Inverclyde council

AGENDA ITEM NO: 7

Report To:	**Inverclyde Council**	**Date:**	**5 June 2014**
Report By:	**Acting Corporate Director Environment, Regeneration & Resources**	**Report No:**	**2014/IC/02/AP**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**712764**
Subject:	**Update of Financial Strategy 2014/2022**		

1.0 PURPOSE

1.1 The purpose of this report is to present the revised Financial Strategy to the Council for review and approval.

2.0 SUMMARY

2.1 The six month review of the Financial Strategy has been undertaken and takes into account the February 2014 Council budget, a review of all funding models included in the Appendix and the latest information.

2.2 It can be seen from table 3 in paragraph 8.8 that the Council addressed a revenue funding gap over 2014/16 of £11.1 million. It should be noted that the rate of savings required post 2015 will increase further and the estimated savings for the period 2016/19 are £25 million as shown in 8.12.

2.3 It can be seen from table 5 in paragraph 8.14 that overall the Council has a funding shortfall of £1.6 million on its 3 year capital programme. This shortfall is in context of an investment of £117 million over the 3 year period and should give no cause for concern at this point in time.

2.4 All the other appendices and tables have been updated as follows:

Appendix 4 – Riverside Inverclyde – this has been updated to reflect 2014/16 budget decisions.

Appendix 5 – School Estate Management Plan – this reflects the latest phasings and decisions and remains affordable based on the assumptions made.

Appendix 6 – Leisure Strategy – this reflects the latest reported position.

Appendix 7 – General Fund Reserves – this reflects the decisions taken as part of the 2014/16 budget and latest 2015/16 grant settlement estimates.

Appendix 8 – Capital Fund – this reflects the last review of receipts which has both reduced values and delayed timing of receipts partly offset by delaying contributions to loan charges.

Appendix 9 – Repairs and Renewals Fund – this reflects the position following the 2012/13 year end accounts closure and latest 2013/14 projections.

Appendix 10 – AMP – this reflects the latest projected figures taking into account latest information and decisions including a review of the timing of loan charges.

Appendix 11 – Vehicle Replacement Programme – reflects latest information and budget savings including savings from Vehicle Trading.

Appendix 12 – RAMP – shows three year approved and five year planned investment.

2.5 Section 12 reflects the identified risks to the Financial Strategy and mitigating actions whilst Appendices 1 to 3 highlights the major short/medium/long term issues the Council needs to be aware of which could materially impact on the figures presented.

2.6 Overall the Financial Strategy confirms the significant challenges facing the Council in coming years and is in line with the Council's 2014/16 Revenue Budget.

2.7 The Corporate Management Team have contributed to and approved the content of the revised Financial Strategy.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Council approve the latest revision of the Financial Strategy.

Alan Puckrin
Acting Corporate Director Environment, Regeneration & Resources

4.0 BACKGROUND

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

5.0 CURRENT POSITION

5.1 The Strategy has been updated to reflect latest information as detailed in Section 2 of this report and confirms that the Council is projected to have a surplus on the 2014/16 Revenue Budget of £900,000.

5.2 All models in the Appendices have been reviewed and all remain affordable.

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

6.0 IMPLICATIONS

Finance

6.1 The Financial Strategy is the key document for the Council's financial planning and links into other strategic strategies and plans. Given the financial challenges which lie ahead then the importance of regular reviews of the document increases.

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

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

Human Resources

6.3 There are no specific Human Resources issues arising from the report

Equalities

6.4 There are no specific equalities issues arising from the report

Repopulation

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

7.0 CONSULTATIONS

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

8.0 LIST OF BACKGROUND PAPERS

8.1 None.

Financial Strategy

2014/15 – 2021/22

June 2014

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1.0 Foreword

This latest revision of the Council's Financial Strategy has been undertaken at a time of continued economic turbulence and constitutional uncertainty.

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

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

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

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

The primary financial challenge facing the Council over the 2013/16 period, given the impact of the economic downturn on public sector expenditure, will be to stay within the approved revenue budget and deliver a capital programme that continues to maintain a high level of investment in key infrastructure.

There is no doubt that setting the 2013/16 budget generated options that required difficult decisions. One of the main challenges for the Council is therefore forward planning, preparatory investment and a sufficient lead in period prior to implementation of both savings and investment.

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

The Council will also develop a coherent, corporate approach to charging and income generation – this will include maximising external funding from sources such as the various Lottery Funds to supplement existing resources and support service delivery.

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

We also need to ensure that the Financial Strategy continues to support the Corporate Statement directly, the Single Outcome Agreement for Inverclyde, and effectively link this Strategy to our Corporate Directorate Improvement Plans.

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

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

Councillor Stephen McCabe
Leader of the Council

John W Mundell
Chief Executive

2.0 What is the point of a Financial Strategy?

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

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

2.3 The requirement to develop a medium to long term financial strategy covering the next five to ten years (and in some areas up to twenty years) had been recognised by the Council for some time.

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

2.5 Our ambition is to maintain a single, coherent Financial Strategy that brings together the corporate objectives of the Council along with all the relevant financial information in a clear, accessible document covering a five to ten year period (and beyond where appropriate).

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

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

Table 1 – Stakeholder Information

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

2.8 The Strategy covers the period 2013/16 in detail and also identifies issues that will impact in the longer term, so that the Council can plan ahead. It includes expenditure forecasts and projected funding, where known for key priorities.

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

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

2.11 The Strategic Planning and Performance Management Framework continues to develop links between the strategic planning and budgeting processes. This allows services to plan ahead, taking into account the resources available and proactively identify opportunities to achieve efficiencies or secure alternative funding sources.

3.0 Financial Summary

3.1 On 20 February 2014 the Council agreed the 2014/16 Revenue Budget.

3.2 The same meeting also approved the 2014/16 Capital Programme which took into account the latest Government Grant settlement information.

Table 2 – Short Term Summary – Approved Revenue and Capital Budgets

	2014/15 £million
General Fund Revenue Budget	196.834
Financed by	
Government Grant (Including NDR)	(165.173)
Council Tax	(33.138)
Approved Contribution to General Reserve	(1.477)
Capital Programme (2014/15)	
Approved Spend	30.73
Financed by	
Government Grants	8.25
Capital Receipts	0.47
Other Grants/CFCR etc	8.41
Prudential Borrowing	11.24
Resources Carried Forward from prior year	8.64
Surplus Resources	6.01

4.0 National Context

UK Context

4.1 The Comprehensive Spending Review (CSR) announced by the Westminster Coalition in October 2010 provided information on Public Sector expenditure over the period 2011/15. These figures have been revised on a number of occasions and the Autumn 2013 Statement projected figures to 2018/19.

4.2 UK GDP projected growth increased by 0.6% to 2.4% for 2014/15 although this remains below the June 2010 forecast for 2014/15 of 2.7%. The slower than expected recovery means that the fiscal target of the current budget being in balance will now not be achieved until 2017/18.

4.3 A further year of austerity (to 2018/19) has also been forecast with indications that 50% of the real term Resource cuts have to take place over the final 3 years of the 8 year austerity period 2011/19 with cuts of 13.2% expected.

4.4 Continued protection of Health and Schools at a UK level mitigates some of the impact on the Scottish Block but there is an increasing view that the continued protection of these areas is not sustainable post 2015.

The Scottish Government

4.5 The Scottish Government has confirmed that Council Tax will be frozen for the period of the Parliament, this allied to the already announced Westminster block grant position makes it all but certain that the Council's available funding will be cut in real and cash terms for the period to 2017.

4.6 The Scottish Government announced 3 year Local Government grant figures in December 2011 based on a 3 Year revenue cash freeze and confirmed the 2013/14 grant figures in late November 2012. The Scottish Government confirmed the 2014/15 detailed Council figures in December 2013.

4.7 In April 2014 Cosla Leaders agreed that the 2015/16 Grant settlement be based on the latest updated indicators. Confirmation is awaited from the Government that this will be the basis of Grant distribution.

4.8 A paper from the CPPR for Directors of Finance in December 2013 gives the following assessment of the position for Scottish Local Government:

- The total Scottish Budget is projected to experience real term cuts of over 18% over the period 2009-18.
- About half the cuts required have been achieved by the end of 2012/13 but the majority of the revenue cuts remain to be made.
- Deepest cuts will occur over 2016/18.
- Options at a Scottish level to relieve pressure on cuts are:
    - Extend/Deepen Wage restraint.
    - End Protection for the NHS.
    - Increase Taxes or Borrowing (within limits available).
- At some point the perceived advantages of protecting the NHS & Higher Education are likely to be outweighed by the negative implications of increasingly large cuts elsewhere.

4.10 The Government has emphasised that for the current Spending Review, Local Authority funding is guaranteed and any NDR shortfall will be funded by the Government however, it is not clear how this would be dealt with post 2014/15.

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

4.12 In the February 2014 the Policy & Resources Committee received a high level estimate of the budget gap covering the period 2016/19. Based on the Improvement Service assessment of the Office of Budget Responsibility Autumn Statement (2013), Inverclyde's continuing depopulation and estimated payroll cost pressures, there is a projected £25 million funding shortfall. This equates to approximately 13% of the existing Revenue Budget.

4.13 The Referendum due in September 2014 will dominate Scottish Politics over the next few months. However, irrespective of the Referendum result there is every possibility that the figures announced will be reviewed by December, 2015

4.14 The Scottish Bill received Royal Assent on 1st May 2012 and has been described as the largest transfer of financial powers to Scotland since the creation of the UK. The main provisions are:

Income Tax – A new Scottish Rate of income tax to be in place from April 2016. Income Tax to be reduced by 10% and thereafter the Scottish Parliament will set a rate of income tax.

Capital Borrowing – A new £2.2 Billion capital borrowing power to be in place by April 2015.

Short Term Borrowing – A limit of £0.5 Billion for short term borrowing to be in place to help manage volatility in tax receipts.

Stamp Duty/Land Tax/Landfill Tax – These taxes will be fully devolved and will be levied and collected in Scotland effective from April 2015 (and administered by Revenues Scotland).

New Taxes – A wider power to introduce new taxes (subject to agreement with the UK Government).

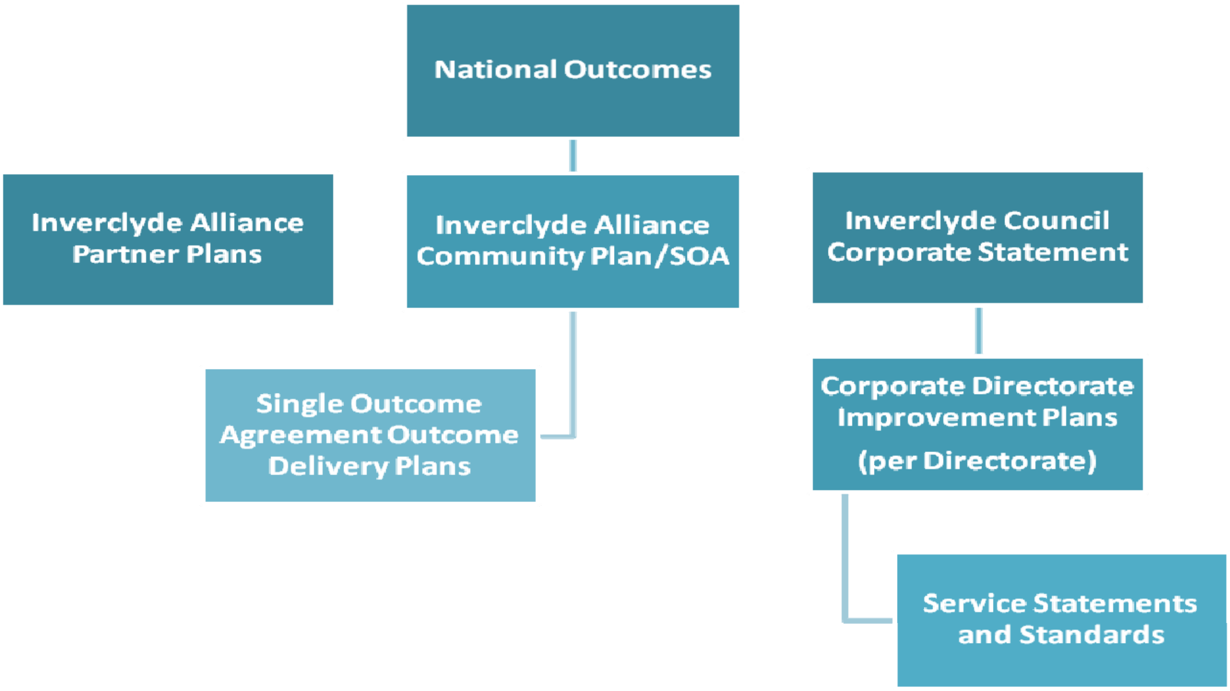
4.15 The latest population projections produced by the National Registrar of Scotland continue to show Inverclyde as the fasted depopulating area in Scotland over the next 25 years. Whilst officers believe these projections to be unduly pessimistic and are robustly challenging figures they do highlight the challenges faced by the area in the medium to long term.

5.0 Local Context

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

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

5.3 The revised Strategic Planning and Performance Management Framework is shown in Diagram 1.



- The **National Outcomes** are set by the Scottish Government and sit within a National Performance Framework. These outcomes are an overarching guide for the local community planning partnership document, the Single Outcome Agreement.

  The Council has agreed that the **Single Outcome Agreement** will act as the **Community Plan** for the Inverclyde area. The current SOA will run from 2012 to 2017 and was subject to a minor review in 2013 to match guidance released by the Scottish Government, following the Review of Community Planning and SOAs. The SOA is the high level strategic partnership document setting out the vision and direction for the Inverclyde area, as agreed by all the Inverclyde Alliance partner organisations. The outcomes are based on evidence of the key issues and challenges for the Inverclyde area and through community engagement. They set out what we want to achieve for all the communities of Inverclyde.

- The **SOA Outcome Delivery Plans** set out the Partnership actions and projects which will contribute to the achievement of the SOA outcomes and are expressed through the wellbeing indicators (as set out in the SOA, see below in 5.5) to help better understand their impact on a crosscutting basis.

- The **Corporate Statement** is a public facing, focused statement setting out the Council's vision. The Corporate Statement also reflects the eight local outcomes and the wellbeing indicators from the SOA and sets out, at a high level, what the Council will do to deliver on the eight local outcomes. It also sets out the high level budget by key services.

- **Corporate Directorate Improvement Plans** set out the vision for each Directorate. The Plan covers two broad areas, the first being corporate cross cutting improvement actions and the second Directorate Improvement actions. These improvement actions are based on robust self evaluation and referenced to community outcomes and wellbeing indicators.

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

Outcomes for Inverclyde

5.4 The focus of the Strategic Planning and Performance Management Framework is on addressing the main challenges facing the area, and the eight outcomes set out in the SOA are the agreed priority areas for all partners to work together on, covering the areas of:

- Repopulation
- Successful Communities
- Economic Regeneration and Employability
- Health Inequalities
- Alcohol Misuse
- Best Start in Life for children and young people
- Environment
- Continuously improving, best value services

5.5 There are also a series of **wellbeing outcomes**, which the Inverclyde Alliance, including the Council, has adopted, which have been adapted and expanded from 'Getting it Right for Every Child' , to help us work towards 'Getting it Right for Every Child, Citizen and Community'. The wellbeing outcomes cover the core areas of Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included.

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

5.7 There are a number of improvement actions which have been developed from the Quality Assurance of the SOA including the need to develop a process to identify how partners are shifting planning and resources to early intervention and measuring success on reducing demand, costs and releasing savings. The Council is working to establish a picture of resource deployment in the context of the SOA and will work with partners to try to capture the picture across all involved agencies.

Demographics and Population

5.8 The most significant challenge facing Inverclyde is depopulation and associated demographic change – this has been recognised by the Council and our Partners as a priority and is reflected in the Corporate Statement and Single Outcome Agreement.

5.9 The fundamental issue for the Council is that at some point if the decline in population continues at the current pace then the area could become no longer sustainable as a unit of administration which would have an associated impact on other services such as health, police and fire.

5.10 In 2011 Census the population for Inverclyde was 81,485, a decrease of 3.2% from 84,200 in the 2001 census. In Inverclyde 14,800 (18.2%) of the population are aged 15 to 29 years. This is smaller than Scotland where 19.6% are aged 15 to 29 years. Persons aged 60 and over make up 24.7% of Inverclyde. This is slightly larger than Scotland where 23.1% are aged 60 and over.

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

5.13 The most recent population projections[1] (based on 2011 census data) estimate that Inverclyde's population will drop to 65,014 by 2037, a decrease of 19% compared to the population in 2012, the largest projected rate of depopulation of any Council area in Scotland. In comparison, the population of Scotland as a whole is expected to increase by 9% between 2012 and 2037. Officers are challenging the Inverclyde figures with the Scottish Government as they appear to not recognise the 50% lower level of depopulation experienced by Inverclyde over the period 2001/11.

5.14 Over the 25 year period the age group that is projected to increase the most in size in Inverclyde is the 75+ age group. This is the same for Scotland as a whole.

5.15 The population aged under 16 in Inverclyde is projected to decline by 32% over the 25 year period, the largest decrease in Scotalnd. The under 16 population is expected to increase in 12 Council areas. The working age population is expected to decrease by 29% % by 2037, again the largest decrease in Scotland.

5.16 In the SIMD 2004, Inverclyde, locally, had 32.7% of data zones in the most deprived 15% of all data zones, however by 2006, this had increased to 38.2% . In 2009, the percentage of datazones in the most deprived 15% remained static at 38.2%, but increased in the 2012 SIMD release to 40.0%. Inverclyde's national share of the 5% most deprived data zones has increased from 1.8% in 2004 to 5.2% in 2009, but reduced to 4.3% in 2012. Locally, Inverclyde has the second highest concentration of employment deprivation and health deprivation in Scotland and the third highest income deprivation.

5.17 Public service delivery is particularly challenging in the context of deprivation and depopulation which adds to the uniqueness of Inverclyde as an area.

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

5.19 In terms of indicators of deprivation[2] the profile for Inverclyde differs significantly from the national picture, these include:

- Of the 11,170 working age key benefit claimants in Inverclyde 5970 (11.5% of the working age population) are claiming Employment Support Allowance and Incapacity Benefits. This is higher than the Scottish figure of 7.6%.
- 4.4% (2310) of working age benefit claimants are claiming Job Seekers Allowance. Of this, a higher proportion of 18 – 24 year olds (7.2%) are claiming than 25 – 49 year olds (4.4 %) or 50 – 64 year olds (2.4%).
- Approximately 21.5% of the population of Inverclyde are working age (16-64 yrs) out-of-work benefit claimants, compared to 15.4% of the Scottish population as a whole.
- Approximately 13.9% of working age adults in Inverclyde have no formal qualifications. 10.3% of the Scottish population have no formal qualifications.

- Median earnings for full time workers in 2012 in Inverclyde were £489.00 which has increased from the 2007 rate of £383 per week. This is approximately 3.4% lower than those for Scotland as a whole, with the gap decreasing from 13%.
- Working age people account for 64.6% of all people in Inverclyde. This is 0.8% lower than for Scotland as a whole.[i]

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

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

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

The changing public sector landscape in Inverclyde

5.23 The public sector landscape has changed significantly in recent years in Inverclyde with the creation of Riverside Inverclyde, River Clyde Homes and the Community Health & Care Partnership – these organisations join Inverclyde Leisure and the wider voluntary sector as part of a mixed economy of public service provision.

5.24 The development of this mixed economy of public service provision presents new challenges for the Council as it seeks to ensure that outcomes are achieved and that resources are being deployed effectively and efficiently.

5.25 This is particularly relevant in the context of the SOA where there will need to be a robust appraisal of whether existing service delivery arrangements across all partner agencies can effectively deliver on the agreed outcomes.

5.26 The Christie commission report sets out the future of public service reform, with a major emphasis on preventative spend and early intervention. Whilst the Council has to tackle the problems associated with poverty and deprivation now, it also has to look to the future, and ensure that effective intervention is put into place now, to prevent further problems from developing, which will ultimately require expensive interventions. Investment in the lives of our children and young people early on in their lives will result in a better outcomes and quality of life for them as they grow up in the Inverclyde area.

5.27 *Riverside Inverclyde*

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

The Council's contribution towards Riverside Inverclyde is £24 million over the ten year period
In addition the Council has made contributions in kind by transferring specific assets to the Urban Regeneration Company which will count towards the £24 million contribution and a further £3.1 million financial support to specific major Regeneration projects led by Riverside Inverclyde. It has been confirmed that the Councils partners (Scottish Government/Scottish Enterprise) will not meet their originally envisaged contributions.

Following the mid-term review an interim Chief Executive was appointed in October 2013 and in consultation with partners, employees and members has produced an new Single Operating Plan covering the period 2014/17. The Single Operating Plan reviewed objectives, outcomes and financing.

5.28 *River Clyde Homes*

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

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

River Clyde Homes prepared a Business Plan which gives tenants a clear understanding of what they can expect from the new organisation on key issues like improvements, repairs and rent levels. Progress against the Business Plan is reported to the Council annually in addition to which six monthly briefings are given to Members.

Government cuts have impacted on progress against the original Business Plan.

5.29 *Inverclyde Leisure*

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

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

The Council's Community Facilities transferred to Inverclyde Leisure in April 2010 and the transfer Outdoor Leisure Facilities to Inverclyde Leisure is due by July, 2014. Inverclyde Leisure has revised it's Business Planning process and a new Business Plan was presented to the Council in March 2014.

5.30 *Inverclyde Community Health Care Partnership (CHCP)*

The Council approved the move towards the establishment of an integrated Community Health and Care Partnership as part of the Management Restructure report in November 2009 which came into existence in October 2010. This latest development is leading to greater partnership working and efficiencies in line with the Government's stated objective of integrating aspects of Health & Social Care.

In April 2015 the current CHCP will transition to a Health and Social Care Partnership as required by the Public Bodies (Joint Working) (Scotland) Act 2014. From April 2014 shadow arrangements have been established to enable transition to the new requirements.

6.0 Key Organisational Issues

6.1 The Council has 3 specific Corporate Improvement Groups (CIGs) two of which are chaired by the Acting Corporate Director, Environment, Regeneration & Resources and one by the Corporate Director Education, Communities & Organisational Development.

6.2 The first Corporate Improvement Group is the Modernisation CIG. This group coordinates the main Modernisation projects including Mobile/Home Working, Electronic Document Management and Digital Access.

6.3 The second CIG is the Asset Management Planning CIG. In addition to reviewing progress in respect of the SEMP, Office Rationalisation AMP, Depot AMP and Roads AMP, it reviews overall progress in respect of the production of all Asset Management Plans and Capital Programme delivery. This group is supported by the Capital and Asset Management Sub Group which is chaired by the Head of Legal and Property.

6.4 The third CIG is the Performance CIG which meets on a regular basis to develop and deliver the Strategic Planning and Performance Management Framework as well as Equality and Diversity for the Council.

7.0 Financial Management

Corporate Governance

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

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

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

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

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

7.5 The Financial Regulations approved in September 2012 are an essential component of the corporate governance of the Council.

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

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

Roles and Responsibilities

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

Elected Members

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

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

Corporate Management Team

7.11 The Chief Executive and Corporate Directors form the CMT, chaired by the Chief Executive, who are responsible, individually and collectively, for ensuring effective financial management across the organisation.

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

7.13 The CMT have a specific meeting each month to consider corporate financial matters including employee costs, key budget lines earmarked reserves and work stream savings progress.

Chief Financial Officer

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

Heads of Service

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

Budget Managers

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

Financial Support to Services

7.17 The Council agreed in November 2009 to a fundamental change in the way financial support and advice is delivered to Directorates. The approved “Hub and Spoke” model means each Directorate has a dedicated Finance Manager and Principal Accountant who, assisted by a team of Finance Officers, prepares and monitors the Directorate budget as well as providing a full range of financial advice to the Directorate.

Internal Audit

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

External Audit

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

Managing the Budget

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

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

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

8.0 Financial Outlook

8.1 Key financial issues are known or anticipated events and activities that have to be addressed within overall financial resources in the short-term (within 3 years), medium-term (within 5 years) or long-term (over 5 years).

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

8.3 The Council is due to receive Revenue Grant/Non-Domestic Rates Income of £165.173m in 2014/15.

8.4 When the Council's own projection of Council Tax Income based on 96.5% collection rate is added (£33.138m) then the income for the Council in 2014/15 is projected to be £198.311m.

8.5 The Financial Strategy runs up to 2021/22 and beyond in terms of identifying potential issues, but the revenue forecasts are limited to the period which can be reasonably forecast.

8.6 The level of resources available to the authority to fund its revenue expenditure is also dependent on Council Tax and the approved budget shows no increase over 2014/16.

8.7 The Council has agreed a Reserve Strategy which requires a minimum unallocated General Fund Reserve of 2% of turnover. This equates to £3.8 million. The overall position of the Reserves shown in Appendix 7 and has been updated to reflect the latest projections. The latest report to Policy & Resources Committee reflects a £0.6m increase in free reserves since budget setting in February 2014. In addition to this an additional £0.9m has been included in 2015/16 on its basis that the Scottish Government will agree to the 15/16 settlement updated indicators. The Reserve Strategy was reviewed and approved by the Policy & Resources Committee in August 2013.

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

Inverclyde council

Table 3

Finance Strategy - May 2014

	2014/15 £m	2015/16 £m
Base Budget for Prior Year	197.574	198.311
UPLIFTS FROM PRIOR YEAR		
Inflation (Note1)		
Pay Inflation	1.710	2.110
Other Inflation	1.900	1.900
Income	-0.147	-0.151
	3.463	3.859
Budget Increases (Note 2)		
Corporate Pressures (movement)	0.650	1.000
Unavoidable Pressures	0.420	0.020
Loan Charges	0.150	0.300
Capital Programme Impact	-	0.100
SEMP - Increased Investment	0.000	1.100
	1.220	2.520
Adjustments (Note 3)		
Council Tax Reduction Scheme	-0.042	-5.395
Children and Young Peoples Bill	0.709	0.000
Other Adjustments Applied	1.003	-0.226
Net Revenue Budget Before Savings	203.927	199.069
Funded by: (Note 4)		
Revenue Grant/NDR Income	165.173	160.439
Council Tax Income	33.138	33.138
		-
	198.311	193.577
Annual Budget Before Savings (Surplus)/Deficit	5.616	5.492
Cumulative Budget Gap before Savings	5.616	11.108
Savings Applied (Cumulative)		
1% Savings November 2012	-1.675	-1.763
Savings Applied February 2013	-2.091	-4.772
Former Workstream Savings	-2.857	-3.433
New Workstreams	-0.470	-2.040
Approved Budget (Surplus)/Deficit	-1.477	-0.900

Finance Strategy Notes – May 2014

Note 1 Inflation

a) Pay – The allowance for pay inflation is the maximum available over the 2 year period to fund all pay related pressures including the annual pay award, impacts of equal pay etc, increases in employers national insurance/pension costs and movement in service bottom up employee budgets.

All pay inflation has been allocated to Service budgets for 2014/15, a 2% increase in teachers pay will cost approximately £704,000 (2015/16) whilst a 2% increase in non-teaching pay will cost approximately £1,365,000 (2015/16).

b) Other Inflation

	2014/15	2015/16
Utlities	400	400
Landfill Tax	260	260
Contracts/Other	1240	1240
	1900	1900

c) Income – based on (2.5%) resulting in £147k for 2014/15 and £151k for 2015/2016

Note 2 Budget Increases

a) Corporate Pressures - Figures reflect approvals from November 2012.

b) Unavoidable Pressures – Reflects approvals for Auto Enrolment and Incremental Drift.

c) Loan Charges Movement – 2014/16 figures reflect anticipated increase due to capital investment.

d) Capital Programme Impact – A review of the Capital Programme Impact has resulted in no additional recurring revenue requirement for year 2014/15, however, an increase is projected for 2015/16 for increased running costs arising from the Council's Capital Programme.

e) SEMP Increased Investment – Reflects February 2014 approvals for further one-off investment in MUGA's within Primary School Estate.

Note 3 Adjustments

a) Council Tax Reduction Scheme – Reflects Government contribution to Council Tax Reduction Scheme. The Council received £42,000 less funding in 2014/15 than was received in 2013/14. At present there is no confirmation for years 2015/16 and onwards.

b) Children and Young Peoples Bill - Reflects Government contribution to Council to cover the early learning and childcare provision of the Children and Young People (Scotland) Bill. Further funding is expected for 2015/16 but figures have not been released by the Scottish Government.

c) Other Adjustments – Figure reflects receipt of funding from Scottish Government for Hostels, Discretionary Housing Payments, Council Tax Reduction Scheme Administration costs, National 1+2 Language funding and the National Care Home Contract plus sundry minor adjustments.

Note 4 Funded By

a) Reflects 2014/15 Finance Settlement included in Scottish Government Circular 1/2014 and 2/2014. 2015/16 figures based on recent Cosla leaders decision to update all indicators for 2015/16. The Government has yet to confirm detailed figures.

8.10 Other Short Term Revenue Issues

The main risks associated with the approved 2014/16 budget will be around Pay Awards, general inflation and the 2015/16 grant settlement. Regular review of the allowances and reporting to Committee will ensure officers become aware of any significant variances and report these at the earliest opportunity.

8.11 Medium to Long Term Revenue Issues

Looking beyond 2015/16 becomes increasingly difficult with uncertainty around the level of funding likely to be available and is covered in more detail in Section 4 of the Strategy.

By 2015/16 the incremental impact of most current major initiatives including Riverside Inverclyde, Leisure Strategy Schools Estate Strategy, and Asset Management Plans will have been fully incorporated the overall Budget.

Post 2015/16 the main issues impacting on the revenue budget will be:

- **Funding will be impacted by future population change/demographic shifts and any changes to the way local government in Scotland is funded.**
- **Welfare Reform changes will impact on DWP/Government grants to the Council, Service demands on the Council and employee numbers in certain Council Services.**
- **Health/Social Care integration will be implemented over this period and whilst debate is on going regarding delivery models and governance the fundamental fact is that there is not enough money to meet increasing demand.**
- **Pension costs influenced by the impact of auto-enrolment, the changes to LGPS and Teachers Pensions, plus costs associated with the Council resizing its workforce in order to balance its budgets over the period 2013/16.**
- **The impact on Councils and employees National Insurance contributions arising from the ending of contracting out is expected to be significant.**
- **Costs associated with sustainability including waste disposal and recycling, energy and fuel costs and general procurement inflation due to increased global demand for raw materials.**
- **As Loans Charges become a larger proportion of the Revenue Budget due to funding reductions and the Council’s ambitious Capital Investment Programme then the impact of increases in interest rates will become greater.**
- **Overall global economic situation resulting in uncertainty around investment returns, inflation levels and further reductions in public sector funding.**

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

8.12 Table 4 shows the high level estimate of the 2016/19 budget gap based on the above.

Table 4

2016/19 Budget Gap - High Level Estimate

		2016/17 £m	2017/18 £m	2018/19 £m	Cumulative £m
1/	OBR Autumn Statement - IS Est (4% cut over 2016/19)	1.6	3.1	1.5	6.2
2/	Continuing cash cut due to Depopulation	1.0	1.0	1.0	3.0
3/	Inflation - Pay (2% per year)	2.1	2.1	2.1	6.3
	- Non-Pay (As present)	1.9	1.9	1.9	5.7
4/	Pressures (Known)				
	- Auto-enrolement (70% take up -Oct 2017)	-	0.3	0.7	1.0
	- Pensions (Contracting Out)	2.0	-	-	2.0
	- RAMP	0.3	0.3	0.3	0.9
		8.9	8.7	7.5	25.1

a/ This excludes unquantified demographic pressures coming through CHCP or increased asset maintenance costs

b/ Allows for £4.6 million per year Prudential Borrowing for RAMP.

c/ Assumes no Council Tax increase. (3% annual increase would raise approx £3.0 million in total towards the gap).

8.13 Short to Medium Term Capital Projections

The Council agreed a 3 year Capital Programme 2013/16 in February 2013 which included significant extra investment in roads infrastructure. In February 2014 the Council further agreed to return £0.5m of SEMP monies to the General Fund.

In addition, the Council has already approved a significant level of Prudentially Funded capital projects including investment in schools, leisure, a new depot, rationalisation of offices and vehicles.

The Council has agreed an asset disposal strategy on the premise that assets are not sold whilst the market continues to be depressed unless the Council is clear it can demonstrate Best Value is being achieved.

8.14 Long-Term Capital Projections

There is greater certainty around capital spend for the post 2015/16 period due to the fact that the School Estate Strategy will use well over 60% of projected capital grant for at least the next 15 years.

This will leave a relatively small amount for other projects which will be required to maintain the Council’s existing infrastructure asset base i.e. Operational Properties, Roads, Lighting, Open Spaces and ICT.

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

Unless there is a substantial increase in resources from the Government or alternative funding sources are identified then the Council will face significant challenges to have sufficient capital resources to maintain it’s existing asset base in the medium to long term.

Table 5 - Capital Programme 2013/2016 (Medium Term Capital Projections)

Table 5

Expenditure/Projects by Committee	2013/14 £m	2014/15 £m	2015/16 £m	Totals £m
Policy & Resources	0.86	0.61	1.12	2.59
Environment & Regeneration	9.7	17.75	30.58	58.03
Education & communities (Exc School Estate)	1.28	4.25	8.43	13.96
School Estate	21.09	8.04	14.86	43.99
CHCP	0.18	0.08	0	0.26
	33.11	30.73	54.99	118.83
Financed By				
Government Grant	7.22	8.25	11.9	27.37
Sales/Contributions	0.57	0.47	0.92	1.96
Other Income	0.2	0.51	0.25	0.96
Revenue	8.23	7.63	8.41	24.27
Prudential Borrowing	21.89	11.24	25.87	59
Resources Carried Forward	3.64			3.64
	41.75	28.1	47.35	117.2
Shortfall in Resources				1.63

Notes

1 As per May 2014 P&R Committee.

2 Deficit of £1.63 million at end of 2015/16 is made up of £0.49 million planned cashflow surplus in SEMP plus £1.14 million shortfall in resources in the balance of the Capital Programme.

3 2015/16 figures include 2016/17 and future costs for completion of ongoing projects as well as funding sources where applicable.

9.0 Treasury Management

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

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

9.3 Some significant changes were made to the requirements for Treasury Management reporting following the implementation of the revised CIPFA Treasury Management Code of Practice in April 2010. This has resulted in the following:

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

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

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

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

9.4 The table on the next page shows the Council's debt and investments position as at 31/3/14..

Table 6 – Council's Debt and Investment Position – 31/3/14

The Council's treasury portfolio position at 31/3/14 comprised:

		Principal		**Average Rate**
		£000	£000	
Fixed rate funding	PWLB	117,168		
	Market	55,000	172,168	3.99%
Variable rate funding	PWLB	0		
	Market	47,943	47,943	4.98%
TOTAL DEBT			**220,111**	**4.21%**
TOTAL INVESTMENTS			**48,109**	**0.85%**

10.0 Reserves

10.1 A key aspect of the consideration of the Financial Strategy is the position of the General Fund Reserves. The Reserves Strategy was last reviewed and approved by Council in August 2013.

10.2 Reserves can be held for three main purposes:-

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

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

10.4 The Reserves Strategy also assumes the continued use of earmarked reserves. In this way, earmarked reserves can be separated from the "free" General Fund Reserve which should allow Members to more transparently track the underlying reserves position.

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

10.6 (a) <u>General Fund "Free" Reserves</u> – This Reserve represents the Council's contingency for unforeseen/unquantifiable events. The level of the Reserve is determined by the Reserve Strategy whilst the projected balance is reported to each Policy and Resources Committee. See Appendix 7.

<u>Balance 31/3/16 = £5.309 million</u>

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

<u>Balance 31/3/14 = £4.62 million</u>

(c) <u>Capital Fund</u> – The Capital Fund is a Fund into which Capital Receipt income can be paid and used to fund either capital investment or repay the Principal element of debt repayments. The balance and planned usage of the Capital Fund is incorporated into the Financial Strategy. See Appendix 8.

<u>Balance 31/3/14 = £0.85 million</u>

(d) Repairs & Renewals Fund – The Repairs & Renewals Fund consists of sums received from external parties or allocated directly from Council resources which are thereafter released on a phased basis to maintain specific assets. Use of specific allocations to the Fund are agreed by Policy & Resources Committee and the overall position will be reported as part of the Financial Strategy. See Appendix 9.

Balance 31/3/14 = £2.42 million

11.0 Monitoring, Reporting and Review Processes

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

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

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

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

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

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

12.0 Risk Management

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

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

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

Risk	Management of Risk
The Financial Strategy does not reflect in financial terms the objectives set out in other strategic plans of the Council.	The Financial Strategy provides a high level overview of the various strategic plans the Council has signed up to – it acknowledges that there will inevitably be financial implications arising from the SOA and Corporate Statement but it is not possible to quantify all of these at present. The Financial Strategy will be updated as further information becomes available regarding these strategic plans.
The directorate planning process will identify a range of additional budget pressures over and above those currently considered in this Financial Strategy.	The Directorate Planning Guidance identifies that Corporate Directorate Improvement Plans (CDIP) should reflect the resources allocated – the need for additional resources to achieve a particular priority should be specifically identified via the Financial Strategy prior to the preparation of the CDIP.
Forecasts within the Financial Strategy are not accurately determined or reviewed on a regular basis.	The Budget and Financial Strategy set out the expected levels of expenditure and income for the future. The forecasts are arrived at through careful consideration of historic trends and actual expenditure levels and any factors which may have an impact in the future. It also requires a degree of estimation and assumption, such as to calculate the impact of a perceived increase or decrease in future demand as a result of demographic changes or patterns of behaviour that have a socio-economic impact. Throughout the financial year, the Council regularly monitors its financial performance against its budgets and will revise them where necessary, subject to remaining within the agreed overall budget for the Council.

Risk	**Management of Risk**
The savings workstream target over 2013/16 may not be achieved leading to more savings requiring to be taken from front line Services.	Individual workstreams are reviewed by lead officers on a monthly basis and reported to the CMT. In addition progress is reported to each Policy & Resources Committee. Specific targets for new workstreams were agreed and included in the February 2014 budget update..
Income budgets not achieved or become unsustainable.	Chief Officers are consulted on proposed increases in income budgets/fees and charges and have the opportunity determine the levels of individual charges to achieve the budgeted income target. Equally, income budgets are monitored throughout the financial year and where a shortfall in income is anticipated, this is highlighted in reports to Committee. Income forms one of the new workstreams and will under go a full review in 2014/15..
The Council has insufficient capital resources to sustain capital commitments.	The Council has already identified through the Financial Strategy a reduced reliance on capital receipts and Government Grants in the medium term. The combination of a poor settlement and economic instability mean that the Council has to focus on maintaining key infrastructure whilst utilising prudential borrowing for specific capital projects. The Council has identified the need to complete Asset Management Plans for all it's assets with the Open Space AMP due for completion in 2014.
Bankruptcy of a major supplier or customer which could result in the Council having to pay twice for the same service or see artificially inflated prices if a replacement service needs to be obtained at very short notice.	The Council has reviewed its procurement process and a procurement manual has been developed which includes supplier financial appraisal at PQQ stage. This will ensure that the financial position of new contractors is vetted prior to ITT stage and entering into any large contracts. Regular reviews of financial position are undertaken for key suppliers on an ongoing basis.
Legislative changes are not anticipated and the financial impact is not addressed through the budget process of Financial Strategy.	Chief Officers are required to highlight the impact of legislative changes through the strategic planning and budgeting process and the likely resource requirement. In addition COSLA has a key role in assessing the financial impact of changes in legislation and lobbying for Councils to be funded appropriately.
Interest rates on borrowing may be higher than forecast.	Regular review of treasury management decisions. Prudent assumptions on likely interest rates have been incorporated into Financial Strategy. Borrowing is spread to reduce impact of short-term changes.

Reserves are required to cash flow unanticipated budget shortfalls and fall below minimum recommended level.	Reserve Strategy is in place which clearly states that these must be a clear route to bring reserves back up to the minimum level over the subsequent 3 financial years.
Large contracts are due to be re-tendered where costs are likely to be higher due to the current economic climate.	Assumptions have been built into the budget for increase in price of goods and services.
Revenue implications of capital programme/projects are not fully anticipated.	All capital projects identify revenue implications and link into Council priorities. All capital projects are subject to a robust approval process which includes a review of revenue implications.
The equalities impact arising from the overall budget or specific proposals may not be adequately considered.	A specific process for assessing the equalities issues has been approved by the CMT with the Corporate Director Education, Communities & Organisational Development providing corporate oversight and advice.

Appendix 1

Short-Term Issues (2013/16)

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

Service	Issues Identified	Issues & Potential Impacts	Action Taken	Responsible Officer	Timescale to report back
Corporate	Equal Pay	Provision for outstanding claims may not be sufficient and new groups may claim.	1st Group claims settled with the majority of payments made December 2012. 2nd Group claims identified nearing conclusion.	Patricia Cassidy/Barbara McQuarrie	On Going
	Inflation	Uncertainty over pay awards and other inflation pressures were not fully clear when settling 2013/16 budgets.	Inflation allowances to be viewed over the 3 years time frame. Regular monitoring and reporting to CMT/Members.	Jan Buchanan	On Going
	Welfare Reform	Impact and increase in demand for Services can only be estimated. Longer term funding for Council Tax reduction scheme to be clarified.	£1.3 million recurring budget agreed as part of 2013/16 budget. Update reports going to Committee each cycle.	Alan Puckrin	On Going
	Loan Charges	Greater analysis is needed of the timing of debt repayment to fully inform future investment decisions.	Analysis of loan charge projections over the next 10 years to be undertaken and included as an appendix in future Finance Strategy	Jan Buchanan	December 2014

CHCP	Health/Social Care Integration	Likely implementation for, as a minimum, Elderly Care. Impacts on Governance/Funding could be significant	Monitor developments, report to relevant Committees.	Brian Moore	All Social Work Services will be included in the HSCP as currently exists with CHCP The HSCP will be established in April 2015
	Self Directed Support	Implement robust Resource Allocation System, possible pressure from new clients, who may otherwise not engage with Service.	As above	As above	Implemented April 2014
	Relationship with Service Providers.	Managing provider expectations whilst in a period of uncertainty over the future of the National Care Home Contract along with expectations from those providers out with this contract to fund inflation/impact of pensions/living wage.	As above	Brian Moore	Ongoing
	CHCP Asset Management Plan	Develop a comprehensive CHCP Asset Management Plan with a longer term property strategy, ensuring capital and revenue funding can be identified to meet ongoing maintenance, improvement and replacement costs.	Surveys completed and options being developed.	Brian Moore	Draft Strategy by 31 August 2014
Education & Communities	Early Years Provision	Concern that Revenue & Capital funding is not sufficient to meet the statutory requirements due to be implemented in August 2014 and August 2015.	Officers reviewing requirements and impacts are reporting to CMT/Committee as required.	Patricia Cassidy	September 2014

Appendix 2

Medium-Term Issues (2016/18)

Service	Issues Identified	Issues & Potential Impacts	Action to be Taken	Responsible Officer	Timescale to report back
Corporate	Reductions in other public sector partner's funding streams	As Public Sector funding reductions continue, partners are reducing their contributions to key Council priorities such as Riverside Inverclyde, CHCP, River Clyde Homes etc.	Continue dialogue with partners.	Corporate Directors	Ongoing
	Reduction in Council Funding	Government Funding over 2015/20 likely to be further reduced as recovery is delayed.	Await next Scottish Government Spending Review figures and factor into revised Financial Strategy and 2015/18 budget.	Alan Puckrin	December 2014
	Government needs to reduce Public Sector Borrowing	Prudential Borrowing Capping and cuts to Government Capital Grant will require revision of capital plans.	Rolling 3 Year Capital Programme developed annually. SEMP already reduced funding requirement from 2015/16.	Alan Puckrin/Jan Buchanan	December 2014
	Removal of key services from Council control.	Government could review Public Sector landscape which could result in loss of large parts of the Council remit and resultant impact on corporate viability.	Keep track of developments and report to Committee as required.	John Mundell	Ongoing
	Increased Payroll costs due to end of contracted out pensions and Auto-enrolment.	The Government has indicated that it intends to introduce both these changes from 2017 at an estimated annual cost of £3 million to Inverclyde Council.	Keep an eye on developments and report to Committee as required.	Alan Puckrin	Ongoing
	Under statement of Councils population.	If Government over estimates the Councils depopulation this has a direct impact on the level of grant received.	Continue to press Government to take a more realistic view of the areas population trends.	John Mundell/Alan Puckrin	December 2014

Service	Issues Identified	Issues & Potential Impacts	Action to be Taken	Responsible Officer	Timescale to report back
Social Care	Ongoing Demographic demand pressures across many Social Care areas and on going drive towards Self-Directed Support and Independent Living	Continuing increased demand will put considerable pressure on “flat cash” budgets.	Ongoing review of Service Delivery models allied to clear prioritisation/charging policies has commenced and will be reported as part of the 2015/18 budget.	Brian Moore	August 2014
Environment & Regeneration	Waste Strategy	Significant cost increases expected in treating residual waste from 2016/17.	Monitor Waste Strategy and report to CMT/Committee at appropriate time.	Alan Puckrin/ Ian Moffat	February 2015
	Asset Management Plans	Current RAMP funding ends 2015/16. Funding for continued investment to be identified. Open Space AMP and balance of properties are likely to identify need for significant investment.	Factor proposals into 2015/18 budget.	Alan Puckrin/Ian Moffat/Gerard Malone	February 2015
	Riverside Inverclyde/City Deal	Scheduled end of Riverside Inverclyde in 2017 and on going City Deal initiative requires fundamental review of future direction and resourcing	Both issues being lead by Interim Chief Executive of Riverside Inverclyde who will report back as required.	Aubrey Fawcett	June 2014
Education & Communities	School Estate Management Plan	Reduced Capital resources and corporate cost pressures may make current timescales for delivery of SEMP unachievable.	Six monthly review off all aspects of SEMP to continue. Recent review reflects approved acceleration programme which is still affordable in line with plan for completion but resources getting tighter.	Patricia Cassidy/ Alan Puckrin	Ongoing

Appendix 3

Long-Term Issues – Post 2018

Service	Issues Identified	Issues & Potential Impacts	Action to be Taken	Responsible Officer	Timescale to report back
Corporate	Depopulation and Change of Demographics Potential changes to funding of Local Government	Continued loss of grant income, over provision of infrastructure. Viability of area under threat. Major constitutional uncertainty, ongoing Council Tax freeze and devolving 10p income tax to Scotland have the potential to have a major impact on role/funding of Councils.	Population/Demographic trends to be monitored and reported to SOA/Alliance on a regular basis. Monitor National developments and report as required.	Patricia Cassidy John Mundell/Alan Puckrin	Ongoing Ongoing Ongoing
Social Care	Increase in number of Elderly and Adults with Learning Difficulties and resource implications of policy direction of Independent Living and Self Directed Support.	Significant costs associated with reshaping, expanding delivery models.	Develop as part of CHCP remit.	Brian Moore	Ongoing
Environment & Regeneration	Global Warming/Climate Change leading to rising sea levels Closure of major local employer Carbon Reduction Commitment	Significant impact on Council area with increased flooding and expenditure on sea defences. Could further increase rate of depopulation and would significantly impact of areas regeneration efforts. Council will almost certainly exceed the threshold for participation in 2019. Will cost in excess of £300,000 per year.	New Flood Plan to include this issue. Regular review of the recently approved rI/Council Joint Operating Plan. Continue to monitor and report Council's performance annually.	Ian Moffat Aubrey Fawcett/Stuart Jamieson Stuart Jamieson	Ongoing As required Annually from 2014

Service	Issues Identified	Issues & Potential Impacts	Action to be Taken	Responsible Officer	Timescale to report back
Education & Communities	Sustaining Leisure Investment	By 2016 the Waterfront Leisure Complex will be 20 years old and significant investment will be required. In addition the recent significant investment in Leisure will require mid-life upgrades commencing in 2017/18 for which funding will be needed.	Condition Survey to be undertaken on this and other Leisure properties by Summer 2014. Proposals developed thereafter.	Patricia Cassidy / Alan Puckrin	February 2015

Current Profile

Appendix 4

Riverside Inverclyde
Funding Profile
2006/7 → 2016/17

Year	Revenue £000	Capital £000	Other £000	Total £000
To 31/03/08	1,772	700	1,878	4,350
2008/9	1,840	85	1,112	3,037
2009/10	1,513	-	-	1,513
2010/11	2,100	-	-	2,100
2011/12	2,100	-	-	2,100
2012/13	1,900	-	-	1,900
2013/14	1,600	-	-	1,600
2014/15	1,500	-	-	1,500
2015/16	1,300	-	-	1,300
2016/17	1,300	-	-	1,300
2017/18	500			500
Gourock Redevelopment	-	-	1,100	1,100
PG Town Centre	-	-	500	500
Gourock - 1 way system	-	-	1,000	1,000
Area Renewal Fund	-	-	200	200
	17,425	**785**	**5,790**	**24,000**

In addition to the £24 million the Council will provide an additional £3.1 million towards the two major projects at Gourock (£2.6 million) and Port Glasgow Town Centre (£0.5 million) over 2012/15.

Appendix 5

Inverclyde council

May 14 Revised

School Estate - Earmarked Reserves

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Earmarked Reserve b/fwd	3,086	2,859	1,957	1,618	1,601	1,573	1,435	1,260	1,229	1,143	741	311	470	664	801	949	1,070
Available Savings added (a)	4,347	4,584	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,682	4,747	4,747	4,747	4,747	4,747	4,747
Extra Financing (b)	3,210	3,020	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260	3,260
Prudential Schools Loan Charges (c)	-3,729	-4,410	-4,528	-4,534	-4,541	-4,548	-4,556	-4,564	-4,573	-4,582	-4,592	-4,602	-4,613	-4,625	-4,638	-4,651	-4,665
Unitary Charge Payment (d)	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942	-8,942
Unitary Charge Inflation Element (e)	-233	-460	-726	-1,002	-1,290	-1,589	-1,900	-2,223	-2,559	-2,909	-3,273	-3,651	-4,044	-4,453	-4,879	-5,321	-5,781
Unitary Charge Funding from Inflation Contingency	233	460	726	1,002	1,290	1,589	1,900	2,223	2,559	2,909	3,273	3,651	4,044	4,453	4,879	5,321	5,781
One Off Costs (f)	-793	-1,020	-644	-308	-304	-398	-419	-258	-295	-592	-601	-57	0	-35	0	0	0
Extra Revenue Repairs (g)	-366	-230	-263	-271	-279	-288	-296	-305	-314	-324	-333	-343	-354	-364	-375	-389	-401
Unitary Charge RSG	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096	6,096
Written Back to General Reserves	-50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earmarked Reserve c/fwd	2,859	1,957	1,618	1,601	1,573	1,435	1,260	1,229	1,143	741	311	470	664	801	949	1,070	1,165

(a) Per 13/14 Budget - includes savings from Craigmarloch from August 2014.Reduced by £70k from 2013/14 for additional NDR St Columba's.
(b) Per 2008/9 budget and £1m for Port Glasgow Com Campus , plus £160k for Lomond View. Compensating loan charges for receipts transferred to the Capital Fund come in from 2015/16. Annual saving of £190k from 2014/15.
(c) Assumes Inverclyde Academy , Newark Primary,Port Glasgow Community Campus and Lomond View refurbishments are Prudentially funded. Uses a pool fund rate of 4.0% from 2012/13.
(d) Based on Actual Unitary Charge at Jan 2011 RPI of £8.842 million plus £100k contingency from 2013/14.
(e) Base at Jan 2014 RPI. Assumes 2.7% annual inflation (4% RPI discounted by factor of 1.5)
(f) After 2026/27 one-off costs cease.
(g) Increased Revenue Repairs £250k in 2013/14.

Finance Strategy

Leisure Strategy

Appendix 6

Leisure Strategy - Financial Implications

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000
Capital								
Ravenscraig Stadium	104	28	1,357	301	46	0	0	1,836
Parklea Pavillion & Stadium	278	1,220	3,239	452	124	69	0	5,382
Rankin Park Sports Centre	110	158	94	177	861	200	68	1,668
Nelson St Sports Centre Refurbishment	0	0	42	525	0	58	0	625
South West Library Refurbishment	0	0	138	176	0	0	0	314
Gourock Park Amphitheatre & DDA Works	217	99	3	0	0	0	0	319
Broomhill/George Road Pitches	960	50	2	1	0	0	0	1,013
Broomhill Park	0	187	10	0	0	0	0	197
Gourock Swimming Pool	37	137	1,070	779	58	5	0	2,086
Birkmyre Drainage	0	0	0	13	0	0	0	13
Contribution to Battery Park Pitch Replacement	0	0	0	68	0	0	0	68
Indoor Bowling Refurbishment	0	0	142	0	0	0	0	142
Waterfront Ice Rink	0	0	0	0	227	72	0	299
Complete on Site Contingency	0	0	0	0	0	12	0	12
Unallocated Balance	0	0	0	0	0	0	110	110
Total	1,706	1,879	6,097	2,492	1,316	416	178	14,084

Notes

a Allowance in overall Finance Strategy for up to £200k of increased revenue costs from 2012/13.

b Leisure Strategy partly funded by Sports Scotland Grant of £1m (£0.5m 2011/12, £0.482m 2012/13, £0.018m 2013/14) and a further £0.2m in 12/13 allocated for the Waterfront Ice Rink

c In addition to the projects above the Leisure Strategy has contributed £0.5m towards the BroomhillCommunity Facility (Total project budget £1.05m)

d Waterfront Ice Rink total cost £0.4m with balance funded from Property Services annual capital allocation.

Inverclyde council

Appendix 7

Finance Strategy
General Fund "Free" Reserves
2014/16 Balance Projection

		£000
Reserves Balance at 31st March 2013		5,540
Budgeted Contribution to Reserves: **Note 1**		
2012/13 Outturn Earmarked for 2013/16	1,537	
2013/14	4,377	
2014/15	1,477	
2015/16	900	8,291
Contribution to Reserves 2013/16 **Note 2**		3,301
Planned Use of Reserves 2013/16 **Note 3**		(16,213)
Projected Surplus (Defecit) **Note 4**		4,390
Free Reserves Balance 31st March 2016		5,309

RSG/NDR/Council Tax will be £190 million from 2014/15. Recommended minimum level of reserves is 2% / £3.8 million.

Notes:

1/ 2013/14 and 2014/15 Figures are based on surplus reported as part of 2013/16 Budget.

2/ 2013/16 Figures represent decisions taken as part of the 2013/16 Budget process and further decisions taken in February 2014 as detailed below:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Reduce 2013/16 Capital Contribution	450	0	0	0	450
Write back Capital Fund	1,000	0	0	0	1,000
Extra Capital Grant 2012/14	146	0	0	0	146
Increase Capital Programme to 1.5% Limit	355	0	0	0	355
RAMP Funding 2013/14 - £300k	300	250	100	0	650
Contribution from Common Good/Birkmyre	0	50	150	0	200
Write back Earmarked Reserves	500	0	0	0	500
	2,751	300	250	0	3,301

3/ Represents decisions taken as part of the 2013/16 Budget and February 2014 and based on latest phasings:

Approved Use of Reserves	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
2013/16 Budget £9.992m	(1,621)	(5,241)	(3,130)	0	(9,992)
September 2013 - £1.5m	(83)	(670)	(747)	0	(1,500)
August 2013 - £0.118m	(59)	(59)	0	0	(118)
February 2014 - £5.203m	0	(2,240)	(1,163)	(1,200)	(4,603)
	(1,763)	(8,210)	(5,040)	(1,200)	(16,213)

4/ Figure reflects projected surplus reported to Policy & Resources Committee May 2014 plus further underspends for Auto Enrolment, loans charges and unallocated inflation contingencies as detailed below:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Projected Surplus (May 2014 P&R)	1,189	0	0	0	1,189
Auto Enrolment not required	470	186	100	0	756
Unallocated Inflation Contingency	399	0	0	0	399
Unallocated Pay Inflation Contingency	0	846	0	0	846
Loan Charge Underspend to EMR	350	600	250	0	1,200
	2,408	1,632	350	0	4,390

AP/AE
06/05/14

Finance Strategy
Capital Fund

Appendix 8

		2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Balance B/fwd		(1,742)	(850)	(987)	(986)	(2,356)	(1,163)	(2,947)
Additions (Estimate)	a	(100)	(533)	(629)	(2,990)	0	(2,000)	(731)
Interest (Estimate)		(8)	(4)	(10)	(20)	(47)	(24)	(59)
Principal Repayments	b	0	400	640	640	240 c	240	240
Other Payments	d	1,000	0	0	1,000	1,000	0	0
Balance at Year End		**(850)**	**(987)**	**(986)**	**(2,356)**	**(1,163)**	**(2,947)**	**(3,497)**

Notes

a Estimated Receipts:
- 2013/14 SEMP, £0.1m, Mearns Centre, t'fer of funds from Communities Facilities budget
- 2014/15 SEMP, £0.075m, Highlanders
  AMP Receipt, £0.05m, Newark House
  Other Receipts, £0.408m, Former Kempock Hse, Neil St, Wateryetts Drive, Kilmacolm, McLeans Yard, Land at Broadstone Avenue
- 2015/16 SEMP Receipts,£0.629m, includes Barmoss Nursery, Ravenscraig, Lilybank & St Gabriels Primaries.
- 2016/17 SEMP Receipts, £2.7m, Greenock Academy, Kings Glen Primary.
  AMP receipts £0.29m, Strone Office & Wellington Academy
- 2018/19 SEMP Receipts, £2m, St Stephens
- 2019/20 Recovery of Scottish Enterprise Clawback, £0.731m

b £400k per Depot AMP from 2014/15 to 2016/17, £240k SEMP from 2015/16

c From 2017/18 it was agreed that the £400k for Depot would be met from Riverside Inverclyde funding.

d Other Payments:
- 2013/14 £1.0m payment to fund Loan Charges, subsequent saving in Loan Charges will help fund the RAMP.
- 2016/18 £2.0m payment to fund Loan Charges.

Finance Strategy
Repairs & Renewals Fund

Appendix 9

	2013/14 £'000		2014/15 £'000	2015/16 £'000		2016/17 £'000	2017/18 £'000
Balance B/fwd	(1,089)		(2,417)	(2,578)		(2,591)	(2,592)
Additions:							
Inverkip Footbridge							
Leisure Strategy	(200)	a	(200)	(200)			
Former Housing Repairs & Renewals Fund	(1,164)						
Maintenance Payments:							
Greenock Cut	9		14	14		14	14
Gallaghers/Port Glasgow Development	36		36	36		36	36
Inverkip Footbridge			2	2		2	6
Leisure Strategy				160	b		
Former Housing Repairs & Renewals Fund							
Interest							
Greenock Cut	(2)		(2)	(2)		(6)	(5)
Gallaghers/Port Glasgow Development	(1)		(1)	(2)		(4)	(3)
Inverkip Footbridge	(1)		(2)	(3)		(6)	(6)
Leisure Strategy	(1)		(2)	(6)		(13)	(13)
Former Housing Repairs & Renewals Fund	(4)		(6)	(12)		(24)	(24)
Balance:							
Greenock Cut	(301)		(289)	(277)		(269)	(260)
Gallaghers/Port Glasgow Development	(246)		(211)	(177)		(145)	(112)
Inverkip Footbridge	(301)		(301)	(302)		(306)	(306)
Leisure Strategy	(401)		(603)	(649)		(662)	(675)
Former Housing Repairs & Renewals Fund	(1,168)		(1,174)	(1,186)		(1,210)	(1,234)
Balance at Year End	**(2,417)**		**(2,578)**	**(2,591)**		**(2,592)**	**(2,587)**

Notes

a Future contribution to Leisure Strategy subject to confirmation of available funds and likely to be less than the £200k indicated.
b Contribution to Inverkip CC drainage issue.

Appendix 10a

Finance Strategy
Asset Management Plan - Offices

Earmarked Reserve Offices	**2013/14 £000's**	**2014/15 £000's**	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**
Earmarked Reserve b/fwd	474	460	184	451	651
Additional Funding (Note d)	660	610	565	565	565
Available Savings/(Cost) Added (Note a)	(209)	(213)	258	278	322
Loan Charges (Note b)	(208)	(324)	(481)	(643)	(696)
Further One Off Costs (Note c)	(257)	(349)	(75)	0	0
Net Saving/(cost) for year	(14)	(276)	267	200	191
Earmarked Reserve c/fwd	460	184	451	651	842

Notes

a Net Revenue Savings & Costs Excluding Loan Charges
2012/13 figure includes £1m Capital works funded directly from AMP Reserves per Feb 2013 Budget

b Assumes an interest rate of 4%

c Further One Off costs relate to the temporary appointment of an Asset Manager as well as costs for various decants, demolitions and rental of storage area.

d Additional funding consists of original funding allocation of £1m adjusted for:
- £200k Workstream Saving from 2011/12
- £30k Topslice saving from 2012/13
- £60k Workstream Saving from 2013/14
- £100k Workstream Saving from 2014/15
- £45k BPRA scheme saving from 2015/16
- £50k one off reduction of EMR Balances 2013/14

Finance Strategy
Asset Management Plan - Depots

Appendix 10b

Earmarked Reserve Depots	**2013/14 £000's**	**2014/15 £000's**	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**
Earmarked Reserve b/fwd	682	1,116	1,881	2,368	2,486
Additional Funding (Note d)	500	900	900	900	900
Available Savings/(Cost) Added (Note a)	101	132	86	125	125
Loan Charges (Note b)	(148)	(217)	(499)	(907)	(975)
Further One Off Costs (Note c)	(19)	(50)	0	0	0
Net Saving/(cost) for year	434	765	487	118	50
Earmarked Reserve c/fwd	1,116	1,881	2,368	2,486	2,536

Notes

a Net Revenue Savings & Costs Excluding Loan Charges
b Assumes an interest rate of 4%
c Further One Off costs relate to the temporary appointment of an Asset Manager
d Additional funding made up of:

Contribution from Zero Waste Fund	£200k	From 2010/11
Contribution from Revenue Budget	£300k	From 2012/13, original £500k allocation reduced by £200k Workstream Saving
Contribution from Capital Fund	£400k	From 2014/15 to 2016/17
Additional Contribution from Revenue	£400k	From 2017/18, diversion of Riverside Inverclyde budget

Finance Strategy
Vehicle Replacement Programme **Appendix 11**

Earmarked Reserve	**2013/14 £000's**	**2014/15 £000's**	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**	**2021/22 £000's**
Earmarked Reserve b/fwd	205	307	332	321	312	305	296	287	269
Capital Requirements:									
Vehicle Purchases	545	1,099	2,631	352	1,866	585	1,125	2,797	244
Residual Value	(183)	(249)	(746)	(83)	(385)	(135)	(293)	(714)	(63)
Net Capital Requirement	362	850	1,885	269	1,481	450	832	2,083	181
Loan Charges	974	1,025	1,091	1,089	1,087	1,089	1,089	1,098	1,075
Additional Revenue Costs, Tracking System	29	29	29	29	29	29	29	29	29
Loan Charges Funding Available	1,105	1,079	1,109	1,109	1,109	1,109	1,109	1,109	1,109
Annual Funding Surplus/(Shortfall)	102	25	(11)	(9)	(7)	(9)	(9)	(18)	5
Earmarked Reserve c/fwd	307	332	321	312	305	296	287	269	274

It should be noted that the model:

a Takes into account reductions in the fleet due to BSU restructuring and the loss of the RCH Grounds contract.

b Reflects reductions in fleet as a result of savings agreed February 2013 as well as a reduction in Loan Charges funding available where known. Further reductions in Loan Charges available may be applied on final confirmation of implication of savings.

c Assumes continuation of Food Waste collection and includes replacement of Food Waste Vehicles, 2017/18. Funding for the continuation of this to be identified by Service.

d Excludes Low Carbon Vehicles, due for replacement 2016/17. The purchase of these vehicles was heavily subsidised by Government Grants which may not be available in future years. If a decision is made to replace these vehicles any replacement costs will be met from available grants and Service Revenue budgets.

e From 2015/16 includes £30k additional funding vired from undersepend in Fuel.

Finance Strategy
Roads Asset Manaeqement Plan

Appendix 12

		2012/13 Actual £000's	2013/14 Approved £000's	2014/15 Approved £000's	2015/16 Approved £000's	2016/17 Proposed £000's	2017/18 Proposed £000's	2013/16 3 Year £000's	2013/18 5 Year £000's
Funding Available	a								
Core/Supported Borrowing			1,300	1,300	1,300	1,300	1,300	3,900	6,500
Prudential Borrowing				2,100	2,100	4,700	4,700	4,200	13,600
CFCR:									
Early Allocation (Feb 2012)	b	1,373	1,627					3,000	3,000
Further Allocation (Feb 2013)	c		1,100	2,400	2,400			5,900	5,900
Total Funding Available		1,373	4,027	5,800	5,800	6,000	6,000	17,000	29,000
Allocation of Expenditure									
Carraigeways		1,373	3,023	3,526	1,923	3,195	3,470	9,845	16,510
Footways			248	350	332	900	900	930	2,730
Lighting			140	530	1,790	1,500	1,200	2,460	5,160
Road Markings					100	50	50	100	200
Drainage					100	50	50	100	200
Structures			50	650	975	375	100	1,675	2,150
Fees & Staffing Costs			286	463	441	430	430	1,190	2,050
Total Allocation of Expenditure		1,373	3,747	5,519	5,661	6,500	6,200	16,300	29,000
Over/(Under) Allocation	d	0	(280)	(281)	(139)	500	200	(700)	0

Notes

a 2016/18 funding subject to confirmation and formal approval.
b Funds were set aside during February 2012 budget process prior to the formal approval of the RAMP model.
c CFCR part funded from undersepends due to reduced requirement for Loan Charges in early years.
d Lighting programme has been delayed due to delays in carrying out the column surveys and development of the outline business case and strategy. It is now anticipated that the original intended programme will not be completed within the initial 3 year period but will be extended into 16/17 and 17/18.