Curve
A positive yield curve shows long-term investments having higher yields than short-term investments (an investor gets a higher rate yield for investing for longer).

Prudential Code
Councils are required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements include the production of Prudential Indicators. The Prudential Code was last revised in November 2011.

Prudential Indicators
Indicators set-out in the Prudential Code that will help Councils to meet requirements in relation to borrowing limits or which will help Councils demonstrate affordability and prudence with regard to their prudential capital expenditure.

PWLB
The Public Works Loan Board is a government agency and part of the Debt Management Office. The PWLB provides loans to local authorities and other specified bodies.

PWLB Certainty Rates
In the Budget in March 2012, the Chancellor of the Exchequer announced that local authorities that provide information on their long-term borrowing and capital spending plans would be eligible for a 0.20% discount rate for new PWLB borrowing. The PWLB Certainty Rates came into effect on 1st November 2012.

PWLB Rates
These are the interest rates chargeable by the Public Works Loan Board for loans. The rates for fixed rate loans are determined by the day on which the loan is agreed. The rates to be charged by the PWLB for loans are set each day based on gilt yields at the start of business each day and then updated at least once during the day.

Quantitative Easing
This is the creation of money by a central bank (such as the Bank of England) in order to purchase assets from banks and companies and boost the supply of money in an economy.

Ratings
Ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an indication of the financial or operational strength of entities including financial institutions and even countries. Ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

Repo Rate
This is another name for the Bank Rate as set by the Monetary Policy Committee.

Retail Prices Index
The Retail Prices Index ("RPI") is a means of measuring inflation (as is the Consumer Prices Index or "CPI"). The calculation of the RPI includes most of the same items as the CPI as well as some items not included in the CPI such as mortgage interest payments and Council Tax whilst excluding items that are in the CPI such as charges for financial services.

Sector
Sector Treasury Services Limited who are the Council's treasury management advisers and who use Capita Asset Services as a trading name.

Treasury Management Code
This is the "Treasury Management in the Public Services: Code of Practice" and is a code of practice for Council treasury management activities. It is produced by CIPFA and was last revised in November 2011.

Treasury Management Indicators
These are Prudential Indicators specifically relating to Treasury Management issues.

Treasury Management Practices (TMPs)
This is a Council document that sets out Council policies and procedures for treasury management as required by the Treasury Management Code. The Council also agrees an annual treasury management strategy that is submitted to Committee in accordance with the Treasury Management Practices.

Variable Rate Funding/Investments
Funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments varies on an agreed basis.

Yield
The yield is the effective rate of return on an investment.

Yield Curve
A graph showing the yield on investments plotted against the maturity period for investments:
- A positive yield curve shows long-term investments having higher yields than short-term investments (an investor gets a higher rate yield for investing for longer).
- A negative or inverted yield curve shows long-term investments having lower yields than short-term investments (an investor gets a better yield by investing for a shorter period).
- A flat yield curve occurs where the yield for long-term investments is the same or similar to the yield for short-term investments – the period of the investment makes no or little difference to the yield on the investment.

Finance Services
Inverclyde Council
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