renfrewshire.gov.uk

Renfrewshire Council

Notice of Special Meeting and Agenda
Council

Date	Time	Venue
Monday, 09 March 2020	09:30	Council Chambers (Renfrewshire), Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Jennifer Marion Adam-McGregor: Councillor Tom Begg: Councillor Derek Bibby: Councillor Bill Binks: Councillor Bill Brown: Councillor Stephen Burns: Councillor Jacqueline Cameron: Councillor Michelle Campbell: Councillor Carolann Davidson: Councillor Eddie Devine: Councillor Andy Doig: Councillor Audrey Doig: Councillor Natalie Don: Councillor Alison Jean Dowling: Councillor Edward Grady: Councillor Neill Graham: Councillor Jim Harte: Councillor John Hood: Councillor Lisa-Marie Hughes: Councillor Karen Kennedy: Councillor Scott Kerr: Councillor Paul Mack: Councillor Alistair Mackay: Councillor James MacLaren: Councillor Kenny MacLaren: Councillor Mags MacLaren: Councillor Eileen McCartin: Councillor Colin McCulloch: Councillor Marie McGurk: Councillor John McIntyre: Councillor John McNaughtan: Councillor Kevin Montgomery: Councillor Will Mylet: Councillor Emma Rodden: Councillor Jim Sharkey: Councillor John Shaw: Councillor James Sheridan: Councillor Andy Steel: Councillor Jane Strang: Provost Lorraine Cameron (Convener): Councillor Cathy McEwan (Depute Convener): Councillor Iain Nicolson (Leader): Councillor Jim Paterson (Depute Leader)

Webcasting of Meeting

This meeting will be filmed for live or subsequent broadcast via the Council's internet site – at the start of the meeting the Provost will confirm if all or part of the meeting is being filmed. Generally the public seating areas will not be filmed. The cameras focus on the main participants. If you have any queries regarding this please contact Committee Services on 0141 618 7112. To find the webcast please navigate to http://renfrewshire.cmis.uk.com/renfrewshire/meetings.aspx and select the meeting from the calendar.

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx
For further information, please either email democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

Section 112 Statement

Members' attention is drawn to the enclosed statement regarding declarations in terms of Section 112 of the Local Government Finance Act, 1992.

Procedures

Copies of the notes of the procedures to be followed in respect of consideration of (i) the Revenue Estimates and Council Tax; and (ii) the Housing Revenue Account Budgets, Rent Levels and Capital Investment Plans are attached to the relevant reports.

Items of business

LOCAL GOVERNMENT FINANCE ACT 1992 - SECTION 112

RESTRICTIONS ON VOTING BY MEMBERS

The attention of Members is drawn to the provisions of Section 112 of the Local Government Finance Act, 1992. This section has the effect of restricting the voting rights of Members on certain issues if they are in arrears with Council Tax payments.

The legislation applies to a Member in attendance at a meeting of the Council, or of a Committee or Sub-Committee of the Council or representing the Council's interest at a Joint Committee meeting or Sub-Committee thereof.

If at the time of the meeting a Member is 2 months or more in arrears in payment of the Council Tax, the Member will be restricted in voting on matters which relate to:

1. Setting or adjusting the rate of Council Tax;

2. Matters relating to the administration, enforcement and collection of the Council Tax or Council Water Tax.

If a Member falls into arrears as defined by the legislation, the Member is required to disclose this fact at any relevant meeting as soon as practical after it starts. The Member may participate in any debate on the relevant agenda item but the Member should not vote on any matters related to the agenda item.

If the Member does not disclose the restriction due to arrears of Tax and/or votes on a restricted issue the Member will have committed an offence, and on convictions, will be liable to a fine not exceeding level 3 on the standard scale (currently £1,000). The Member will not be guilty of the offence if he/she can prove he/she did not know:

(a) that Section 112 of the 1992 Act applied to him/her at the time of the meeting;

(b) the tax item was the subject of consideration at that meeting.

The responsibility for identifying whether a Member is in arrears with Council Tax rests with the Member.

PROCEDURE TO BE FOLLOWED AT THE MEETING OF RENFREWSHIRE COUNCIL TO BE HELD ON 9 MARCH 2020 DURING CONSIDERATION OF ITEM 1 CONCERNING REVENUE ESTIMATES AND COUNCIL TAX FOR THE FINANCIAL YEAR 2020/21

The purpose of this note is to give Members advance notice of the procedure which Provost Cameron has agreed should be followed at the Meeting of the Council on 9 March 2020.

1. The Convener of the Finance, Resources & Customer Services Policy Board (the Convener) will make his budget statement for financial year 2020/21 and move as appropriate. He will then speak to the principal points of his proposals. The motion will require to be seconded.

2. The Leader of the Council will second the motion and may address the meeting then or reserve the right to speak at a later stage of the debate.

3. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.

4. An opportunity will then be given to the Leaders of the opposition groups and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together proposals for resource allocations, budget proposals, revenue estimates and the level of the council tax for the financial year 2020/21).

5. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting. Provost Cameron may then adjourn the meeting to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups.

6. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups to move their respective budget statements and speak in support of the principal points of their proposals. However, Provost Cameron shall have the power to require any person speaking to limit their speech in order to facilitate the conduct of the meeting.

7. Provost Cameron will then invite other Members to take part in the debate including Conveners of the Policy Boards who may wish to take the opportunity to respond concerning the services for which they have responsibility.

8. The debate will conclude with Provost Cameron giving the Convener the opportunity to reply.

9. A vote or votes will then be taken in accordance with the provisions of standing orders.

Renfrewshire Council

To: Council

On: 9 March 2020

Report by: Director of Finance & Resources

Heading: Revenue Budget and Council Tax 2020/21

---

1. SUMMARY

1.1 This report provides members with an overview of the Council's anticipated financial position on the General Fund revenue budget and sets out the information required for the Council to set its budget and council tax for 2020/21. Members are expected to bring forward proposals to secure a balanced budget, and to assist in this, Directors have been providing details of the financial, service and equality implications of any changes to current service levels, as requested by members.

1.2 In setting the 2020/21 budget, members will wish to consider carefully the medium term financial context for the Council and the ongoing financial pressures and challenges facing the public sector more generally as set out in more detail in the main body of this report.

1.3 The Scottish Government has not provided detailed spending plans beyond their draft budget for 2020/21 but has importantly for context through its first two iterations of its annual Medium Term Financial Strategy (MTFS) reaffirmed its stated policy and spending commitments over this parliamentary period to areas of the public sector across Scotland which does not include the existing core grant for local government.

1.4 As outlined to members in previous financial outlook reports, the Scottish Government's own high level forecast of overall future revenue spending in Scotland over the medium term anticipated relatively shallow growth in spending.

1.5 In this context, coupled with the Government's stated commitments to real terms growth and protection of other areas of the public sector, including the NHS, Police, and early learning and childcare expansion; the prospects for the unprotected areas (the biggest element of which is the existing core local government grant), was considered to be consequently negative in their outlook with a reduction in future funding settlements likely to emerge over the medium term.

1.6 Members will be aware of the significant disruption to the normal budget setting cycle at both a UK level and consequently Scottish Government level following the unscheduled General Election on the 12th December 2019. As a consequence of this event, the planned UK

Government comprehensive spending review scheduled for November 2019 and Scottish Government draft budget and draft local government settlement scheduled for 12th December 2019 were both postponed. As outlined in more detail in the main body of this report, the UK Government budget announcement is expected on 11th of March and has been confirmed will be for a single year only with a multi year comprehensive spending review not expected until towards the end of this calendar year. Notwithstanding this delay at a UK level, the Scottish Government has elected to publish its own draft budget ahead of the UK, informed by announcements already made by the UK Government and ongoing engagement with the UK Government and HM Treasury.

1.7 In the lead up to and following the UK election in December, there has been spending announcements by the UK government leading to an expectation of a material increase in public sector spending at a UK level in 2020/21 and that this would benefit Scotland through positive Barnett consequential adjustments to the Scottish Block Grant. However, many of these new spending announcements are linked to the NHS and Police as well as infrastructure capital investment. It was therefore anticipated that should the Scottish Government choose to pass on these positive Barnett consequential adjustment directly to the NHS and Police budgets in Scotland, there was limited prospect of any material improvement emerging for the core local government grant beyond what was previously forecast.

1.8 Following the publication of the Scottish Government's draft budget for 2020/21, this anticipated outcome broadly emerged with the key points of note being as follows:

- Spending on public services is up by around 3.6% in real terms compared to budget 2019/20, excluding new responsibilities in relation to the delivery of social security.

- This uplift is nearly all due to positive Barnett consequential adjustments flowing from spending increases by the UK Government and is the largest increase in the block grant since pre-austerity days.

- The Scottish Government has elected to maximise spending in 2020/21 by using its resource borrowing powers to mitigate the impact of approximately £200 million of negative fiscal reconciliation adjustments in 2020/21 (which reflect the 2017/18 budget being based on a set of income tax forecasts that subsequently turned out to be too optimistic). This borrowing will however be required to be repaid in future years.

- Further, the expected fiscal reconciliation for 2021/22 although now slightly less negative at around £550 million, is nevertheless a very large future risk which along with the deferred £200 million adds significant net budget pressure that will need to be managed by the Scottish Government in future years.

- The outlook for earnings in Scotland, which underpins the forecasts for income tax, has improved marginally since the Scottish Fiscal Commission's last assessment in May 2019. As a result, the outlook for tax revenues is also now slightly better than might have been anticipated 6 months ago. However, as outlined later in the report, the overall economic outlook remains weak by historic standards.

- The budget effects of the devolved Scottish tax policy, which raises over £500 million more in revenues than if UK tax policy were implemented, has been all but wiped out by weaker earnings growth in Scotland relative to the UK, and there is nothing in the current economic forecasts to suggest any degree of recovery in this position in the next few years.

- Nationally, the budget for capital spending is up significantly. The capital block grant from Westminster is increasing by 12% in real terms. On top of this, the government plans to make full use of its capital borrowing powers in 2020/21. This will take capital investment in real terms in Scotland back to its pre-austerity peak. However as outlined in the capital report included on the Council agenda, this contrast starkly with the reduction in local government capital funding, where the Council's general capital grant settlement has been reduced by approximately 20% from 2019/20.

- For local government the headline increase in revenue resources announced by the Scottish Government was £495 million. However of this increase, around £590 million is linked to funding for new priorities such as Early Learning and Childcare expansion, funding for policy interventions in teachers pay, pass through funding from the UK government for teacher pension increases as well as conditional pass through funding for social care services delegated to Health and Social Care Partnerships. After adjustment for such areas the like for like comparison to 2019/20 is equivalent to a cash cut of 1%.

- This is approximately reflected in the Council's individual draft financial settlement with a like for like grant reduction of 1.1% which is broadly in line with the Council's central financial planning scenario.

1.9 There has been clear disruption to the normal course of fiscal and economic reporting events triggered by the calling of a UK General Election. The impact of this has undoubtedly heightened short term uncertainty in the context of the delays to national budget setting timetables at both a UK and Scottish level. The publication of the Scottish draft budget in advance of the UK Budget for 2020/21 being published on 11 March 2020 is unprecedented and inherently creates a degree of uncertainty with regards the spending commitments outlined within the Scottish draft budget. The timing of both the UK Budget and Scottish Draft Budget also truncates the period available for Parliamentary scrutiny of the draft Scottish Government budget; with the Budget Bill Stage 1 debate in the Scottish Parliament having taken place on the 27th February 2020 with stages 2 and 3 scheduled to take place on 4th and 5th March.

1.10 Similar to previous years, following the stage 1 parliamentary debate on 27th February 2020, the Scottish Government announced a revision to the local government budget and draft settlement. In relation to the revenue grant, an additional £95 million of grant is being made available in 2020/21 for local government. This additional £95 million moves the local government revenue budget settlement nationally into a cash standstill position on a like for like basis moving from 2019/20 to 2020/21. For the Council, the confirmed distribution of the additional resources will provide a further £3.101 million of revenue grant, moving the Council close to a cash standstill position with the like for like change in grant between financial years being a reduction of 0.18%.

1.11 It is recognised however that should the UK budget once announced differ materially from the range of assumptions made by the Scottish Government, they have indicated that they may be required to revisit and adjust funding and spending commitments as currently set out in their own budget, which could impact on the local government settlement.

1.12 In this context the prospects for the Council's grant settlement over the medium term remain at this stage subject to ongoing uncertainty. Despite the improvements in overall spending emerging at a Scottish Government level for 2020/21, this has resulted in only a marginal improvement in the like for like change in the existing core grant for local government from 2019/20, with a flat cash position being confirmed after the additional resources announced after the stage 1 parliamentary debate are taken into account, as set against a 0.4% cut in 2019/20.

1.13 Given some of the additional resources announced by the Scottish Government after the stage 1 debate have been funded through the use of in year flexibility resources, there remains some uncertainty over whether all of this additional funding will be baselined moving beyond 2020/21. There is therefore limited positive indication from the 2020/21 settlement to suggest any material adjustment should be made to the central planning assumption over the next two years of a forecast 1.25% per annum reduction in government grant funding for the Council. This is particularly the case in the context of the ongoing commitments made by the Scottish Government to the other priority areas of their budget coupled with the financial risk exposure that accompanies growing fiscal devolution for the Scottish Government. In the short term this is manifesting itself in significant challenges as a result of the growing fiscal reconciliation adjustments, estimated at approximately £2 billion, to be addressed over coming years along with relative weak underlying economic and earnings growth which now play a significant and direct role in the future prospects for the Scottish Budget nationally.

1.14 Members should note that similar to previous years and as detailed in the main body of the report, the Council's financial settlement for 2020/21 is conditional upon the package of measures linked to the local government finance settlement. To date the Scottish Government has not provided any confirmation of the financial sanction of not agreeing to and or implementing the full package of measures.

1.15 In setting out the terms of the draft local government finance settlement, the Scottish Government has again set a cap for Council Tax increases expressed as a 3% in cash terms (4.84% real terms). No element of the grant award is directly linked to this condition but equally no detail has been provided by the Scottish Government of any adjustment that would be made to the financial settlement were the Council to increase council tax beyond the 4.84% cap.

1.16 The Council has over the past number of years taken a medium term view of its financial position, agreeing savings measures which have supported temporary investment in priority areas. Over the past number of months, budget assumptions have been updated and confirmed, including most notably the confirmed grant available to the Council in 2020/21 and the associated conditions, the impact of new statutory obligations, the likely impact of increasing demographic and demand pressures and expected council tax yield levels for 2020/21. In addition, the Council has continued to take a number of decisions as part of the medium term financial strategy linked to the new Right for Renfrewshire transformation programme and Debt Smoothing Strategy that support the release of mitigating savings in 2020/21, as well as Directors continuing to identify areas of existing resource that can be re-directed to mitigate the impact of new emerging cost pressures. After taking account of the cumulative impact of each of these issues there is, as presented in this report, a temporary budget surplus for 2020/21 of £2.365 million for 2020/21, subject to any further decisions taken by members.

1.17 Moving beyond 2020/21, it is anticipated that that the Council will continue to face significant financial challenges, with a forecast budget deficit over the two year period 2021 - 23 of approximately £20 million - £25 million. In this context it is strongly recommended by the Director that members should consider carefully any investment decisions that are not one-off or temporary in nature.

1.18 The Council's financial projections beyond 2020/21 include, by necessity, a range of underlying assumptions and there remains significant uncertainty in relation to key elements of the Council's future financial position. Most notably the areas of key uncertainty continue to focus upon:

- *Future grant settlement* – as referred to above, there is limited encouragement from the 2020/21 draft budget and wider economic and fiscal outlook at a national position in Scotland that would suggest at this point there is any justification to alter the current medium term forecast for the Council future government grant prospects. It remains the central planning perspective the expectation that existing core revenue grant levels made available to local government are likely to experience a further medium term period of cuts, with uncertainty over both the scale and period of reductions and the current central planning assumption of 1.25% per annum cash cut for the Council over 2021 – 23 remains broadly valid. On the assumption a comprehensive spending review is announced at a UK level, the Scottish Government remains committed to providing multi-year financial settlements for local government. Should this emerge this will represent a positive step in facilitating greater certainty in forecasting the Council's medium term financial outlook.

- *Future Pay Settlements* - Moving into 2021/22 the certainty provided by the current 3 year pay deal will fall away and a new round of negotiations will open up. The uncertainty around funding and the expectation of a continued squeeze on local government resources moving forward will be an important financial backdrop for future pay negotiations. The current three year settlement has provided a degree of restoration in pay levels with above inflation pay awards. However, the financial sustainability of future pay awards at similar levels will be a key challenge for local government in Scotland to balance as set against the ambitions of negotiating trade union bodies.
- *Demand led Pressures* – demographic and socio-economic demand led cost pressures, in particular on both Children's Services and Adult Social Care, continue to be a key financial risk moving forward. In response, the Council is through the Right for Renfrewshire programme and partnership with Renfrewshire Health and Social Care Partnership continuing to actively progress a range of demand and cost management actions which seek to mitigate the ongoing growth in costs. As detailed later in the report, it is recommended that £1.8 million of a recurring provision is made by the Council to uplift the resources made available to the HSCP in line with the conditions set out in the financial settlement for the Council. This represents funding which the Scottish Government continues to pass through from the Health portfolio to support Social Care via the local government budget, but only for those functions which have been delegated to Health and Social Care. Therefore, similar to 2019/20, these resources are not available to support pressures within Children's Social Care or Criminal Justice Services within Renfrewshire. This funding uplift is approximately £0.4m above the forecast uplift that has been incorporated into both the Council's and HSCP's financial planning arrangements and it is expected that on this basis a balanced budget position will be presented to the Integrated Joint Board for consideration later in March. It is however recognised that the scale of cost and demographic demand pressures can at times be volatile moving forward and additionally the long term financial sustainability of increasing year on year the transfer of resources from the NHS budget by the Government to support Integration Authorities may come under increasing pressure. Consequently, the future scale of demographic and demand pressures from social care on the Council's core budget remains subject to uncertainty that will require ongoing and active management to mitigate as far as is possible.

1.19 The nature of the Council's financial outlook beyond 2020/21, both in scale and potential for movement, means that the Council should continue as in previous years to adopt a strategic and sustainable financial plan linked to the delivery of priorities approved in the Council Plan and agreed with partners in the Community Plan. These strategic priorities will continue to provide a focus in future budget decisions, where the delivery of core services must be balanced with the resources that will be available to the Council. It is also important that the Council's underlying financial strategy maintains a medium term perspective focused on financial sustainability, recognising the uncertainty around key elements, the variation in potential scale of savings that will be required over the medium term and the ambitions of the Council to redirect investment to support the delivery of key outcomes.

1.20 In addition, members should continue to be alert to the timing of future spending plan announcements from the Scottish Government. Although it is acknowledged that the Scottish

Government have committed to three year funding settlements, potentially from 2021/22 onwards, it remains likely that the next budget announcement from the Scottish Government with regards local government funding will not be until December this year, after a potential UK Government Comprehensive Spending Review in the autumn. The Council should therefore continue to progress financial planning on the basis that for 2021/22 at least, there may again be limited time to respond to the confirmed grant settlement. Moving beyond 2021/22 it would be expected that multi-year financial settlements will go some way to mitigating the risk that the long period of annualised financial settlements has brought to local government financial planning arrangements. Consequently, it is important that the Council continues to pro-actively progress financial planning work in the context of the medium term outlook through the Right for Renfrewshire programme which as detailed in previous reports to members now represents the principal vehicle for the Council to address the future estimated budget gap of £20 million - £25 million in a way which seeks to ensure the most important priorities continue to be delivered by the Council.

1.21 In setting the 2020/21 budget, members should remain aware that any commitments to additional recurring expenditure will increase the projected medium term deficit in future years unless they are offset by sustainable savings or increased resources arising from an increase in Council Tax. Finally, members are encouraged to take a holistic view of the Council's total resources, covering both capital and revenue. In coming to final budget decisions, members' attention is drawn to unallocated capital resources available to the Council of £0.645 million, as detailed at Item 2 of this agenda.

2. RECOMMENDATIONS

Members are asked to:-

2.1 Submit for approval proposals for any savings and/or investments and any service changes as part of delivering a balanced budget for 2020/21, and in doing so: -

- to consider the equality impact of any proposed service changes as referred to at paragraph 7.7 and,

- to assess whether adequate provision is being made in the 2020/21 budget to deliver against the specified commitments linked to the Council's grant settlement for 2020/21, as detailed at paragraph 3.2.

2.2 Approve the provisions for inflationary pressures as recommended at Section 5.

2.3 Approve the revenue estimates for all services for 2020/21 subject to adjustment for the allocation of specific grants, inflationary allowances and any proposals for service changes approved by Council.

2.4 Approve the release of additional resources being made available in 2020/21 to Renfrewshire Health and Social Care Partnership as set out in paragraph 4.6.

2.5 Approve that the Council retains unallocated general fund balances of £7.5 million in 2020/21 and that a transfer to or from the Investment Programme Capital Fund is utilised as required to achieve this recommended position on the closure of the 2019/20 accounts.

2.6 Submit for approval the council tax banding levels A to H inclusive to apply for 2020/21.

3. GRANT SETTLEMENT

3.1 On the 6th February 2020 the Scottish Government published their draft budget for 2020/21 which was subject to parliamentary approval over the course of February and March 2020. Also, on 6th February, the draft local government finance settlement was published as set out in the Local Government Finance Circular 1/2020, which provided details of the provisional revenue and capital funding allocations for 2020/21 for local government across Scotland.

3.2 Circular 1/2020 confirmed Scottish Government revenue grant funding in 2020/21 for the Council of £338.783 million. The then Minister for Public Finance and Digital Economy outlined associated conditions in a letter to all Council Leaders that set out specific commitments that should be read in conjunction with the detail of the financial settlement that make up the provisional funding allocation and which constitute: -

a) Maintaining at a national level the overall pupil teacher ratio (PTR) and providing places for all probationers who require one.

b) The continued prioritisation of financial support for social care. Included within the local government settlement, the Government has provided an additional £100m nationally to support health and social care as delegated to Integration Joint Boards broken down as follows:

- £57.2m to support cost and demand pressures
- £25m to support continued delivery of the real Living Wage
- £11.6m to support the ongoing implementation of the Carers Act
- £4m to support School Mental Health Services
- £2.2m to support free personal and nursing care

The government confirmed that taken together, the total additional funding of £100 million is to be additional to each Council's 2019/20 recurrent spending delegated Integration Authorities and not substitutional. The Government confirmed this means that Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must nationally be £100 million greater than the 2019/20 recurrent budget.

c) The continuation of the Council Tax cap of 3% in real terms (4.84% in cash terms), representing the maximum increase that can be applied locally by an individual council as part of setting the 2020/21 budget.

3.3 The grant floor (which doesn't include all revenue funding but the majority) was set by the Scottish Government at a maximum reduction of 0.44%. Ten councils are immediately on the floor, with a further ten pulled down onto the floor once the floor calculation mechanism is applied. There are therefore twenty, of the thirty two councils, on the grant floor with the grant change ranging from a grant increase of 1.70% to a cut of 0.44%. Renfrewshire is 10th on the floor calculation table, one of 12 councils not on the floor, with an initial grant increase of 0.97%, which converts to a grant cut of 0.31% after the application of the floor mechanism. This results in Renfrewshire surrendering £3.511 million of grant to support the floor compensation measures for the ten councils immediately on the floor.

3.4 The Council's settlement figure includes a number of adjustments for new spending burdens, responsibilities and conditional funding, totalling £20.916m million linked primarily to the ongoing implementation of the expansion in free Early Years Learning and Childcare and the Carers (Scotland) Act; direct pass through of funding to Integration Joint Boards, Government intervention in teachers' pay and pension arrangements. There is also a range of differences in the planned timing of distribution of resources linked to discretionary housing payments, and Barclay review implementation from the settlement position outlined for 2019/20.

3.5 After adjusting for these areas of new burdens funding, new responsibilities, conditional funding and timing differences in the distribution of funding, the Council's 2020/21 core grant figure as set out in the provisional local government finance settlement has, on a like for like basis, decreased by 1.1% from 2019/20, broadly in line with the 1% like for like cut nationally. The Council's share of the overall local government revenue funding settlement has increased marginally from 3.21% to 3.22%.

3.6 The publication of the Scottish draft budget in advance of the UK Budget for 20/21 being published on 11 March 2020 inherently creates a degree of uncertainty with regards the spending commitments outlined within the Scottish draft budget. The timing of both the UK Budget and Scottish Draft Budget also truncates the period available for Parliamentary scrutiny of the draft Scottish Government budget; with the Budget Bill Stage 1 debate in the Scottish Parliament having taken place on 27th February 2020 with stages 2 and 3 taking place on the 4th and 5th March.

3.7 Similar to previous years, following the stage 1 parliamentary debate on 27th February 2020, the Scottish Government announced a revision to the local government budget and draft settlement with an additional £95 million of revenue grant being made available in 2020/21. This additional £95 million moves the local government revenue budget settlement nationally into a cash standstill position on a like for like basis moving from 2019/20 to 2020/21. For the Council, the confirmed distribution of the additional resources will provide a further £3.101 million of revenue grant, moving the Council close to a cash standstill position with the like for like change in grant between financial years being a reduction of 0.18%.

3.8 Further, it was also subsequently confirmed that in addition to the £100 million transfer from the health portfolio to support Integration Authorities, similar to last year, flexibility will be available to local authorities to offset their adult social care allocations to Integration Authorities by up to 2% and a maximum of £50 million in 2020-21 based on local needs

3.9 As referred to above, the UK Government's budget is not due to be announced until 11th March. Should this differ materially from the range of assumptions made by the Scottish Government in setting their own budget, there remains the potential that the Scottish Government may revisit and adjust funding and spending commitments as currently set out in their own budget, which could impact on the local government settlement. In the event that the level of funding available to the Council changes from that allocated, a further report to Council may be required to consider the implications of such a change.

Table 1 – Grant Settlement 2020/21

	2020/2021 £000
Provisionally allocated Government Grant Funding	
Specific Grants	26,453
Non Domestic Rate Income	110,286
Revenue Support Grant	205,145
TOTAL CONFIRMED GOVERNMENT GRANT	**341,884**

3.10 There are sufficient resources included within the proposed budget set out in this report to meet the conditions set out as part of the offer to local government with the condition in relation to Council Tax being subject to elected member's decisions in setting the budget for 2020/21. If the Council elects not to take up this package on offer from the Scottish Government, it has not at this stage been confirmed what action the Scottish Government may take in response.

3.11 As detailed above, beyond 2020/21, although no specific grant figures are available for local government across Scotland and consequently for Renfrewshire, it is anticipated that local government in Scotland will continue to face a challenging medium term financial outlook with further reductions in the levels of revenue grant made available by the Scottish Government. At present there is significant uncertainty over what the scale of this reduction will be, however the economic outlook provided by the Scottish Fiscal Commission (SFC) outlines economic growth in Scotland averaging around 1.0-1.2% over the next 5 years – lower than the April 2019 OBR forecast for the UK over the same period (it is anticipated the OBR will update this forecast when the UK budget is produced on 11 March 2020). Subdued annual growth forecasts of this nature over a sustained period increases the risk of more limited growth in future tax receipts which in turn is an additional constraining factor on future spend across the public sector in Scotland. This coupled with the Scottish Government's stated commitments to fully fund the delivery of key policy priorities, which the existing core local government grant not does feature within, presents overall a challenging financial outlook for the future prospects for the local government portfolio within the Scottish Government's overall budget.

3.12 The revised SFC forecasts also outline that, in relation to the devolution of tax and social security powers under the Scotland Act 2016, and the fiscal framework which accompanies these powers; the block grant adjustments will require the Scottish Government to either raise taxes, cut spending or utilise reserves/borrowing to make up the shortfall. In 2020/21, the Scottish Government has elected to borrow the £207 million required with this borrowing being repaid over the following five years. The indicative reconciliation adjustment for 2021/22 is £555 million; resulting in the SFC warning that future reconciliations could result in much larger repayments being required; adding pressure to the Scottish Budget position over the medium term.

3.13 There also remain wider risks, in particular the potential outcome that may unfold over coming weeks and months in respect to the publication of the UK Budget on 11 March 2020; and future trading relationships with the EU and the rest of the world. The Scottish Government's budget is therefore being exposed to heightened downside risks and uncertainty that may potentially increase further over the medium term adding to the financial pressures nationally and which is likely to present an increasingly challenging outlook for local government. Moving forward, members will be kept appropriately briefed and informed as announcements are made by the Scottish and UK Governments during the course of 2020 and in addition, of any significant developments in the wider UK economy which are likely to materially change the future financial outlook for the Council.

4. SPENDING PRESSURES, MANAGING DEMAND, AND AGREED SAVINGS

4.1 An analysis has been enclosed with this report detailing, for each service, the proposed budget changes between 2019/20 and 2020/21. The budget has been adjusted to reflect: -

(i) the continuing costs of the current level of service;

(ii) the financial impact of any decisions already taken by the Council or its Policy Boards as well as required adjustments to budgets to reflects specific aspects included within the financial settlement; and

(iii) the continuation of the approved medium-term debt smoothing strategy which will support the delivery of further budget savings on financing charges in 2020/21.

4.2 Demographic and socio-economic factors continue to play a major role in driving spending pressures for the Council, specifically in relation to both Adult and Children's Services and relating mainly to: -

- older people's services linked to the shift in the balance of care, supporting older people to live safely at home for as long as possible, and facilitating prompt discharge from hospital;

- the increasing number and complexity of care packages required to support adult clients to live as independently as possible in the community; and

- increasing demand in relation to additional support needs for children across both internal staffed services and externally commissioned support and care services.

4.3 The Council has for several years and more recently in conjunction with the Integration Joint Board been taking forward a range of mitigation strategies designed to dampen the impact of demand led growth. These strategies have extended across multiple perspectives including: -

- Seeking to provide more cost effective services - for example Children's Services has been focusing on a long term strategy to shift a number of care arrangements to in-house provision, reducing reliance on arrangements sourced through more expensive external agencies.

- Investing in preventative and early intervention measures and redesigned services to reduce longer term demand growth as outlined in the recent Right for Renfrewshire report in relation to Children's Services.

- Better service provision to reduce ongoing demand - for example Children's Services has focused on delivering a long term strategy to improve how well the service is able to support children through to places of permanency, principally aimed at delivering more sustainable outcomes for the children but at the same time reducing ongoing demand for temporary care arrangements.

4.4 In this context, the Director of Children's Services has confirmed that resources to be made available to manage demographic and socio-economic pressures will be sufficient to manage such pressures after the impact of ongoing demand and cost mitigation strategies. There remains some uncertainty in relation to the scale of service pressures that will gradually emerge in relation to the impact of the extension of statutory responsibilities to provide services for looked after children through until they are 25. The scale, shape and extent of the cost pressure in this regard is likely to develop over time and will require careful monitoring.

4.5 Over the course of 2020/21 Adult Services will again be exposed to expected cost pressures arising from the renewal of contractual arrangements, the financial impact of the negotiated application of the increased living wage across the sector, legislative changes impacting upon the cost of delivering support to Carers and the negotiated increase on the National Care home contract, agreement of which remains outstanding. The projected gross spending pressures for the HSCP, are being offset by a planned range of cost mitigation measures agreed by the HSCP in January. In addition, it is recognised that the HSCP is progressing a range of more significant transformation and service redesign work as reported to their

January board cycle with an update report due to be considered at their March meeting alongside consideration of their budget for 2020/21.

4.6 The HSCP's financial planning arrangements have been progressing on the basis of a net 2% (£1.4 million) uplift in financial resources from the Council moving into 2020/21. It is recommended that £1.8 million of a recurring provision is made by the Council to uplift the resources made available to the HSCP in line with the conditions set out in the financial settlement for the Council. This represents funding which the Scottish Government have indicated it continues to pass through from the Health portfolio to support Social Care via the local government budget, net of an allowable 2% flexibility adjustment set out in the associated grant conditions. This funding uplift is approximately £0.4m above the forecast uplift that has been incorporated into both the Council's and HSCP's financial planning arrangements and it is expected that on this basis a balanced budget position will be presented to the Integrated Joint Board for consideration later in March by the HSCP Chief Financial Officer.

4.7 Further, and as reported through 2019/20 budget monitoring arrangements, the HSCP is expected to underspend on Adult Social Care services in the current financial year with the underspend transferring to balances to support ongoing transformation activities and future cost pressures. Additionally, in the 2019/20 budget, the Council made available £1.4 million of its own non-recurring resources to support the HSCP meet the costs of transformation activities for which no draw has been made or is anticipated to be made over the course of this year. These resources will therefore remain available to the HSCP to continue to support change and transformation as well as key prevention and early intervention activities that will support long term demand management as well as better outcomes for individuals and their families.

4.8 Table 2 below summarises the recommended base budget adjustments to reflect the pressures facing the Council in 2020/21. Also included in the table is an adjustment arising from the ongoing implementation of the Council's medium term debt smoothing strategy and Right for Renfrewshire Programme which will support the delivery of budget savings in 2020/21 and subsequent years.

Table 2 - Summary of Recommended Base Budget Adjustments 2020/21

	2020/21	
	£000	**£000**
Net Impact of previous Council and Board Decisions		
Reversal of 2019/20 single year investments	(7,630)	
Debt Smoothing Saving against Financing Costs	(2,000)	
Right for Renfrewshire programme	(2,569)	
Other Savings approved in 2019/20 and prior years	(1,696)	
Total (Net Reductions)		**(13,895)**
Add:		
Early Learning Expansion	8,018	
Financial Settlement adjustments	10,642	
Pay/staff related	1,410	
Contract Payment Adjustments	2,917	
NDR/Utilities	230	
Revenue costs of prior investment decisions	2,861	
Memorial headstone safety assessment	1,000	
Other Unavoidable Pressures	122	
Total Increases		**27,200**
Net Base Budget (Reduction)/Increase		**13,305**

5. PAY AND PRICE PRESSURES

5.1 The 2020/21 budget position detailed in Table 3 at paragraph 7.1, includes a provision for pay inflation at £7.265 million. This provides for the agreed pay settlement for both teachers and non-teaching staff for 2020/21, including the element of the teachers pay settlement funded by the Scottish Government and includes £0.856 million for the HSCP funded by the pass through resources as part of the financial settlement.

5.2 In setting previous budgets, the Council decided not to apply any general inflationary uplift to non-pay budgets. Given the financial challenges facing the Council, in particular over the medium term and in line with historic practice, general non pay inflation is not provided for in the 2020/21 budget.

5.3 The Financial Regulations require charges for services to be reviewed at least annually. The overview of the Council's spending in Table 3 at paragraph 8.1 makes provision of £0.086 million for an inflation adjustment to charges at 2%.

6. FINANCING COSTS

6.1 The provision for financing costs includes both debt charges payable as a result of the Council's capital investment programme and the interest gained on temporary investment of cash. In assessing financing cost requirements, an assumed average interest rate of 4.61% has been applied. A minor adjustment has been made to the temporary interest income budget reflecting existing cash balances and management approaches, and an expectation that interest rate levels are unlikely to materially increase over the course of the year. A minor revision to the treasury management strategy is proposed in the Non-Housing capital investment programme report elsewhere on this agenda which will allow the Council to invest for longer periods with appropriately assessed counterparties.

6.2 As previously reported to members, a strategy of debt smoothing, with the intention of releasing budget savings over the medium term, is incorporated into the Council's medium term financial planning assumptions. As referred to earlier in this report, a further tranche of £2 million of savings is being released from the financing cost budget in 2020/21 as part of the strategy to address the underlying medium term budget deficit and overview position outlined in section 7. It should be noted that while any avenue for further debt related savings will continue to be explored, it is anticipated this will represent the final tranche of significant Debt Smoothing in its current form. Moving forward, the Council will be consequently more heavily reliant upon both service redesign and transformation to support the delivery of savings over the medium term. As previously reported to members, this change represents an important milestone in the Council's long term financial strategy arrangements and will place increased emphasis and need for the Right for Renfrewshire programme to deliver significant levels of savings over the next two financial years.

7. SPENDING OVERVIEW

7.1 The Council approved spending for 2019/20 at the meeting on 28 February 2019 of £412.151 million. This figure was based on an assumed level of grant in relation teachers pensions of £3.3 million. Subsequent to the 2019/20 Council budget being set, a revised finance circular (2/2019) was issued which released funding previously undistributed by the Scottish Government; resulting in a revised base expenditure figure for the Council of £412.895 million. It is estimated that £433.379 million (as detailed in Table 3) is needed to fund the costs of maintaining present service levels, provide for new responsibilities and conditional funding commitments provided as part of the financial settlement, new cost burdens and addressing known pressures and demands in 2020/21.

Table 3 – Estimated Spending Need 2020/21

	£000
Spending approved 2019/20 budget*	**412,895**
Add:	
Recommended Budget Adjustments (per Table 2)	27,200
Net reductions Applied (per Table 2)	(13,895)
Revised Budget per Appendix 1	426,200
Net Increase in Provision for inflationary pressures	7,179
Estimated spending need for 2020/21	**433,379**

* adjusted to reflect final local government settlement as per Financial Circular 2/2019

7.2 Significant cost pressures are anticipated to persist beyond 2020/21 for the Council. Some cost pressures, such as those related to some contractual commitments or taxation are easier to predict for future years. Uncertainty will once again emerge in relation to future pay pressures with the current 3 year agreement covering up to 2020/21 coming to an end and a new cycle of negotiations opening up. Next financial year is also the final year of the current triennial valuation of pension commitments, with a change in employer contribution rates being possible in 2021/22 and which may be exacerbated by the solution implemented to address the outcome from the McCloud Case, which was a successful equality challenge that will impact on all public sector pensions across the UK. Others, such as the impact of legislative and national policy changes, movement on key commodity prices and increasing demand led pressures are more difficult to estimate and are not necessarily within the direct control of the Council. In addition, and as referred to in section 3 above, there is continuing uncertainty in respect to how much of a reduction is likely to be experienced in government grant levels over the medium term. The intention that the Scottish Government would provide multi-year finance settlements from 2020/21 has been delayed due to the postponement of a UK Government comprehensive spending review, which may happen until the autumn of this year at the earliest. It appears likely that the Scottish Government will not commit to multi year budgets and financial settlements until a similar outlook is provided at a UK level and it is only at this point will this facilitate the Council to plan over the medium term with a greater degree of financial certainty in respect to Government Grant prospects.

7.3 It is also recognised that shorter term uncertainty is being exacerbated by what may emerge over coming months in relation to Brexit and the UK's future trading relationships with the EU. The potential impact this may have on the economy and public finances at both a UK and Scottish level in both the immediate term and moving forward over the medium to longer term is at this point uncertain and will require careful ongoing monitoring and assessment.

7.4 In this context there remains a material degree of uncertainty in relation to the scale of savings that the Council may be required to deliver over even the short term period through to 2022/23. Based on existing assumptions and estimates, the position for 2020/21 presented in this report and subject to any decisions taken by Council for 2020/21, it is forecast that a residual funding gap of approximately £20 million - £25 million is likely to emerge for the medium term period 2021/22 – 2022/23 (for the purpose of clarity this forecast budget gap is prior to the impact of any council tax level change applying in any of these financial years).

7.5 Consequently, the Council will continue to operate with a medium term financial outlook that remains inherently uncertain, both in scale and potential for variability. It is important therefore that the Council continues to adopt a flexible medium term perspective to the delivery of savings and maintains a strategic and sustainable focus to its financial planning linked to the delivery of priorities approved in the Council Plan and agreed with partners in the Community Plan. The Council should plan for the possibility that over the future financial years there may continue to be limited time to respond to confirmed grant settlements and manage both unexpected and higher levels of cost pressures than is currently being forecast. Consequently, the Council needs to continue to pro-actively progress financial planning work for 2021/22 and beyond through the Right for Renfrewshire Programme to prepare for what is anticipated to be a continuation of a highly challenging and uncertain financial period for the Council.

7.6 Members will continue to be updated on developments for future years, but should be aware that in setting the 2020/21 budget any commitments to additional recurring expenditure will increase the projected deficit in future years unless they are offset by recurring savings or increases in Council Tax. Similarly, any decisions taken now to address the future year budget deficits provides greater certainty for service planning and the workforce, and also supports the future financial stability of the Council.

7.7 Where the Council is making decisions in relation to its spending priorities, it is obliged to comply with the public sector equality duty set out in the Equalities Act 2010. This means that the Council must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct
- Advance equality of opportunity between people who share a relevant characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

7.8 To meet this requirement, where necessary the Council must assess the impact of applying a new policy or decision against these three "needs" and at the point where a decision is made elected members must have sufficient information available to them to assess that impact. Members in considering their budget proposals prior to presentation at the Council meeting are therefore encouraged to seek advice from Directors on the equality implications of each proposal.

8. RESOURCE ALLOCATIONS

8.1 Appendix 1 attached summarises the provisional resource allocation for each service in terms of the revenue estimates which accompany this report at Appendix 2. The resource allocations will be subject to amendment to reflect the Council's views on budget proposals, inflationary pressures and the allocation of central support costs, specific grants and capital charges.

9. PROBABLE OUTTURN 2019/20, BALANCES AND RESERVES

9.1 Appendix 3 to this report details an overview of the Probable Outturn for 2019/20.

9.2 The Council's general fund balances as at 1st April 2019 were £59.144 million, and as outlined in Table 4 below, the significant majority of this was earmarked for specific purposes. As reported to members during the course of 2019/20, a year-end break-even position was being projected at period 8 and this is expected to move to a small forecast underspend of approximately £0.400 million in the period 10 report to the next cycle of policy boards. In line with this current projection, the position on unallocated reserves on the closure of the 2019/20 accounts is expected to be £7.537 million.

9.3 It is important that the Council maintains sufficient reserves to protect it during the course of the financial year. Audit Scotland will continue to closely monitor the Council's position to ensure unallocated general working balances remain at an appropriately prudent level and it is recommended that in the context of the Council's risk profile moving into 2020/21, unallocated reserves are maintained at least at £7.5 million, approximately 1.7% of the Council's net expenditure.

9.4 Table 4 below summarises the forecast movement and year end position of the General Fund balances, including those earmarked for agreed purposes and estimated future liabilities.

Table 4 – General Fund Balances 2019/20

	Balances as at 1/4/2019	Forecast In Year Change and Year End Transfers	Forecast Closing Position as at 31/3/2020
	£000	**£000**	**£000**
Service Modernisation and Reform Fund	10,343	400	10,743
PPP Reserve	12,670	-	12,670
M74 Contribution	566	(566)	-
Development Contribution - Paisley Town Centre	1,056	-	1,056
Early Years Strategy	1,051	1,000	2,051
Kilbarchan AAC	250	(250)	-
Welfare Reform	603	(170)	433
Community Safety	31	(31)	-
Private Sector Housing Grant	2,687	(225)	2,462
Renfrewshire HSCP	1,232	(1,232)	-
Paisley Town Centre Heritage Strategy	2,632	(424)	2,208
City Deal	1,273	(46)	1,227
Tackling Poverty	4,002	(1,000)	3,002
Service Year End Flexibility	1,049	-	1,049
Public Wi Fi Project	344	(145)	199
Pupil Equity Funding	1,426	-	1,426
Culture Bid Legacy	2,411	-	2,411
Villages Improvement Fund	370	-	370
Community Empowerment Fund	472	(50)	422
Digital Infrastructure	440	(30)	410
Employability	4,500	-	4,500
Environment and Place	2,500	(500)	2,000
British Sign Language	99	(20)	79
Unallocated General Fund Balances	7,137	400	7,537
Total General Fund Balances	**59,144**	**(2,889)**	**56,255**

9.5 As previously reported to Council in its consideration of the 2018/19 accounts, and as detailed in Table 5 below, other specific reserves continue to be maintained.

Table 5 – Specific Reserves 2019/20

	Balances as at 1/4/2019	Forecast In Year Movement	Forecast Balance as at 31/3/2020
	£000	**£000**	**£000**
Insurance Fund	2,543	-	2,543
Reservoir Repair Fund	315	-	315
Education Capital Items Fund	1,047	-	1,047
Investment Programme Capital Fund	76,733	5,000	81,733
Total Specific Reserves	**80,638**	**5,000**	**85,638**

9.6 The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes such as the cost of insurance excesses and premiums.

9.7 The Reservoir Repairs Fund represents funding received from a developer for repairs in perpetuity in relation to the Thornly Dam.

9.8 The Education Capital Items fund is earmarked for specific schools for the planned purchases of a capital nature such as computers and information communication technology equipment.

9.9 The Investment Capital Fund is used to hold planned contributions to the delivery of the ongoing capital investment programmes as well as resources which support the debt smoothing strategy operating across the General Fund. These debt smoothing resources are utilised to manage both the debt levels linked with the capital investment programme and the associated debt servicing costs charged to the revenue account each year.

10. COUNCIL TAX

10.1 The Council's council tax (Band D) for 2019/20 is £1,257.09 and is £6.09 (0.5%) above the Scottish average. It is estimated that in 2020/21 each £1 of council tax will yield £74,267 gross (£63,187 net of adjustment for Council Tax Reduction) which is higher than 2019/20. The increase in the yield reflects actual and anticipated growth in the council tax base in the context of the recovery being experienced in the housing development market along with a drop in the level of discounts being awarded, primarily linked to the Council Tax Reduction Scheme and operational improvements to better manage discount eligibility.

10.2 A maximum net gross yield of £93.360 million can be anticipated from the forecast Council Tax base and present council tax levels. Within the context of the current service resources, specific collection initiatives continue to be implemented to support the collection of council tax, including the recovery of arrears for prior years. It is anticipated that £0.500 million will be collected next year from prior years.

10.3 Members are required to determine the level of council tax for Bands A to H inclusive which should apply for 2020/21, and in doing so, are reminded of the grant conditions detailed at paragraph 3.2.

11. BUDGET OVERVIEW – 2020/21

11.1 The overview budget position for the Council for 2020/21, prior to any changes in service levels or council tax levels, is outlined in Table 6 below. This overview position confirms a temporary in year revenue surplus for 2020/21, subject to decisions by members in setting the final budget for 2020/21.

Table 6 – Budget Overview 2020/21

	£000
Income:	
Confirmed Government Grant (per Table1)	341,884
Council Tax Income	93,360
Council Tax / Community Charge Arrears Recovery	500
Total Income	**435,744**
Less: Estimated Spending Need (Table 3)	433,379
Estimated Funding Surplus 2020/21	**2,365**

12. BUDGETARY CONTROL

12.1 Directors are expected to manage their approved budgets on a bottom line basis in accordance with the Financial Regulations. If an overspend emerges during the year on any approved budget line the Director is expected to take corrective action, seeking Policy Board approval for any policy changes involved in such actions.

13. FURTHER ACTION

13.1 Members wishing clarification of the details of this report or the enclosed Revenue Estimates pack should contact the Director of Finance & Resources or the Chief Executive or any Director in relation to their specific service responsibilities.

13.2 Members wishing advice on budget proposals should contact the appropriate service Director.

———————————————————————————————————————

Implications of the Report

1. **Financial** - The report and enclosures provide the background information on the 2020/21 budget, identifying a temporary surplus position, with a significant budget deficit of approximately £20 million - £25 million forecast over the following two years. As detailed in the report, if the Council does not comply with the specified set of commitments linked to the financial settlement offer as part of agreeing the 2020/21 budget, it would be anticipated that the grant settlement may be subject to review by the Scottish Government, albeit detail on the specific action that would be taken by the Government has not been confirmed.

2. **HR & Organisational Development** - implications will be subject to any budget proposals agreed.

3. **Community/Council Planning –** implications will be subject to any budget proposal agreed. Members should however keep in mind that over the medium term the Council is anticipated to have less resources in both cash and real terms and as such there will be a requirement to increasingly make key choices to direct reducing resources to support the delivery of those outcomes of greatest priority as defined in the Council Plan.

4. **Legal** – the Council is legally required to set a balanced budget.

5. **Property/Assets** - implications will be subject to any budget proposals agreed.

6. **Information Technology** - implications will be subject to any budget proposals agreed.

7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report, however the final implications will be determined by the budget proposals agreed. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** - none

9. **Procurement** – none

10. **Risk** - As outlined in the report, the Council continues to be faced with risk and uncertainty in setting its 2020/21 budget and future financial outlook over the medium term, principally in relation to factors outwith its direct control. In addition, the scope of ongoing change underway within the Council and scale of ongoing budget reduction necessary to realign Council spending with available resources over the medium term brings with it additional risk for the Council. In recognition of this it is

important that the Council's unallocated balances remain at an appropriately prudent level and that decisions taken by the Council pay due regard to the medium term financial outlook.

11. **Privacy Impact** - implications will be subject to any budget proposals agreed.

12. **Cosla Policy Position** – implications will be subject to any budget proposals agreed.

13. **Climate Risk** – implications will be subject to any budget proposals agreed.

Author: Alan Russell, Director of Finance & Resources

APPENDIX 1

REVENUE ESTIMATES 2020/21
PROVISIONAL RESOURCE ALLOCATION STATEMENT
(subject to amendment for any budget proposals approved by Council)

Service	RESOURCES ALLOCATION £000
Chief Executive's Service	9,306
Children's Services	200,802
Leisure Services	11,006
Environment & Infrastructure	41,142
SPTA	3,168
Finance and Resources	31,691
Valuation Joint Board	1,671
Community, Housing and Planning	10,514
Adult Services	69,598
Miscellaneous Services	37,863
Loans Fund	9,438
NET EXPENDITURE PER APPENDIX 2	**426,200**
Total per Table 3	**426,200**

(Note: No allowance has been included in the resource allocations at this stage for inflation identified in section 5 of the report)

APPENDIX 2

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2021
General Fund Summary
Objective Summary

Net Expenditure	2019/20 Estimates* £	2020/21 Estimates £
Children's Services	**176,089,767**	**200,801,755**
Leisure Services	**10,386,408**	**11,005,908**
Environment & Infrastructure	**35,445,187**	**41,142,214**
Finance and Resources	**33,203,537**	**31,691,446**
SPT	**3,167,700**	**3,167,700**
Valuation Joint Board	**1,301,800**	**1,670,800**
Communities, Housing and Planning	**9,743,783**	**10,514,457**
Chief Executives	**9,578,146**	**9,305,544**
Miscellaneous	**54,275,788**	**37,863,379**
Adult Services	**64,114,750**	**69,598,492**
Loans Fund Loans Fund (included in Miscellaneous in 2019/20)	**0**	**9,438,135**
Net Expenditure	**397,306,866**	**426,199,830**

* Estimates as per Report to Council 28 February 2019, prior to any budget decisions and in-year redeterminations

Renfrewshire Council

General Fund Probable Outturn for 2019/20

Line No	Net Expenditure	2019/20 Revised Estimates £000	2019/20 Probable Outturn £000
1	Children's Services	204,220	204,220
2	Leisure Services	10,376	10,376
3	Environment and Infrastructure	41,622	41,622
4	Finance and Resources	31,046	31,046
5	Renfrewshire Valuation Joint Board	1,415	1,415
6	Communities, Housing and Planning Services	11,428	11,028
7	SPT	3,048	3,048
8	Chief Executive Services	10,388	10,388
9	Miscellaneous Services	24,740	24,740
10	Adult Services	70,849	70,849
11	Loans Fund	15,212	15,212
12	Net Expenditure	424,344	423,944

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : CHIEF EXECUTIVE

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**9,196,944**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		108,600	
Transfers (PAPER 3)		-	
			108,600
2020/21 Estimates			**9,305,544**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : CHIEF EXECUTIVE

CE		£
1	Better Council budget adjustments	(64,000)
2	Digital Strategy development	64,000
3	Mainline Economic Regeneration staff and strategy development	203,000
4	Inflationary increase in Scotland Excel requisition	3,500
5	Inflationary increase in COSLA levy	2,100
6	Reversal of 2019/20 single year investments	(100,000)
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**108,600**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : CHIEF EXECUTIVE

CE		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : LEISURE SERVICES

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**10,386,408**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		619,500	
Transfers (PAPER 3)		-	
			619,500
2020/21 Estimates			**11,005,908**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : LEISURE SERVICES

LS		£
1	Renfrewshire Leisure Contract Payment adjustment	619,500
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**619,500**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : LEISURE SERVICES

LS		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : CHILDRENS SERVICES

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**190,082,755**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		9,419,000	
Transfers (PAPER 3)		1,300,000	
			10,719,000
2020/21 Estimates			**200,801,755**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : CHILDRENS SERVICES

ED		£
1	Reversal of 2019/20 single year investments	(135,000)
2	Management costs reduction	(210,000)
3	PPP Contract Indexation Adjustment	410,000
4	Childrens care - external provider contract adjustments	192,000
5	Early Years operating cost funding	111,000
6	Teacher Numbers funding adjustment	208,000
7	Early Years expansion	8,018,000
8	Settlement adjustment: School counselling	518,000
9	Additional Support for Learning	307,000
10		
	Total Increase (Decrease) to Budget	**9,419,000**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : CHILDRENS SERVICES

CS		£
1	Transfer Teacher numbers funding	600,000
2	Transfer childrens social care funding	700,000
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**1,300,000**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : ENVIRONMENT & INFRASTRUCTURE

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**41,249,214**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(132,000)	
Transfers (PAPER 3)		25,000	
			(107,000)
2020/21 Estimates **(Before budget decisions)**			**41,142,214**

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : ENVIRONMENT & INFRASTRUCTURE

EI		£
1	Reversal of 2019/20 single year investments	(300,000)
2	Better Council Change Programme	(75,000)
3	Service changes agreed by Environment & Infrastructure Board January 2020	(202,000)
4	Revised charges agreed by Environment & Infrastruture Board January 2020	(537,000)
5	Digital traffic lights	53,000
6	Waste collection - increased costs relating to new housing	114,000
7	Waste disposal - increased costs relating to new housing	90,000
8	General waste pressures	600,000
9	Inflationary increase in food costs	65,000
10	Soft Facilities Management - Early Years	30,000
11	Real time bus passenger information systems maintenance	30,000
	Total Increase (Decrease) to Budget	**(132,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : ENVIRONMENT & INFRASTRUCTURE

EI		£
1	Price inflation on streetlighting electricity	50,000
2	Vehicles workshop investment - supported borrowing costs	(25,000)
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**25,000**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**3,167,700**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		-	
Transfers (PAPER 3)		-	
			-
2020/21 Estimates			**3,167,700**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

SPT		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	-

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

SPT		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : FINANCE AND RESOURCES

	£	£	£
Analysis of Change between 2019/20 and 2020/21			
2019/20 Estimates			**30,837,696**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		853,750	
Transfers (PAPER 3)		-	
			853,750
2020/21 Estimates			**31,691,446**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : FINANCE AND RESOURCES

FAR		£
1	Increase in Licensing income budget	(70,000)
2	Council-wide Buying Additional Annual Leave saving	(50,000)
3	Treasury and cash management efficiencies	(100,000)
4	DWP Benefit Admin Subsidy reduction	153,000
5	Associate bodies requisition changes	61,250
6	Increase in Council-wide Insurance Premiums and IPT	131,000
7	Required cyber security updates and MS Enterprise agreement	349,700
8	ICT software licensing and maintenance increased costs	178,300
9	CBS core staffing budget adjustment	85,500
10	Unison accommodation contribution (TU Facility Agreement)	9,000
11	Scottish Welfare Fund - settlement adjustment	106,000
	Total Increase (Decrease) to Budget	**853,750**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : FINANCE AND RESOURCES

FAR		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

	£	£	£
Analysis of Change between 2019/20 and 2020/21			
2019/20 Estimates			**1,414,800**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		256,000	
Transfers (PAPER 3)		-	
			256,000
2020/21 Estimates			**1,670,800**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
1	Barclay funding pass through to RVJB	256,000
2		
3		
4		
5		
6		
7		
8		
9		
10		
		256,000

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
		-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : COMMUNITY, HOUSING AND PLANNING SERVICES

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**10,437,557**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		76,900	
Transfers (PAPER 3)		-	
			76,900
2020/21 Estimates			**10,514,457**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : COMMUNITY, HOUSING AND PLANNING SERVICES

CHAPS		£
1	Clyde Muirshiel Park requisition	9,000
2	General non-staffing efficiencies	(22,500)
3	Management and overtime cost reduction	(32,500)
4	Increased charges (pest control and export health cert's)	(60,100)
5	Settlement adjustment: Rapid Rehousing Planning	183,000
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**76,900**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : COMMUNITY, HOUSING AND PLANNING SERVICES

OH		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : ADULT SERVICES

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**68,654,903**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		943,589	
Transfers (PAPER 3)		-	
			943,589
2020/21 Estimates			**69,598,492**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : ADULT SERVICES

AS		£
1	Service demand pressures	550,000
2	Settlement adjustment: Health and Social Care	393,589
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**943,589**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : ADULT SERVICES

AS		£
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : MISCELLANEOUS

Analysis of Change between 2019/20 and 2020/21

	£	£	£
2019/20 Estimates			**32,255,001**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		6,958,378	
Transfers (PAPER 3)		(1,350,000)	
			5,608,378
2020/21 Estimates			**37,863,379**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : MISCELLANEOUS

		£
1	Reversal of 2019/20 Motion Decisions	(435,000)
2	Reversal of Kilbarchan AAC contribution (total £0.5m contribution over 2 years)	(250,000)
3	Council-wide Non-domestic Rates Poundage increase	130,000
4	Council-wide price inflation on Electricity and Gas	100,000
5	Memorial headstone safety assessment	1,000,000
6	Right for Renfrewshire savings as agreed by Leadership Board	(2,569,000)
7	Settlement adjustments (eg Teachers' Pay & Pensions)	9,232,378
8	Full impact of Water Direct process change	(250,000)
9		
10		
	Total Increase (Decrease) to Budget	**6,958,378**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : MISCELLANEOUS

MS		£
1	Teacher numbers	(600,000)
2	Children's social care	(700,000)
3	Price inflation on streetlighting electricity	(50,000)
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**(1,350,000)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
DEPARTMENT : LOANS FUND

	£	£	£
Analysis of Change between 2019/20 and 2020/21			
2019/20 Estimates			**15,212,429**
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(5,799,294)	
Transfers (PAPER 3)		25,000	
			(5,774,294)
2020/21 Estimates			**9,438,135**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : LOANS FUND

		£
1	Debt Smoothing Strategy savings	(2,000,000)
2	Reversal of 2019/20 Motion Decisions	(6,660,000)
3	Supported borrowing implications of agreed investments (Heritage and City Deal)	2,860,706
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**(5,799,294)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2020/21 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : LOANS FUND

LF		£
1	Vehicles workshop investment - supported borrowing costs	25,000
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total Increase (Decrease) to Budget	**25,000**

Renfrewshire Council

To: Council

On: 9 March 2020

Report by: Director of Finance & Resources

Heading: Non Housing Capital Investment Programme, Prudential Framework and Treasury Management Strategy, and Capital Strategy 2020/21 – 2024/25

---

1. **Summary**

1.1 This report details the planned capital investment for non housing services, which as well as covering a range of Corporate projects includes projects across all service areas within the Council with the exception of Council Housing. The resources available to support investment include prudential borrowing and capital grant as well as contributions from revenue, partners and external funding bodies.

1.2 On 6 February 2020 the Scottish Government published the draft Scottish Government budget for 2020/21, with the provisional local government finance settlement as outlined in Finance Circular 1/2020 also being published on 6 February 2020. The proposed capital grant for Renfrewshire Council in 2020/21 outlined in the Circular is £12.337 million, of which £0.292 million is specific grant relating to cycling and walking safer streets (CWSS). Further to the £12.045 million of general capital grant above, £3.600 million of specific capital grant has also been allocated to support the expansion of Early Years Education and Childcare provision. Associated early years investment proposals will continue to be subject to appropriate reporting through the Education and Children's Services Policy Board as the expansion planning and funding distribution for Early Years progresses.

1.3 The Scottish Government subsequently announced on 27 February 2020 an additional £15m of specific capital funding in relation to Cycling, Walking and Safer Streets, of which the Renfrewshire allocation is £0.491 million. This additional allocation brings the total CWSS specific capital grant in 2020/21 to £0.783 million. The Scottish Government have also announced a further £25 million capital funding to support investment in energy efficiency measures. The allocation of this funding has to be agreed with COSLA so at this point there is no indication of what the allocation to Renfrewshire may be or on what basis an allocation may be made. As this position becomes clear an update will be provided to the relevant Policy Board.

1.4 The level of general capital grant allocated to local government in the draft Budget for 2020/21 (£468 million) is substantially reduced from that received in 2019/20 (£712 million). The general grant allocation for Renfrewshire outlined above is 20% lower than the general capital grant received in 2019/20. Should the general capital grant continue at the level received in 2020/21 over the coming years, the Council will require to fundamentally reappraise its capital planning approach. At this level of grant there would be a requirement to reduce the level of rolling maintenance programmes that have been supportable in previous years. There would also be no scope for any investment in assets other than rolling lifecycle maintenance unless other sources of funding were secured, including for example realised capital receipts, sustainable prudential borrowing funded by recurring revenue savings and external grant funding. As outlined later in the report, £2 million of realised capital receipts are supporting the 2020/21 proposed programme, offsetting to a degree the significant drop in general capital grant.

1.5 Within the draft Budget and local government capital settlement, the Scottish government has also announced a £50 million Heat Networks Early Adopters Challenge Fund to support local authorities who are ready to bring forward investment-ready heat network projects. This will be a competitive fund to provide enabling and financial support to assist the build and installation of exemplar local authority-led heat network projects. It is anticipated the Fund will be launched early in 2020/21 following consultation with COSLA with regards detailed terms and conditions.

1.6 The Scottish Government has previously proposed an intention for there to be multi-year funding settlements for local government from 2020/21 which would assist future capital investment planning. The delay with the announcement of the UK budget to 11 March 2020 has however limited the ability of the Scottish Government to develop a multi-year settlement therefore the 2020/21 settlement is again for one year only. However the Scottish Government has reconfirmed its commitment to providing multi-year settlements when possible. It should be noted that the capital plan outlined in this report extends beyond 2020/21, reflecting approved programmes already in place which are funded by other arrangements eg prudential borrowing or specific funding related to the City Deal. It should be further noted that this approach does not preclude the Council taking further investment decisions as part of the budget process where separate funding arrangements are established.

1.7 The Prudential Code & Treasury Management Code play a key role in capital finance in local authorities, and they require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities; while the Prudential Code also requires full Council approval of the Capital Strategy which sets out the long term context within which capital investment decisions are made to improve capital, revenue and balance sheet planning. Details of the proposed prudential indicators and treasury management strategy are attached at Appendix 6; and the proposed capital strategy is attached at Appendix 7.

---

2. Recommendations

It is recommended that Council:

2.1 Approves the investment programme covering the period up to 2024/25 as summarised in Table 2 of the report and detailed in Appendices 1-5 attached.

2.2 Notes that, subject to the approval of the proposed investment programme, there are uncommitted resources of £0.645 million held in the Strategic Asset Management Fund available for allocation to new investment priorities for the Council.

2.3 Notes that visibility of the Council's capital grant funding position beyond 2020/21 may be improved from 2021/22 assuming a three year settlement is available, however no assumptions are included within the planned programme beyond this financial year in respect to future grant levels with the exception of the commitments agreed by Council in setting the 2019/20 capital plan in relation to roads and infrastructure investment over the medium term.

2.4 Delegates to the Head of Property Services, Head of Operations and Infrastructure, and Head of Schools in consultation with the Director of Finance and Resources, authority to adjust where appropriate resources across individual components of the lifecycle maintenance, roads and structures and schools investment programmes respectively.

2.5 Approves the suite of prudential indicators set out in Appendix 6 to this report, subject to any required adjustments arising from decisions taken by the Council in relation to the capital and revenue budget reports being presented to this Council meeting.

2.6 Approves the treasury management strategy for 2020/21, including the treasury management indicators, set out in Appendix 6 to this report.

2.7 Approves the Capital Strategy set out in Appendix 7 to this report.

2.8 Considers the equality impact of any decisions being taken by members relating to the recommendations outlined in 2.1 to 2.7 above.

---

3. **Overview of Capital Resources and Current Programme**

3.1 The updating of the capital programme outlined in this report focuses on the 2020/21 financial year**.** It is against this background that this report is presented and which includes:

- Confirmation of the roll forward of projects already approved as part of the existing Capital Investment Plan. This includes the major projects already underway as part of the existing investment programme.

- In line with the Council's agreed medium term financial planning principles and as reconfirmed at the September 2019 Council meeting, general capital grant for 2020/21 be directed in the first instance to maintain the delivery of the Council's rolling lifecycle maintenance programmes across the Council's key asset classes as follows:

    - the life cycle maintenance programme for the Council's property portfolio (£4.0 million);

    - maintaining an annual replacement programme for the Council's vehicle fleet (£1.8 million, of which £0.3m is committed to support the delivery of 2 refuse collection vehicles in 2019/20 as agreed by the Finance & Resources Policy Board in November 2019);

    - maintenance programmes for the Council's transport infrastructure covering roads & footpaths (£5.6 million), bridges (£0.3 million) and streetlighting/traffic lights (£0.5 million).

    - Maintenance and refresh of the Council's ICT estate (£0.7 million)

- maintaining delivery of the private sector housing programme (£0.5 million).

- Unallocated capital resource held within the Strategic Asset Management Fund (SAMF), which is available for consideration and direction to priority investment areas.

3.2 Table 1 and Table 2 below provide a high level summary of the current resources and investment programmes over this period with full details outlined in Appendices 1-5.

Table 1: Resource Availability 2020/21 - 2024/25

Project Title	Programme 2020/21 £000s	Programme 2021/22 £000s	Programme 2022/23 £000s	Programme 2023/24 £000s	Programme 2024/25 £000s
Prudential Borrowing	22,250	58,784	18,550	12,808	2,200
TOTAL BORROWING	**22,250**	**58,784**	**18,550**	**12,808**	**2,200**
Specific Grant	10,714	3,413	250	250	0
General Capital Grant	12,045	5,600	5,600	2,600	0
City Deal Grant	4,301	4,541	9,769	38,545	51,540
City Deal borrowing	28,637	34,498	14,199	0	360
Usable Capital Receipts	13,267	17,123	0	0	0
C.F.C.R.	6,021	6,824	0	0	0
Total Resource Availability	**97,236**	**130,783**	**48,368**	**54,203**	**54,100**

Table 2: Programme 2020/21 - 2024/25

Project Title	Programme 2020/21 £000s	Programme 2021/22 £000s	Programme 2022/23 £000s	Programme 2023/24 £000s	Programme 2024/25 £000s
Major Programmes					
Schools Estate Programme	13,727	8,563	10,400	11,008	400
Grass Pitches & Changing Facilities	637	0	0	0	0
Transformation & ICT	1,231	400	400	400	400
Private Sector Housing Programme	2,050	0	0	0	0
City Deal Projects	34,462	39,038	23,968	38,545	51,900
Regeneration	4,277	2,000	1,500	0	0
Paisley Learning & Cultural Hub	2,802	2,703	0	0	0
Paisley Museum	5,616	31,202	0	0	0
Investment in Heritage Venues & Town Centre Infrastructure	7,690	31,490	650	0	0
Town Centre Capital Fund	1,333	0	0	0	0
Townscape Heritage 2	2,285	855	0	0	0
Local Green Area Networks Projects	65	70	0	0	0
Digital Infrastructure Provision	1,200	300	0	0	0
Commnunity Empowerment Fund	351	450	0	0	0
Greenspaces and Parks	396	300	0	0	0
Asset Lifecycle Maintenance Programmes					
Vehicle Replacement	1,800	0	0	0	0
Roads & Footpaths	8,583	10,050	10,450	3,250	400
Bridges	300	0	0	0	0
Underwood Depot - Workshop Improvements	209	0	0	0	0
Lighting Columns and traffic signals	1,500	0	0	0	0
Parks Improvement Programme	60	0	0	0	0
Buildings Capital Lifecycle	5,157	1,000	1,000	1,000	1,000
Energy Efficiency Programme	402	0	0	0	0
Community Halls & Facilities Programme	124	2,362	0	0	0
Leisure Investment Programme	334	0	0	0	0
Strategic Asset Management Fund - unallocated	645	0	0	0	0
Total Planned Spend	**97,236**	**130,783**	**48,368**	**54,203**	**54,100**

3.3 Strategic Asset Management Fund and Regeneration Resources.

As detailed in table 2 above, there is £0.645 million of unallocated resources currently held in the Strategic Asset Management Fund (SAMF). These available resources are linked to the release of £2.0 million of unallocated capital receipts income.

4. Lifecycle Maintenance of Existing Assets

4.1 As outlined above, the Council has committed to a financial planning principle that capital grant resources would be directed in the first instance to supporting appropriate lifecycle maintenance programmes to protect the Council's existing assets and infrastructure. Annual lifecycle investment across the Council's key asset classes during 2020/21 is included within the capital programme detailed in Appendix 3.

Property Lifecycle Maintenance

4.2 The Council's property portfolio was predominantly built prior to statutory and health and safety legislation and guidance and as such the current identified priorities focus primarily on undertaking investment to improve health and safety standards, compliance with statutory duties and improving energy efficiency across the property portfolio. In addition, priority investment is also required to deliver further access improvements within Council properties. A summary programme, reflecting those projects considered to be of the highest priority is outlined in Appendix 4.

4.3 It is recognised that a sufficient degree of flexibility in the management of the lifecycle maintenance fund is required to allow resources to be directed in a timely and appropriate manner to address changing priorities that may emerge. It is therefore proposed that as in previous years, the Head of Property Services, in consultation with the Director of Finance and Resources, is delegated authority to adjust the allocation of resources within this proposed programme, with appropriate reporting to the Finance and Resources Policy Board. This flexibility has been utilised in 2019/20 to re-phase £0.2m of resource to 2020/21 in order to accommodate planned works schedules and ensure effective procurement.

Roads & Footpaths

4.4 The investment level detailed in this report for 2020/21 was agreed by Council on 28 February 2019 as part of a sustained investment programme in the roads, cycling and pathway network over the medium term. The investment programme will deliver a stepped change in the condition of key routes and transport infrastructure. Members should note that the investment agreed commits a significant portion of capital grant over the next financial years, in addition to prudential borrowing. Appendix 5 provides a breakdown of the proposed use of the resources across key programmes for 2020/21. Similar to property lifecycle maintenance, it is proposed that the Head of Operations and Infrastructure, in consultation with the Director of Finance & Resources, is delegated authority to adjust the allocation of resources within this programme.

Streetlighting, Bridges and Other Road Structures

4.5 The significant street light replacement programme agreed by Council in 2015 to replace largely sodium-vapour lights with more energy efficient LED lighting is now complete. However, it is proposed that in order to maintain the overall condition of street lighting columns, that a lighting column rolling replacement programme is continued.

4.6 Similar to the Council's property portfolio, a maintenance backlog has historically existed across the bridges and structures portfolio. Progress has been made over recent years with a range of significant bridge improvement projects, however it is recommended that a rolling maintenance programme of £0.3 million is maintained.

4.7 The Council is also required to address the implications of traffic signals converting in the coming years to utilise digital signals as opposed to the current analogue system. The £1 million agreed by Council for this purpose in 2019/20 continues to be utilised and further review of the traffic signal infrastructure and potential development is ongoing. It is recognised that there remains a risk that the existing level of resources may need to be reassessed as the full future requirements are fully developed.

Vehicle & Plant Replacement Strategy

4.8 The Council has invested significantly from capital resources over recent years to support a vehicle replacement strategy. Continued investment of £1.8 million is required in order to sustain planned vehicle replacement cycles and maintain the ability of the existing vehicle & plant fleet to meet the needs of services and mitigate against increased revenue pressures arising from additional maintenance and temporary hire costs due to increased vehicle failure rates. This funding will also support the match funding of grant received in relation to the purchase of 2 electric minibuses, supporting the council's efforts to tackle climate change and further expand the scale of the electric fleet in the Council beyond small vehicles.

Private Sector Housing Grant (PSHG)

4.9 The PSHG is utilised to support a range of support programmes for private sector housing owners and is funded through a mix of revenue and capital funding. A priority component of this programme has been to support owner occupiers in meeting the costs of common works being delivered in mixed tenure blocks. This is a key enabler with regards the implementation of the housing investment programme.

5. Prudential Framework for Capital Finance and Treasury Management Strategy 2020/21

5.1 The Local Government in Scotland Act 2003 and supporting regulations require local authorities to have regard to the following codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):

- The Prudential Code for Capital Finance in Local Authorities ("the Prudential Code");
- Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code").

5.2 The Prudential Code & Treasury Management Code play a key role in capital finance in local authorities. Local authorities determine their own programmes for capital investment in assets that are central to the delivery of services. The Prudential Code and Treasury Management Code were developed to support local authorities in taking decisions relevant to their capital investment plans.

5.3 Their key objectives are to ensure that:

- capital investment plans are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with professional practice and support affordability, prudence and sustainability;
- capital investment decisions are consistent with, and support, local strategic planning, local asset management planning and proper option appraisal.

5.4 The Prudential Code and the Treasury Management Code require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

5.5 In addition, the Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities. This strategy sets out the Council's policies and plans for the year ahead in relation to the management of cash flows, money market transactions and capital market transactions (including borrowing and investing), the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

5.6 Attached at Appendix 6 to this report are full details of the Council's prudential indicators for 2020/21 and treasury management strategy for 2020/21 based upon the details outlined in this report.

6. Capital Strategy

6.1 The Capital Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services in local government along with an overview of how associated risk is managed and the implications for future financial sustainability.

6.2 Development and full Council approval of the Capital Strategy is a requirement of the Prudential Code, with the intention that the strategy sets out the long term context within which capital investment decisions are made, and to improve capital, revenue and balance sheet planning.

6.3 The Capital Strategy is attached at Appendix 7 to this report.

7. Equalities

7.1 Where the Council is making decisions in relation to its spending priorities, it is obliged to comply with the public sector equality duty set out in the Equalities Act 2010. This means that the Council must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct
- Advance equality of opportunity between people who share a relevant characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

7.2 To meet this requirement, where necessary the Council must assess the impact of applying a new policy or decision against these three "needs" and at the point where a decision is made elected members must have sufficient information available to it to assess that impact. Members in considering their capital investment proposals prior to presentation at the Council meeting, are therefore encouraged to seek advice from Directors on the equality implications of each proposal.

Implications of the Report

1. **Financial** – The Capital Plan outlines the planned investments in council assets over a three year period; along with the associated funding sources. The Capital Plan; Prudential Framework and Treasury Management Strategy; and Capital Strategy ensures that investment in council assets is undertaken in a prudent and financially sustainable fashion, is consistent with the council's priorities and agreed financial planning principles and is affordable for the Council now and in future years.

2. **HR & Organisational Development** - none

3. **Community/Council Planning –**

   - **Reshaping our place, our economy and our future** – the Capital Plan outlines investment in facilities and infrastructure which will support the regeneration of the local economy.
   - **Creating a sustainable Renfrewshire for all to enjoy** – the Capital Plan outlines investment in council and community facilities which will ensure these remain available for community use well into the future.

4. **Legal** - none

5. **Property/Assets** – the Capital Plan outlines significant investment in council assets and infrastructure over the medium term in order to ensure they remain fit for purpose and support efficient service delivery.

6. **Information Technology** – the Capital Plan outlines investment in ICT assets which will ensure the council continues to have access to secure, efficient ICT services.

7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – the Capital Plan outlines investment in council assets and facitlities to ensure they remain safe and accessible in line with statutory obligations.

9. **Procurement** – the Capital Plan outlines significant investment in council assets which will be procured in conformance with all relevant contract standing orders and procurement legislation.

10. **Risk** – investment in council assets ensures they remain fit for purpose and meet all statutory requirements in terms of accessibility, sustainability and safety.

11. **Privacy Impact** - none

12. **Cosla Policy Position** – none

13. **Climate Risk** – investment in council assets improves energy efficiency and helps to reduce the council carbon footprint.

Author: Alastair MacArthur - Head of Finance, Ext 7363

Appendix 1

2020/21 – 2024/25 Capital Investment Programme Resources

Department	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
Schools and Early Years Investment	13,727	8,563	10,400	11,008	400
Leisure Estate	1,095	2,362	0	0	0
Environment & Infrastructure	12,452	10,050	10,450	3,250	400
Economic Development	58,530	107,359	26,118	38,545	51,900
Corporate Projects	9,381	2,450	1,400	1,400	1,400
Private Sector Housing Grant	2,050	0	0	0	0
TOTAL GENERAL SERVICES PROGRAMME	**97,235**	**130,784**	**48,368**	**54,203**	**54,100**

2020/21 – 2024/25 Capital Investment Programme Summary

Project Title	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
Prudential Borrowing	22,250	58,784	18,550	12,808	2,200
Specific Grant	10,714	3,413	250	250	0
General Capital Grant	12,045	5,600	5,600	2,600	0
City Deal Interim borrowing	28,637	34,498	14,199	0	360
Useable Capital Receipts	17,568	21,664	9,769	38,545	51,540
CFCR	6,021	6,824	0	0	0
TOTAL	**97,235**	**130,784**	**48,368**	**54,203**	**54,100**

Appendix 3

2020/21 – 2024/25 Capital Programme

Project Title	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
SCHOOLS INVESTMENT PROGRAMME					
Early Years 1140 hours Expansion	9,175	3,163	0	0	0
Primary Schools Estate Programme(SEMP 2014)	495	0	0	0	0
Primary Schools Estate Programme(SEMP 2020)	1,317	5,000	10,000	10,608	0
OTHER PROGRAMMES					
Technology Replacement Strategy ICT	400	400	400	400	400
TOTAL CHILDRENS SERVICES PROGRAMME	**13,727**	**8,563**	**10,400**	**11,008**	**400**

Project Title	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
EARLY YEARS 1140 HOURS EXPANSION					
General Early Years Expansion Programme	**0**	**789**	**0**	**0**	**0**
New Build					
Dargavel (Bishopton) - New Build	1,226	307	0	0	0
Hawkhead (Todholm) New Build	1,274	318	0	0	0
Houston - New Build	1,385	346	0	0	0
Kirklandneuk - New Build	1,204	301	0	0	0
Total New Build	**5,089**	**1,272**	**0**	**0**	**0**
Extension					
St Catherine's PS - Extension	434	111	0	0	0
Glendee Pre Five Centre - Extension	77	19	0	0	0
Inchinnan - Extension	922	246	0	0	0
Kilbarchan - Extension	662	185	0	0	0
St Margaret's - Extension	826	227	0	0	0
Williamsburgh Nursery - Extension	310	97	0	0	0
Total Extension	**3,230**	**885**	**0**	**0**	**0**
Refurbishment					
Ralston Nursery Class - Refurbishment	120	30	0	0	0
Glenburn Pre Five Centre - Refurbishment	89	22	0	0	0
Hollybush - Refurbishment	142	35	0	0	0
Ferguslie Pre Five Centre - Refurbishment	23	6	0	0	0
Mossvale Nursery Class - Refurbishment	5	1	0	0	0
Gallowhill Nursery - Refurbishment	61	15	0	0	0
Moorpark Pre Five Centre - Refurbishment	2	0	0	0	0
Auchenlodment Nursery - Refurbishment	4	1	0	0	0
St Anne's Nursery - Refurbishment	93	23	0	0	0
Lochwinnoch - Refurbishment	317	79	0	0	0
Total Refurbishment	**855**	**217**	**0**	**0**	**0**
EARLY YEARS 1140 HOURS EXPANSION	**9,175**	**3,163**	**0**	**0**	**0**

Appendix 3

2020/21 – 2024/25 Capital Programme

Project Title	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
LEISURE INVESTMENT PROGRAMME					
Community Sports Hubs	334	0	0	0	0
TOTAL LEISURE INVESTMENT PROGRAMME	**334**	**0**	**0**	**0**	**0**
OTHER PROGRAMMES					
Grass Pitches & Changing Facilities	637	0	0	0	0
Community Halls Refurbishment	124	2,362	0	0	0
TOTAL LEISURE SERVICES PROGRAMME	**1,095**	**2,362**	**0**	**0**	**0**

Project Title	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
PROGRAMME FUNDED BY SPECIFIC GRANT					
Cycling, Walking & Safer Streets - Outwith Travel Plans	783	250	250	250	0
Total Programme Funded By Specific Consent	**783**	**250**	**250**	**250**	**0**
ASSET LIFECYCLE MAINTENANCE PROGRAMMES					
Vehicle Replacement Programme	1,800	0	0	0	0
Bridge Assessment/Strengthening	300	0	0	0	0
Roads/Footways Upgrade Programme	7,800	9,800	10,200	3,000	400
Lighting Columns Replacement	500	0	0	0	0
Traffic Management	1,000	0	0	0	0
OTHER MAJOR PROGRAMMES					
Parks Improvement Programme	60	0	0	0	0
Underwood Depot - Workshop Improvements	209	0	0	0	0
TOTAL ENVIRONMENT & INFRASTRUCTURE	**12,452**	**10,050**	**10,450**	**3,250**	**400**

Appendix 3

2020/21 – 2024/25 Capital Programme

Project Title	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
CITY DEAL					
Glasgow Airport Investment Area	15,340	970	267	217	219
Clyde Waterfront & Renfrew Riverside	17,921	35,564	19,708	562	527
Airport Access	1,202	2,504	3,993	37,766	51,154
Total CITY DEAL	**34,463**	**39,038**	**23,968**	**38,545**	**51,900**
CITY DEAL RELATED PROGRAMMES					
GAIA Regeneration	2,000	2,000	1,500	0	0
AMIDS: Public Realm Phase	2,277	0	0	0	0
PAISLEY VENUE & TOWN CENTRE INFRASTRUCTURE					
Paisley Art Centre Redevelopment	400	2,144	0	0	0
Paisley Town Hall Redevelopment	3,366	16,705	650	0	0
Flexible Outdoor Facility/Travel & Accessibility Infrastructure	2,519	6,917	0	0	0
Sport and Leisure Infrastruture	1,404	5,724	0	0	0
Paisley Museum	5,616	31,202	0	0	0
Paisley Learning & Cultural Hub	2,802	2,703	0	0	0
Town Centre Capital Fund	1,333	0	0	0	0
Development & Housing Projects					
Townscape Heritage CARS 2	2,285	855	0	0	0
Local Green Area Networks Projects	65	70	0	0	0
TOTAL CHIEF EXECUTIVES PROGRAMME	**58,530**	**107,359**	**26,118**	**38,545**	**51,900**

Project Title	Revised Programme 2020/21	Revised Programme 2021/22	Revised Programme 2022/23	Revised Programme 2023/24	Revised Programme 2024/25
ICT PROGRAMME					
ICT Infrastructure Maintenance & Renewal Programme	1,231	400	400	400	400
Total ICT Programme	**1,231**	**400**	**400**	**400**	**400**
OTHER CORPORATE PROGRAMMES					
Strategic Asset Management Fund	645	0	0	0	0
Energy Efficiency Programme	402	0	0	0	0
Lifecycle Capital Maintenance (LCM) Fund	5,157	1,000	1,000	1,000	1,000
Digital Infrastructure Provision	1,200	300	0	0	0
Commnunity Empowerment Fund	351	450	0	0	0
Greenspaces and Parks	396	300	0	0	0
TOTAL CORPORATE PROJECTS PROGRAMME	**9,381**	**2,450**	**1,400**	**1,400**	**1,400**

Appendix 4

Property Lifecycle Maintenance Programme 2020 – 21*

	2020/21
	£m
Minor Works & Roofing Programme	2.500
Energy Programme	0.200
Asbestos Works – compliance with Asbestos legislation following inspections	0.100
Electrical Installations Works – compliance with Electrical testing inspections	1.700
Gas Installations Works – compliance with Gas testing inspections	0.300
Office Accommodation	0.100
Design and Pre Contract Works Allocation	0.100
TOTAL	**5.000**

* Note – the programme above reflects the additional £4m allocated from grant funding and £1m from borrowing

Appendix 5

Roads & Footpaths Lifecycle Maintenance Programme 2020 - 21

	2020/21 £m
Patching programme in advance of surface dressing	0.400
Footway Resurfacing	0.300
Carriageway Resurfacing	4.700
Surface treatment	0.600
Drainage Improvements	0.400
Defect/area based Patching	0.700
Staff Costs	0.700
Walking, Cycling and Safer Streets*	0.783
Total	**8.583**

* based on level of CWSS specific grant per the draft Scottish Budget

APPENDIX 6

Prudential Framework for Capital Finance 2020-2023 (estimates) and Treasury Management Strategy Statement 2020-2023

1. Summary

1.1 The Local Government in Scotland Act 2003 and supporting regulations require local authorities to have regard to the following codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):

- The Prudential Code for Capital Finance in Local Authorities ("the Prudential Code");
- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code").

1.2 Revised editions of the Treasury Management Code and the Prudential Code were published in December 2017 and adopted by Council on the 28th February 2019.

1.3 The Prudential Code and the Treasury Management Code require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.4 The Treasury Management Code further requires Council to approve, annually in advance, a strategy for its treasury management activities. This strategy (at sections 8 to 12 of this report) sets out the Council's policies and plans for the year ahead in relation to the management of cash flows, money market transactions and capital market transactions (including borrowing and investing), the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

2. Prudential framework for capital finance: purpose, governance and affordability considerations

2.1 The Prudential Code plays a key role in capital finance in local authorities. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality services. The Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in taking decisions relevant to their capital investment plans.

2.2 The key objectives of the Prudential Code are to ensure that:

- the capital investment plans are affordable, prudent and sustainable;

- treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved;
- capital investment plans are being made in light of the overall organisational strategy and resources, ensuring that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority.

2.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. The Prudential Code does not include suggested indicative limits or ratios – these are for the Council to set itself.

2.4 The prudential indicators required by the Prudential Code are designed to support and record local decision-making. They are not designed to be comparative performance indicators, and the use of them in this way would be likely to be misleading and counter-productive. In particular, local authorities have widely different debt positions and these differences are likely to increase over time as the result of the exercise of local choices. The system is specifically designed to support such local decision-making in a manner that is publicly accountable.

2.5 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This will be done by the same body that takes the decisions for the Council’s budget, that is, the full Council. The Director of Finance & Resources is responsible for ensuring that all matters required to be taken into account are reported to Council for consideration, and for establishing procedures to monitor performance.

2.6 Prudential indicators for previous years will be taken directly from information in the Council’s Statement of Accounts. If any item within the Accounts that is relied upon for a prudential indicator is the subject of audit qualification, this must be highlighted when the prudential indicators are set out or revised.

2.7 The Local Government in Scotland Act 2003 refers to affordability. The Council must consider the affordability of its capital investment during all the years in which it will have a financial impact on the Council. In doing so, the Council needs to pay due regard to risk and uncertainty. Risk analysis and risk management strategies should be taken into account. The Prudential Code also requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice.

2.8 The fundamental objective in the consideration of the affordability of the Council’s capital plans is to ensure that the total capital investment of the Council remains within sustainable limits, and in particular to consider its impact on the Council’s ‘bottom line’ and subsequent level of council tax. Affordability is ultimately determined by judgement about acceptable council tax levels and, in the case of the Housing Revenue Account, acceptable rent levels.

2.9 In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years. The Council is also required to consider known significant variations beyond this time frame. This requires the development of three-year revenue forecasts as well as three-year capital investment plans. The capital plans are rolling scenarios, not fixed for three years.

2.10 Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objectives of sustainability and prudence are addressed year on year.

2.11 It is also prudent that treasury management is carried out in accordance with good professional practice. The Prudential Code requires compliance with the Treasury Management Code.

2.12 A soundly formulated capital programme must be driven by the desire to provide high quality, value-for-money public services. The Prudential Code recognises that in making its capital investment decisions the Council must have explicit regard to option appraisal, asset management planning, strategic planning for the Council and achievability of the forward plan.

2.13 The Prudential Code does not specify how the Council should have regard to these factors. All of them represent elements of good practice for which guidance has already been provided by CIPFA and other authoritative sources. The Prudential Code instead concentrates on the means by which the Council will demonstrate that its proposals are affordable, prudent and sustainable.

2.14 The Prudential Code promotes transparency in decision-making by using information contained within the Council's Statement of Accounts and by having definitions for prudential indicators that are consistent with the definitions used within the Accounts.

3. Prudential framework for capital finance: prudential indicators for capital expenditure

3.1 **Capital expenditure**
Capital expenditure is defined in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* and must be consistent with financial reporting standards for accounting purposes. In addition, under the Local Government in Scotland Act 2003, local authorities have a duty to observe proper accounting practices.

3.2 Under section 35(1) of the Local Government in Scotland Act 2003, it is the duty of the Council to determine and keep under review the maximum amount which it can afford to allocate to capital expenditure.

3.3 The Council is required to make estimates of the capital expenditure it plans to incur for the forthcoming financial year and at least the following two years, and to keep these estimates under review. Separate estimates should be made for the Housing Revenue Account ("housing") and for General Fund ("non-housing") services. Details in relation to the planned investment programmes for non-housing and housing services are presented to this Council meeting in the main body of this report and in a separate report on this agenda respectively; and take account of the capital resources that will be made available to the Council from the Scottish Government in 2020/21 and the updated housing investment programme.

3.4 In addition to the approved capital investment plans, there may be projects which emerge throughout the year which will take advantage of the opportunities arising from the flexibility offered by the Prudential Code, and as a consequence the capital expenditure totals may change. Any required changes to the prudential indicators arising from new projects will be considered as part of the reports presented to Policy Boards or to the Council. It is recommended that the Council approves the following as the indicator for capital expenditure for the next three financial years:

Capital expenditure	**2020-21 estimate £m**	**2021-22 estimate £m**	**2022-23 estimate £m**
Non-housing	97.235	130.784	48.368
Housing	30.215	39.192	23.515
Total	**127.450**	**169.976**	**71.883**

3.5 The capital investment plans are to be funded from various sources, such as general and specific capital grants, contributions from revenue resources and secured capital receipts, as well as long-term borrowing. As a direct consequence of managing the increased risk in relation to the disposal of surplus land, and in line with practice adopted in previous years, there is no reliance on the funding of the capital investment plans from unrealised capital receipts.

3.6 After the year-end, the actual capital expenditure incurred during the financial year will be recorded for housing and for non-housing services. These figures will be included in the Council's Statement of Accounts, with explanations of significant variations from expectations. The actual capital expenditure incurred in 2018/19 was £64.742 million.

3.7 **Capital financing requirement**

Local authorities have available to them a number of ways of financing traditionally procured capital investment. The term "financing" does not refer to the payment of cash, but the resources that are applied to ensure that the underlying amount arising from capital payments is dealt with absolutely, whether at the point of spend or over the longer term. A number of financing options that are available to local authorities involve resourcing the investment at the time that it is incurred. These are:

- the application of usable capital receipts;
- a direct charge to revenue for the capital expenditure;
- the application of capital grants;
- up-front contributions from project partners and funders.

3.8 Capital expenditure which is not financed up front by one of the above methods will increase the capital financing requirement of the Council. It has often been referred to as “capital expenditure financed by borrowing”, however this is incorrect as borrowing provides the cash, not the resource, since borrowing has to be repaid. Also, “borrowing” in this context does not necessarily imply external debt since, in accordance with best professional practice, the Council has an integrated treasury management strategy and therefore does not associate borrowing with particular items or types of expenditure. The Council will at any point in time have a number of cash flows both positive and negative and will be managing its position in terms of its borrowing and investments in accordance with its treasury management strategy.

3.9 In measuring external debt, as detailed in section 4, the Prudential Code encompasses all borrowing, whether for a capital or for a revenue purpose. In day-to-day cash management no distinction is made between ‘revenue cash’ and ‘capital cash’. External borrowing arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Council’s underlying need to borrow for a capital purpose.

3.10 The Council is required to make reasonable estimates of its capital financing requirement at the end of the forthcoming financial year and the following two years, showing separately figures for housing and non-housing, and keep this under review. The capital financing requirement will increase whenever capital expenditure is incurred. If this capital expenditure is resourced immediately, through usable capital receipts, direct financing from revenue or application of capital grants/contributions, then the capital financing requirement will reduce at the same time that the capital expenditure is incurred, resulting in no net increase to the capital financing requirement. The capital financing requirement also will be reduced by charges to the revenue account in respect of past capital expenditure or where the Council may initiate voluntary early charges to revenue as part of longer term financial planning decisions. Where capital expenditure is not resourced immediately, this will result in a net increase to the capital financing requirement that represents an increase in the underlying need to borrow for a capital purpose. This will be the case whether or not external borrowing actually occurs.

3.11 It is recommended that the Council approves the following as the indicator for the capital financing requirement at the end of each of the next three financial years:

Capital financing requirement	**31 March 2021 estimate £m**	**31 March 2022 estimate £m**	**31 March 2023 estimate £m**
Non-housing	305	395	423
Housing	126	142	152
Total	**431**	**537**	**575**

3.12 After the year-end, the actual capital financing requirement as at the year-end will be calculated for housing, for non-housing and the total of the two. These figures will be included in the Council’s Statement of Accounts, with explanations for significant variations from expectations. At 31 March 2019 the capital financing requirement was £344.567 million.

3.13 **Statutory repayment of loans fund advances**
The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans funds advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to the Council so long as prudent provision is made each year. The Council is recommended to approve the following policy on the repayment of loans fund advances:-

> For pre-existing loans advances made up to 31st March 2016 and for forward capital expenditure plans made after 1 April 2016, the policy for the repayment of loan advances will be the Statutory Method (option 1), with loan fund advances being repaid by the annuity method.

The repayment of loan advances will therefore be equal to the annual amount determined in accordance with Schedule 3 of the Local Government (Scotland) Act 1975. The Council is permitted to use this option for a transitional period only, of five years until 31st March 2021, at which time it must change its policy to use alternative approaches based on depreciation, asset life periods or a funding/income profile.

4. Prudential framework for capital finance: prudential indicators for external debt

4.1 External debt is referred to as the sum of external borrowing and other long-term liabilities (such as finance leases). The prudential indicators for external debt must be set and revised taking into account their affordability. It is through this means that that the objective of ensuring that external debt is kept within sustainable prudent limits is addressed year on year.

4.2 External debt indicators are at two levels: an *operational boundary* and an *authorised limit*. Both of these need to be consistent with the Council's plans for capital expenditure and financing, and with its treasury management policy statement and practices.

4.3 **Operational boundary**
This is the focus of day-to-day treasury management activity within the Council, and is an estimate of the most likely, but not worst case, scenario in terms of cash flow. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes. It is possible that this boundary could be breached occasionally and this should not be regarded as significant. However, a sustained or regular trend would be significant and would require investigation and action.

4.4 The Council is required to set for the forthcoming financial year and the following two years an operational boundary for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the operational boundary over the three-year period 2020/21 through 2022/23:

Operational boundary for external debt	2020-21 estimate £m	2021-22 estimate £m	2022-23 estimate £m
Borrowing	362	471	512
Other long-term liabilities	69	66	63
Total	**431**	**537**	**575**

4.5 **Authorised limit**
This is based on the same assumptions as the operational boundary, with sufficient "headroom" to allow for unusual/exceptional cash movements. Headroom has been added to the operational boundary to arrive at an authorised limit which is sufficient to allow for cash flow management without breaching the limit.

4.6 The authorised limit will be reviewed on an annual basis and any changes will require approval by Council.

4.7 The Council is required to set for the forthcoming financial year and the following two years an authorised limit for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the authorised limit over the three-year period 2020/21 through 2022/23:

Authorised limit for external debt	2020-21 estimate £m	2021-22 estimate £m	2022-23 estimate £m
Borrowing	380	495	538
Other long-term liabilities	69	66	63
Total	**449**	**561**	**601**

4.8 After the year-end, the balance of actual external debt as at the year-end will be calculated and reported to Council, with borrowing and other long-term liabilities being shown separately.

4.9 The Council's actual external debt at 31 March 2019 was £298.865 million of which £224.590 million related to borrowing and £74.275 million to outstanding obligations on finance leases.

4.10 The actual external debt is not directly comparable to the authorised limit nor to the operational boundary, since the actual external debt reflects the position at one point in time. In addition, the external debt indicators are set based on the Council's potential external borrowing requirements for capital investment purposes. However, as part of the ongoing treasury management strategy the Council may utilise internal borrowing where it is deemed appropriate to avoid unnecessary exposure to interest rate risk. The adoption of this strategy results in the Council's net external borrowing being lower than the capital financing requirement. The projected external debt compared to the estimated capital financing requirement for the three-year period 2020/21 through 2022/23 is detailed at section 10.3.

4.11 In December 2018 the CIPFA/LASAAC Local Accounting Board confirmed that from 1st April 2020 the CIPFA Code of Practice on Local Authority Accounting would be adopting the accounting standard IFRS 16 Leases. The practical effect of adopting IFRS 16 will be to require any contract the Council has signed which provides the right to rent or lease exclusive use of an asset such as property or vehicles, to be recognised as an asset on the Council's balance sheet with a corresponding debt liability recognised at the present value of the future lease payments. This liability will be treating as additional borrowing, therefore, increasing the Capital Finance Requirement and other associated Prudential Indicators such as the Operational Boundary and Authorised Limit.

4.12 The Council is awaiting advice from external consultants, in relation to the proper accounting treatment under IFRS 16 of the shared Clyde Valley Waste disposal facility, and the subsequent impact on prudential indicators. An initial review of the contracts affected by the change to IFRS 16 indicate that there is no risk of the Authorised Limit above being breached once these contracts are included as part of borrowing. Any adjustment to the Authorised Limit as a result of incorporating IFRS 16 will be required to be approved by Council during 2020/21.

5. Prudential framework for capital finance: prudential indicator for treasury management

5.1 The prudential indicator in respect of treasury management is that the Council has adopted the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code"). Indeed, the revised 2017 edition of the Treasury Management Code has been adopted by the Council from 2019/20 onwards. This requires that the annual treasury management strategy statement is approved by Council, along with treasury limits for the three-year period 2020/21 through 2022/23.

5.2 In adopting the Treasury Management Code, the aim is to ensure that treasury management is led by a clear and integrated treasury management strategy, and a recognition of the pre-existing structure of the Council's borrowing and investment portfolios. The prime policy objectives of the Council's investment activities are the security and liquidity of funds, and the avoidance of exposure of public funds to unnecessary or unquantified risk. The Council should consider the return on its investments; however, this should not be at the expense of security and liquidity. It is therefore important that the Council adopts an appropriate approach to risk management with regard to their investment activities. Borrowing more than, or in advance of, the Council's needs purely in order to profit from the investment of the extra sums borrowed should not be undertaken. In those circumstances where borrowing is taken in advance of need, the security of such funds must be ensured and consideration should be given as to whether value-for-money can be demonstrated. These principles should be borne in mind when investments are made, particularly for the medium to long term.

5.3 The Treasury Management Code requires, amongst other things, that the Council approves, annually in advance, a strategy for its treasury management activities. The treasury management strategy for 2020/21 is set out at sections 8 to 12 of this report.

6. Prudential framework for capital finance: prudential indicators for prudence

6.1 It is possible that, while a council's financial strategy may be affordable in the short term, it is imprudent and unsustainable because in the medium term it would, if pursued, be dependent on the use of borrowing to fund revenue expenditure. For this reason the Prudential Code makes it necessary, if a financial strategy is to be prudent, that it is one in which the medium-term net borrowing is only to be used for capital purposes.

6.2 In the Prudential Code, this requirement is to be demonstrated through a comparison of net borrowing with the capital financing requirement. Except in the short term, net external borrowing should not exceed the total capital financing requirement in the previous year, plus the estimates of any additional capital financing requirements for the current and next two financial years.

6.3 The projected capital financing requirement at 31 March 2023 is £575 million (section 3.11). Net external borrowing should not exceed this level and, indeed, the projected operational boundary at 31 March 2023 is £575 million (section 4.4). The Council had no difficulty in meeting this requirement at 31 March 2019 and no difficulties are anticipated in meeting this requirement in the future.

6.4 In addition, ensuring that treasury management is carried out in accordance with good professional practice is an essential feature of prudence. The treasury management indicators required by the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code") are designed to help demonstrate prudence. The prudential indicator is that the Council has adopted CIPFA's Treasury Management Code. Indeed, the revised 2017 edition of the Treasury Management Code has been adopted from the 2019/20 financial year onwards.

7. Prudential framework for capital finance: prudential indicators for affordability

7.1 A key measure of affordability is the incremental impact of investment decisions on council tax or housing rents. Estimates of the ratio of financing costs to net revenue stream provide an indication of how much of the Council's revenue is committed to the repayment of debt. The estimated ratios for the next three financial years are:

Ratio of financing costs to net revenue stream	2020-21 estimate	2021-22 estimate	2022-23 estimate
Non-housing	3.99%	4.41%	4.81%
Housing	39.85%	38.17%	35.42%

† 2021-2023 Non-housing estimates are currently based on the 2020-2021 settlement figures because the current spending review does not extend past 2020-2021.

7.2 Financing costs include the interest payable with respect to borrowing, interest payable on finance leases, interest and investment income, loans fund and finance lease principal repayments and gains/losses on the repurchase or early settlement of borrowing.

7.3 Revenue streams relate either to the amounts received in terms of government grant and local taxpayers ("non-housing") or to the amounts received from tenants in respect of housing rents ("housing").

7.4 The estimate of the incremental impact of the capital investment proposals outlined in this report for non-housing services, and as outlined in the *Housing Capital Investment Plan*, are:

Impact of capital investment decisions	2020-21 estimate	2021-22 estimate	2022-23 estimate
... on Band D Council Tax	£0.00	£0.00	£0.00
... on weekly housing rents	£0.40	£1.21	£2.05

7.5 The impact on Band D council tax is nil due to the fact that the financing costs resulting from any additional capital expenditure and related borrowing will be funded from government grant support and savings in other areas of expenditure.

8. Treasury management strategy statement: compliance with the Prudential Code

8.1 In order to comply with the treasury management requirements of the Prudential Code, local authorities are required to adopt the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code").

8.2 This report covers the requirements of the CIPFA Treasury Management Code of Practice, including the Treasury Management Indicators, and the Scottish Government's 2010 Consent for the Investment of Money by Scottish Local Authorities.

8.3 The Council's **treasury management strategy statement** for 2020/21 is set out here at sections 8 through 12, and constitutes the Council's annual strategy and plan in relation to its treasury management activities as defined by the Treasury Management Code.

9. Treasury management strategy statement: objectives and responsibility for decision-making

9.1 The overall objectives of the Council's treasury management strategy are:

for **borrowings**:

- to minimise the revenue costs of borrowing,

- to manage the borrowing repayment profile,
- to assess interest rate movements and borrow accordingly,
- to monitor and review the level of variable rate loans held in order to take advantage of interest rate movements and
- to reschedule borrowing to improve the Council's repayment profile or to reduce the revenue costs of borrowing.

for **temporary investments**:

- to protect the capital security and liquidity of the invested funds and
- to obtain an acceptable market rate of return subject to protecting capital security and liquidity of invested funds.

These objectives are set within the context of the Council's over-arching objective in relation to treasury management activities: the effective management and control of risk.

9.2 The Council has a contract with Arlingclose Limited for the provision of treasury management consultancy services. It is recognised that there is value in employing such external service providers in order to acquire access to specialist skills and resources, however the responsibility for treasury management decisions remains with Renfrewshire Council at all times and undue reliance is not placed upon our external service providers.

9.3 The suggested treasury management strategy for 2020/21 is based upon the views on interest rates, supplemented with market forecasts provided by Arlingclose, and covers the following aspects of the treasury management function:

- 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 identified 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 use of external service providers.

10. Treasury management strategy statement: borrowing strategy

10.1 **Current external borrowing position**

The Council's external borrowing position as at 24 January 2020 was as follows:

External borrowing position	borrowing position as at 31.03.2019		borrowing position as at 24.01.2020		change in the year
	£m	average interest rate	£m	average interest rate	£m
Long-term borrowings:					
PWLB: fixed rate	171.674	4.70%	168.978	4.59%	– 2.696
PWLB: variable rate	0.000	0.00%	0.000	0.00%	0.000
Market loans	52.916	4.70%	52.916	4.70%	0.000
Total long-term borrowings	**224.590**	**4.70%**	**221.894**	**4.62%**	**– 2.696**
Short-term borrowings: nil					
Total of all external borrowings	**224.590**	**4.70%**	**221.894**	**4.62%**	**– 2.696**

10.2 The decrease in Public Works Loan Board (PWLB) borrowing represents the scheduled repayment of loans that matured during the period 1 April 2019 to 24 January 2020. These repayments were funded from investment balances.

10.3 **Projected borrowing position**

The Council's anticipated borrowing position for the forthcoming financial year and the following two financial years is summarised in the following table. This shows the projected external debt compared to the estimated capital financing requirement (the underlying need to borrow for a capital purpose) at the end of each of the next three financial years.

Borrowing Position	31 March 2021 estimate £m	31 March 2022 estimate £m	31 March 2023 estimate £m
Borrowing	280.965	389.240	429.747
Other long-term liabilities	68.896	66.298	63.351
Total external debt	**349.861**	**455.538**	**493.098**
Capital financing requirement	431.000	537.000	575.000
Under-borrowing	**81.139**	**81.462**	**81.902**

10.4 A number of the prudential indicators are designed to ensure that the Council carries out its treasury management activities within well-defined limits. One of these indicators is that gross external debt does not, except in the short term, exceed the total of the capital financing requirement in 2019/20 plus the estimates of any additional capital financing requirement for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken in order to fund revenue expenditure.

10.5 The Council has complied with this prudential indicator during 2019/20 and it is envisaged this will remain the position moving forward over the forthcoming three-year period. As detailed in the table above, it is anticipated that the borrowing strategy will continue to progress on the basis of utilising internal borrowing where possible over the medium term to mitigate both interest rate risk exposure for the Council, and also risks associated with maintaining adequate capacity with appropriate investment counterparties. However, significant shorter term borrowing will be required to fund the City Deal projects. This borrowing is required as the grant income for City Deal is phased over a 20-year period from 2015/16, while the project expenditure is incurred from 2015/16 to 2026/27. The requirement for borrowing to cover this period in advance of grant receipt is continually monitored and refined as project designs develop and this requirement is incorporated into the overall Council borrowing forecast.

10.6 **Interest rate forecast**

As part of Arlingclose's treasury management consultancy service to the Council, assistance is provided in preparing a forecast of short-term and longer-term fixed interest rates. Current interest rate forecasts for the official bank rate paid on commercial bank reserves (the "Bank Rate") and for PWLB borrowings are:

Interest rate forecast: Bank Rate	March 2020	June 2020	Sept 2020	Dec 2020	March 2021	March 2022	March 2023
Bank Rate	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%

Interest rate forecast: PWLB borrowings	March 2020	June 2020	Sept 2020	Dec 2020	March 2021	March 2022	March 2023
5-year loans	2.30%	2.30%	2.35%	2.35%	2.35%	2.45%	2.55%
10-year loans	2.55%	2.60%	2.60%	2.65%	2.65%	2.75%	2.90%
20-year loans	3.00%	3.05%	3.05%	3.05%	3.10%	3.15%	3.20%
50-year loans	3.00%	3.05%	3.05%	3.05%	3.10%	3.15%	3.20%

10.7 **Borrowing decisions**
The main borrowing decisions to be made for 2020/21 are:

- when to borrow,
- for how long to borrow and
- whether to borrow externally or to use cash balances.

10.8 Based on the capital investment programme, it is anticipated that the Council may need to borrow up to £59.692 million to fund new capital expenditure during 2020/21 and to replace loans due to mature that year.

10.9 The Council's borrowing strategy will give consideration to new borrowing in the following order of priority:

(i) The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long-term borrowing rates to increase gradually over the coming years, consideration will also be given to weighing the short-term advantage of internal borrowing against potential long-term costs if the opportunity is missed for taking loans at long-term rates which will be higher in future years.

(ii) PWLB borrowing for periods under 10 years where interest rates are expected to be significantly lower than interest rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration at longer-dated time periods.

(iii) Short-dated borrowing from non-PWLB sources.

(iv) Long-term borrowing arranged in advance, in order to achieve certainty on future borrowing costs and reduce exposure to interest rate risk.

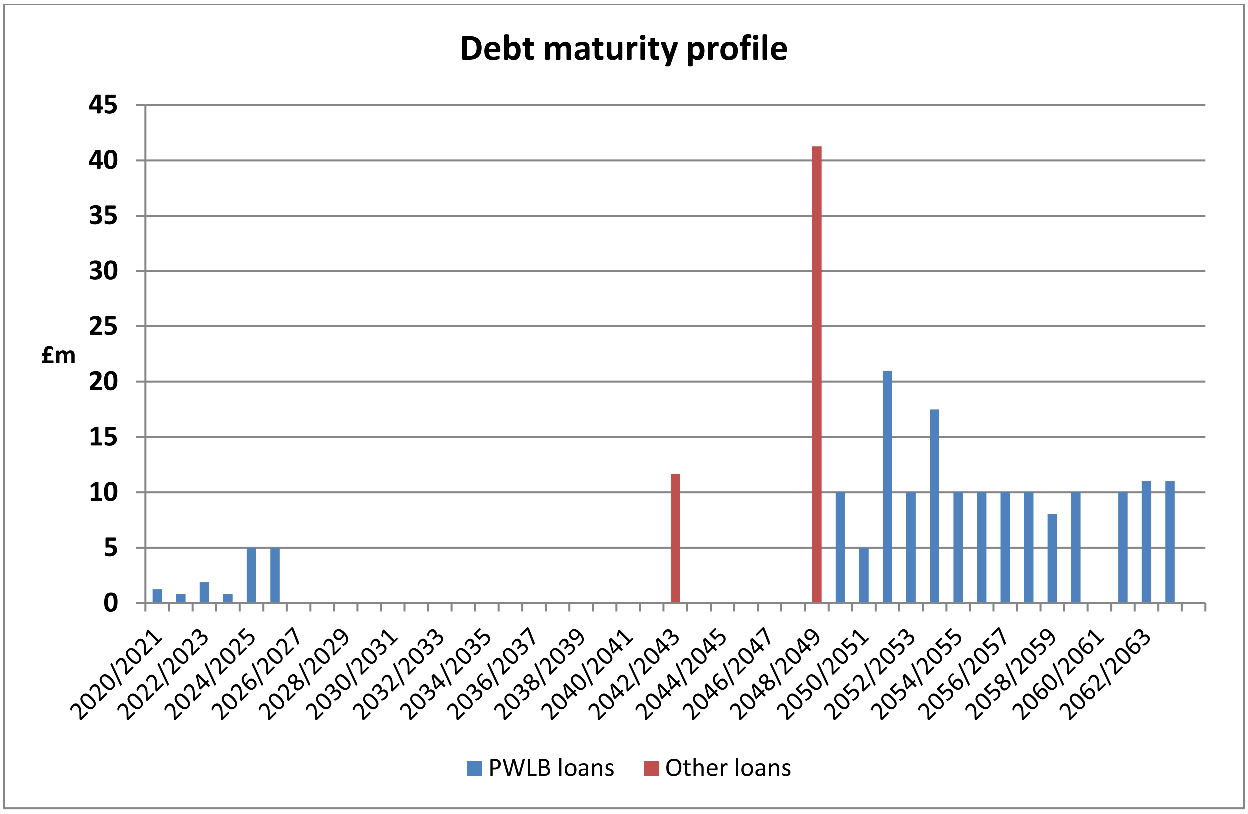
(v) Long-term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available), with due regard to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

10.10 **Sensitivity of the interest rate forecast**
The Council officers, in conjunction with the Council's treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, and will respond appropriately to material changes in interest rate forecasts, for example:

- If it were felt that there was a significant risk of a sharp <u>fall</u> in long- and short-term interest rates than that currently forecast, then long-term borrowings will be postponed, with focus shifting to consideration of short-term borrowing to meet the Council's borrowing need along with any opportunities for rescheduling.

- If it were felt that there was a significant risk of a much sharper <u>rise</u> in long- and short-term interest rates than that currently forecast, then the portfolio position will be reappraised with potentially a move to take on required borrowing whilst interest rates were still relatively low.

10.11 The forecast debt maturity profile at 31 March 2020 per the graph below shows the amount of debt maturing in future years. The Council has less than 15% of its total borrowings redeeming in any one of the next 25 years, with one year beyond this period having a repayment in excess of 15%. It is expected this repayment will be rescheduled well in advance of this date. This is well within the Council's treasury indicators for debt maturity, and therefore provides the Council with the flexibility needed to structure new borrowing over this period in a manner that minimises debt interest costs.



10.12 Since the Council has a capital investment plan covering the period to 2024/25 and detailed investment/borrowing analyses, advantage can be taken of opportunities that may arise to achieve beneficial borrowing rates over the same period, minimising interest rate risk. The Council will not borrow more than, or earlier than, required with the primary intention to profit from the investment return of the extra sums borrowed. Pre-borrowing of this nature will only be taken for risk management reasons and subject to sound justification. The timing of any new borrowing of this nature will take into account the management of liquidity and counterparty risk, and also the projected movement in interest rates.

10.13 Caution will continue to be adopted and the Director of Finance and Resources will monitor the interest rate market. Should long-term rates start to rise or fall sharply, the debt portfolio position will be reappraised and appropriate action taken.

10.14 **Debt rescheduling opportunities**
The purpose of debt rescheduling is to reorganise existing borrowings in such a way as to amend the repayment profile of the borrowing portfolio, or to secure interest rate savings.

10.15 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, such potential savings will be considered in the light of their short-term nature and risks associated with potential longer-term costs of refinancing those short-term loans, once they mature.

10.16 Consideration will also be given to the potential for 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 current debt.

11. Treasury management strategy statement: annual investment strategy

11.1 **Investment policy**
In carrying out investment activities, the Council will have regard to The Local Government Investment (Scotland) Regulations 2010, the accompanying Scottish Government Finance Circular 5/2010 and the 2011 CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code"). The Council's investment priorities are:

- the security of capital and
- the liquidity of its investments.

11.2 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 the Council is low-to-medium, with absolute priority given to the security of its investments.

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

11.4 Investment instruments identified for use in the financial year are listed in Annex A, and counterparty limits will be set as defined within the Council's treasury management practices (TMPs) documentation.

11.5 **External investment position**
The Council's external investment position as at 24 January 2020 was as follows:

External investment position	investment position as at 31.03.2019		investment position as at 24.01.2020		change in the year
	£m	average interest rate	£m	average interest rate	£m
Temporary investments:	153.685	0.88%	147.885	0.85%	– 5.800

11.6 The decrease in the Council's short-term investments ("temporary deposits") during the period reflects:

- the short-term cash flow position of the Council over the Christmas holiday period;
- the re-profiling of elements of the current capital programme.

11.7 The average rate of interest received on the Council's temporary deposits has reduced slightly over the period, although it continues to out-perform the Bank Rate. The reduction reflects the fact that some of the longer-term temporary deposits which the Council had secured at relatively high rates have now matured, with the longer-term rates for new deposits not being as high in relative terms as they had been. The Council has continued to lock into longer-term temporary deposit deals with counterparties of high creditworthiness, securing a higher overall rate of return across the portfolio without compromising the security of investments; and will seek to explore longer term investments with high quality counterparties.

11.8 **Creditworthiness policy**

In order to maintain an approved list of counterparties (institutions with which the Council will invest funds), the Council refers to the institutions listed on the Counterparty Lists provided by Arlingclose. These lists show all the institutions that Arlingclose are comfortable with the Council lending to and are based on the credit ratings from the three major credit rating agencies: Fitch, Moody's and Standard & Poor's. The Council understands that credit ratings are a good, but not perfect, predictor of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests including:

- credit default swap (CDS) spreads, to give early warning of likely changes in credit ratings;
- financial statements;
- sovereign ratings, to select counterparties from only the most creditworthy countries;
- credit ratings relevant to the specific investment or class of investment are used where available;
- financial press.

11.9 The list of counterparties which treasury officers operate defines a maximum limit on the aggregate value of deposits placed with each counterparty. The purpose of this is to ensure that the Council does not deposit an excessive proportion of its funds with any single institution. Currently the counterparty limit for each bank has been set at 5% (with the exception of the Royal Bank of Scotland, for which the counterparty limit has been set at 2.5%). The limits for building societies, money market funds and enhanced cash funds has also been set at 5% of the total cash balances held by the Council at the time the investment is made, and taking into account the relevant investment period. This approach allows the Council to meet its cash flow management objectives whilst appropriately spreading investments over a range of counterparties.

11.10 Arlingclose also recommend the maximum deposit period for each counterparty and this is used as a guide when setting the investment period for each institution shown on the Council's approved list of counterparties.

11.12 All credit ratings are monitored daily. Arlingclose alert the Council to rating changes made by any of the three rating agencies and 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.

11.13 Sole reliance is not placed on the use of this external service: in addition the Council will make its own judgement based on the Adviser's suggestions but will also use market data and market information, the quality financial press, information on government support for banks and the credit ratings of that government support.

11.14 **Investment decisions**
The Bank Rate was last changed by the Bank of England in August 2018, from 0.50% to 0.75%. The current forecasts from Arlingclose indicate that no further change to the Bank Rate is expected in the period to March 2023. However, there is a downside risk to this forecast due to the economic uncertainties associated with the limited Brexit transitionary period.

11.15 The majority of the Council's surplus cash is currently invested in short-term deposits with other local authorities, as well as investments in money market funds and short-term deposits with banks. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will continue to invest with other local authorities and in money market funds. However, if attractive rates become available with counterparties of particularly high creditworthiness, thus making longer-term deals worthwhile and within the risk parameters set by the Council, then longer-term investments will be considered.

12. Treasury management strategy statement: treasury management indicators

12.1 The *Guidance Notes for Local Authorities* which accompany the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code") specify four treasury management indicators covered by the Prudential Code: (i) acceptance of the Treasury Management Code, (ii) authorised limit, (iii) operational boundary and (iv) actual external debt. These indicators are dealt with in detail at sections 4, 5 and 6 of this Appendix.

12.2 The *Guidance Notes for Local Authorities* which accompany the Treasury Management Code specify an additional treasury management indicator – the maturity structure of borrowing.

12.4 **Maturity structure of borrowing**
The Council is required to set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. This is to ensure that the Council is not exposed to large concentrations of debt maturing in a single year and requiring to be replaced when interest rates are unfavourable. It is recommended that the Council approves the following as the indicator for the maturity structure of borrowing for the forthcoming financial year:

Maturity structure of borrowing	2020-21	
	lower limit	upper limit
under 12 months	0%	15%
12 months and within 24 months	0%	15%
24 months and within 5 years	0%	45%
5 years and within 10 years	0%	50%
10 years and above	0%	100%

Annex A: Permitted investments

The Council approves the forms of investment instrument for use as **permitted investments** as set out in tables 1, 2 and 3. Please also refer to section 11 in the body of Appendix 6.

A.1 Table 1 lists the permitted investments of a cash-type nature available for use by the Council's in-house treasury management team:

Permitted investments table 1: cash-type instruments arranged in-house	**minimum credit criteria**	**liquidity risk**	**market risk**	**maximum share of total invest-ments**	**maximum maturity period**
Debt Management Account Deposit Facility (DMADF)	not applicable	term	no	100%	2 years
Term deposits with local authorities	not applicable	term	no	100%	2 years
Longer-term deposits with local authorities	per approved counter-party list	term	no	20%	10 years
Call accounts and notice accounts with banks and building societies	per approved counter-party list	instant / notice period	no	100%	up to 100 days
Term deposits with banks and building societies	per approved counter-party list	term	no	100%	per approved counter-party list
Certificates of deposit issued by banks and building societies	per approved counterparty list	T+1	yes	10%	per approved counter-party list
Treasury bills	UK sovereign rating	T+1	yes	75%	1 year
UK Government gilts	UK sovereign rating	T+1	yes	75%	2 year
Money market funds	long-term AAA vol-atility rating	instant	no	75%	not applicable
Enhanced cash funds	long-term AAA vol-atility rating	T+1 to T+5	yes	75%	not applicable

Pooled funds other than money market / enhanced cash funds	not applicable	various	yes	20%	not applicable

A.2 Table 2 lists the permitted investments of a cash-type nature available for use by the investment managers of the Council's Insurance Fund:

Permitted investments table 2: cash-type instruments used by Insurance Fund investment managers	**minimum credit criteria**	**liquidity risk**	**market risk**	**maximum share of total invest-ments**	**maximum maturity period**
Equities	delegated to investment managers	term	yes‡	33% ±10%	not applicable
Fixed-interest securities	delegated to investment managers	term	yes‡	33% ±10%	not applicable
Other assets	delegated to investment managers	term	yes‡	33% ±10%	not applicable

‡ Market risk is mitigated since investment managers have been instructed to maintain low volatility by investing in a diversified portfolio which incorporates (i) a broad spread of equities, both directly and indirectly (through pooled funds), and (ii) a proportion of fixed-interest securities and cash.

A.3 **Treasury risks**

All the investment instruments listed in tables 1 and 2 above are subject to the following risks:

(i) *Credit and counterparty risk:* This is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation'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.

(ii) *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.

(iii) *Interest rate risk:* This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. The Council has set limits for its fixed and variable rate exposure in its treasury indicators as detailed in this report.

(iv) *Legal and regulatory risk:* This is the risk that the organisation itself, 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 organisation suffers losses accordingly.

(v) *Market risk:* This is the risk that, through adverse market fluctuations, the value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market.

A.4 **Controls on treasury risks**

(i) *Credit and counterparty risk:* The Council has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to enable investments to be made safely.

(ii) *Liquidity risk:* The Council has a cash flow forecasting model to enable it to determine the duration for which individual investments can be made, and how much can be invested.

(iii) *Interest rate risk:* The Council manages this risk by having a view of the future course of interest rates and formulating a treasury management strategy accordingly. The strategy aims to maximise investment earnings consistent with control of risk and minimise expenditure on interest costs on borrowing.

(iv) *Legal and regulatory risk:* The Council will not undertake any form of investing until it has ensured that it has all necessary powers to do so. The Council will ensure that it complies with all applicable regulations in the carrying out of its treasury management operations.

(v) *Market risk:* Asset allocation and diversification can protect against market risk because different portions of the market tend to under-perform at different time times. The Director of Finance and Resources has the authority to invest the funds of the Insurance Fund in such investments, securities or property as deemed fit. The Director and officers rely on professional investment managers (currently Aberdeen Standard Capital) for the day-to-day management of the assets of the Council's Insurance Fund. The investment managers are responsible for the allocation of assets between types of investments and for the selection of individual stocks within each type of investment. The investment fund is focused on the objective of achieving moderate capital growth in combination with low volatility to mitigate the impact of market risk. In order to achieve these objectives the investment manager operates within predefined asset allocation limits as outlined in table 2 above.

A.5 **Objectives of each type of investment instrument**
The objectives of the investment instruments listed in table 1 above are outlined below.

(i) *Debt Management Account Deposit Facility (DMADF):* This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with central government. It is also easy to use because it is a deposit account and avoids the complications of buying and holding UK Government-issued treasury bills or gilts. As it is low risk it also earns low rates of interest, however it is useful where there may be a short-term priority to avoid credit risk. The longest term deposit that can be made with the DMADF is six months.

(ii) *Term deposits with other local authorities and with high credit worthiness banks and building societies:* This is the most widely used form of investment used by local authorities. It offers a much higher rate of return than the DMADF (dependent on the deposit term) and, now that measures have been put in place to avoid any over-reliance on credit ratings, there is greater confidence that the residual risks around using local authorities, banks and building societies are at a low, reasonable and acceptable level.

The Council will ensure diversification of its portfolio of deposits ensuring that no more than 5%* (10% for other local authorities) of the total portfolio can be placed with any one institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking into relatively high interest rates ahead of an expected fall in 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 flexibility and a higher level of earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is 'locked in' and cannot be accessed until the maturity date. This type of deposit includes callable deposits, whereby the principal deposited is protected and earns a fixed rate of interest but can be terminated early at the bank's discretion.

* In recognition of the restricted number of approved counterparties that now meet our more stringent lending criteria, there is an added degree of flexibility introduced to the maximum deposit level. The deposit level with any one institution can now extend to a maximum of 10%, where the element which exceeds the 5% threshold is deposited on the basis of a call account deposit with the institution.

(iii) *Longer term deposits with other local authorities:* These are similar to term deposits with other local authorities (described at (ii) above), except that deposits are placed for longer periods – between 2 and 10 years. For longer term deposits, the decision to include any given local authority on the counterparty list will be based on the outcome of due diligence undertaken on that local authority by the Council in conjunction with the Council's treasury advisers. Similar to term deposits with local authorities (see at (ii) above), no more than 10% of the total portfolio can be placed with any one institution or group.

(iv) *Call accounts and notice accounts with high credit worthiness banks and building societies:* The objectives are as for (ii) above, but there is access to recalling cash deposited over short call periods (call account periods vary from short-term such as 7 days, but can extend to 35- and 95-day notice periods). 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, call accounts can offer interest rates two to three times more than term deposits in the DMADF. A certain level of call account use is highly desirable to ensure that the Council has ready access to cash when required.

(v) *Certificates of deposit (CDs) issued by banks and building societies:* These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

(vi) *Treasury bills:* These are short term bills (up to 12 months, although none have ever been issued for this maturity) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

(vii) *UK Government gilts:* These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

(viii) *Money market funds:* By definition, money market funds (MMFs) are AAA-rated (the highest security rating available) and are widely diversified, using many forms of money market securities including types which this Council 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 significant amounts of funds 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 a falling interest rate environment 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 organisation to diversify its own portfolio, for example a £2million investment placed directly with a specific bank is a 100% risk exposure to that specific bank, whereas £2million invested in an MMF may result in only 1% being invested with that specific bank through the MMF. MMFs offer an effective way of minimising risk exposure while still getting better rates of return than available through the DMADF.

(ix) *Enhanced cash funds (ECFs):* These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

(x) *Pooled funds other than money market / enhanced cash funds:* Shares or units in diversified investment vehicles covering property, bond and equity investments. Pooled funds whose value changes with market prices and/or that have a notice period may be used for longer investment periods. Money market funds (as well as enhanced cash funds) are included in Table 1, but it is the intention of the Council, given the extent of its long-term investment balances, to diversify an agreed proportion (capped at a maximum of 20% of total investment balances) of its investment balances into longer term assets (property, bonds and equity) utilising pooled funds.

Pooled funds have the advantage of providing wide diversification of investment risks, including credit risk and interest rate risk, coupled with the services of a professional fund manager in return for a fee. Property, bond and equity funds offer enhanced returns over the longer term, but their prices are more volatile in the short term, leading to the risk that they could be sold at below their purchase price. This risk is mitigated by only placing cash that is available for 3 to 5 years into more volatile funds. The Council's officers in conjunction with its treasury advisers have determined that a proportion of the Council's investments have and will remain available for longer term investment in the future. The funds selected will be subject to appropriate scrutiny and suitability assessment, drawing on the experience and advice of the Council's treasury advisers.

(xi) *Operational bank accounts:* The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, with its main operational bank (Clydesdale) with credit ratings of BBB+. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will normally be kept below £100,000 however, for short periods normally over public holidays this balance may be higher with the approval of the Director of Finance and Resources.

A.6 Table 3 lists the permitted investments of a non-cash nature available for use by the Council:

Permitted investments table 3: instruments of a non-cash nature	**treasury risks**	**mitigating controls**	**maximum share of total investments**
Share holdings, unit holdings and bond holdings, including those in a local authority-owned company	Service investments which may exhibit market risk; likely to be highly illiquid	Each equity investment requires Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss	Policy driven, managing all associated risks; authorised limit and operational boundary apply
Loans to a local authority-owned company or other entity formed by a local authority to deliver services	Service investments either at market rates of interest or below (soft loans); may exhibit credit risk; likely to be highly illiquid	Each loan to a local authority company requires Member approval and each application will be supported by the service rationale behind the loan and the likelihood of full or partial default	Policy driven, managing all associated risks; authorised limit and operational boundary apply
Loans made to third parties, including soft loans (for example, employee loans)	Service investments either at market rates of interest or below (soft loans); may exhibit credit risk; likely to be highly illiquid	Each third party loan (or tranche of loans) requires Member approval and each application will be supported by the service rationale behind the loan and the likelihood of full or partial default	Policy driven, managing all associated risks; authorised limit and operational boundary apply
Investment property	Non-service properties which are being held pending disposal or for a longer-term rental income stream; these are highly illiquid assets with high risk to value	Property holding will be revalued regularly and reported at appropriate periodic intervals for a property investment portfolio in respect of rental levels; in terms of surplus assets held for disposal, the Council has an active surplus property disposal strategy which ensures a coordinated and managed approach is adopted to the disposal of such sites in a way which is reflective of current and future anticipated market conditions, seeks to maximise market interest in site disposals and secures best value for the Council	Policy driven, managing all associated risks; authorised limit and operational boundary apply

Appendix 7

CAPITAL STRATEGY 2020-23

1. INTRODUCTION

1.1. The Capital Strategy report gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services in local government along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2. Decisions made now on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory and local policy framework which are summarised in this report.

2. PURPOSE & AIMS

2.1. Following consultation, in December 2017 the Chartered Institute of Public Finance and Accountancy (CIPFA) published an updated version of the Prudential Code for Capital Finance in Local Authorities ("the Prudential Code").

2.2. The key objectives of the Prudential Code are to ensure, within a clear framework, that;

- Capital investment plans are affordable, prudent and sustainable;
- Treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved;
- That these risks will be managed to levels that are acceptable to the organisation;
- Capital investment plans are being made in light of the overall organisational strategy and resources, ensuring that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority.

2.3. In keeping with the objectives above, the purpose of this Capital Strategy is to demonstrate that the Council takes capital investment decisions in line with service objectives that properly takes account of value for money, prudence, sustainability and affordability, setting out the context in which capital expenditure, capital financing and treasury decisions are being made and has given due consideration to the risk associated with these decisions.

3. OVERVIEW

3.1. An understanding of what constitutes capital expenditure and how it is financed is fundamental to realising the benefits and mitigating the risks open to an authority under the prudential framework.

3.2. Capital expenditure is the investment in new or existing assets, such as property or vehicles, that will generate economic benefits or service improvements that will be realised by the Council for a period of more than one year.

3.3. All capital expenditure must be financed, either from external sources (government grants and other contributions), internal sources (current revenue and capital receipts) or debt (borrowing and leasing).

3.4. Financing capital expenditure through debt offers the opportunity to spread the cost over future revenues through loan fund repayments. However, due to the interest payments associated with debt, the total cost is usually higher than other methods of capital financing. Therefore, careful planning and monitoring procedures must be in place to ensure capital investment decisions offer value for money and are affordable and sustainable for current and future revenue budgets.

4. CAPITAL EXPENDITURE & FINANCING

4.1. The Council is legally obliged to determine the maximum it may allocate to capital expenditure, in line with statutory guidance, the limit is the total shown in the table below. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

Capital expenditure	2020-21 estimate £m	2021-22 estimate £m	2022-23 estimate £m
Non-housing	97.235	130.784	48.368
Housing	30.215	39.192	23.515
Total	**127.450**	**169.976**	**71.883**

4.2. The Council Plan “Thriving People, Connected Communities” was agreed in September 2017. It outlines five strategic outcomes for the Council over the period to 2022. The Council Plan forms a “golden thread” that ensures the key strategic priorities of the Council translate into specific capital programmes.

4.3. Below is a summary of the main capital projects within the Capital Plan:

- **Reshaping our place, our economy and our future;**

  Continuation of the City Deal projects of £97.5m which will lead to total investment of £274m in infrastructure in Renfrewshire. The Clyde Waterfront and Renfrewshire Riverside project includes new roads, cycleways and footpaths, including the first opening road bridge across the River Clyde, to connect into the emerging Advanced Manufacturing Innovation District Scotland with more than 2,300 jobs expected to be generated. The Glasgow Airport Access project is working to deliver a new transport link to Glasgow Airport recognising its critical contribution to the regional economy;

  Investment of £82.2m in cultural infrastructure, modernising and improving Paisley Town Hall, Paisley Arts Centre, Paisley Learning & Cultural Hub and Paisley Museum transforming Paisley into an international culture and heritage destination and contributing to the overall regeneration of Paisley town centre;

  £29m invested in the road, cycling and pathway network as part of the medium term investment programme of £42.3m investment which commenced in 2019/20 representing the largest ever sustained investment programme in the network, focussed on delivering a stepped change in the condition of the key routes that keep the Renfrewshire economy moving.

- **Building strong, safe and resilient communities;**

  Investment of £41.9m to continue the regeneration and new council homes in Ferguslie Park, Johnstone Castle and Bishopton providing affordable, modern homes for Renfrewshire;

Continuation of the Community Empowerment Fund with nearly £1m of the original £1.5m capital funding remaining to be able to make use of assets that have the support of local communities and complementing existing services in an area by providing additional activity.

- **Tackling inequality, ensuring opportunities for all;**

  Completion of capital investment of £13.6m into the school estate to expand the early learning and child care from 600 to 1,140 hours by August 2020. Including £6.3m in new build nurseries at Houston, Kirklandneuk, Dargavel and Lochfield with the remainder being construction of new extensions and refurbishments at existing sites.

- **Creating a sustainable Renfrewshire for all to enjoy;**

  Investment of £7.5m to improve the condition and energy efficiency of existing Council Properties.

- **Working together to improve outcomes;**

  Almost £1m to be awarded from the Greenspaces, Parks & Play areas and Villages Fund to support local community groups improve underused or neglected green spaces and take forward projects which will strengthen the character, identity and heritage of the local community.

4.4. A full copy of the Council Plan is available on the Council website: Renfrewshire Council Plan

4.5. As stated in 3.3, all capital expenditure must be financed either from external sources, internal sources or through borrowing. The planned financing of the above expenditure is shown on the table below:

Project Title	Programme 2020/21 £000s	Programme 2021/22 £000s	Programme 2022/23 £000s	Programme 2023/24 £000s	Programme 2024/25 £000s
Prudential Borrowing	22,250	58,784	18,550	12,808	2,200
TOTAL BORROWING	**22,250**	**58,784**	**18,550**	**12,808**	**2,200**
Specific Grant	10,714	3,413	250	250	0
General Capital Grant	12,045	5,600	5,600	2,600	0
City Deal Grant	4,301	4,541	9,769	38,545	51,540
City Deal borrowing	28,637	34,498	14,199	0	360
Usable Capital Receipts	13,267	17,123	0	0	0
C.F.C.R.	6,021	6,824	0	0	0
Total Resource Availability	**97,236**	**130,783**	**48,368**	**54,203**	**54,100**

4.6. Debt is only a temporary source of finance, since loans and leases must be repaid, and is therefore replaced over time by other financing, usually from revenue which is known as loan funds repayments. The Council's cumulative outstanding amount of debt finance that will be charged to future revenue budgets is measured by the capital finance requirement (CFR). The CFR increases with new debt financed capital expenditure and reduces with loan fund repayments, capital receipts can also be used to reduce the CFR. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Capital financing requirement	31 March 2021 estimate £m	31 March 2022 estimate £m	31 March 2023 estimate £m
Non-housing	305	395	423
Housing	126	142	152
Total	**431**	**537**	**575**

4.7. The loan fund repayments is combined with the interest payable on loans and forms the total that is charged to revenue, known as financing costs. An estimate of the total financing costs as % of net revenue, the amount funded from Council Tax, government grants, business rates and in the case of HRA, rental income, is shown in the table below.

Ratio of financing costs to net revenue stream	2020-21 estimate	2021-22 estimate	2022-23 estimate
Non-housing	3.99%	4.41%	4.81%
Housing	39.85%	38.17%	35.42%

5. ASSET MANAGEMENT

5.1. The Corporate Asset Strategy 2018/21 (CAS) was approved by the Finance, Resources & Customer Services Policy Board in June 2018. The CAS sets out a high-level framework for the management for all the Council's Assets. It guides the development and upkeep of strategies and plans for all classifications of assets.

5.2. The Council's Corporate Asset Strategy 2018/21 can be read in full here: Renfrewshire Corporate Asset Strategy 2018-21

6. TREASURY MANAGEMENT

6.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending requirements, whilst managing the risks involved. Surplus cash is invested until required while temporary cash shortages will be met by borrowing.

6.2. The Council's Treasury Management Strategy (TMS) contains objectives for borrowing and investments, with the over-arching objective in relation to treasury management activities being effective management and control of risk. The full TMS is within Appendix 6 of this report.

6.3. The main objectives of borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. Statutory guidance is that debt should remain below the CFR except in the short term. As can be seen from the table below, the Council expects to comply with this during 2020/23.

Borrowing Position	2020-21 estimate £m	2021-22 estimate £m	2022-23 estimate £m
Borrowing	281	389	430
Other long-term liabilities	69	66	63
Total External Debt	**350**	**455**	**493**
Capital Financing Requirement	431	537	575
Under borrowing	**81**	**82**	**82**

6.4. The Council is required to set an **operational boundary** for external debt. This is an estimate of the maximum external debt of the Council according to the probable events contained in the Council plans, budgets and strategies. Sustained or regular borrowing above the operational boundary would be significant and require investigation and action.

6.5. The **authorised limit** for external debt is based on the same assumptions as those used to calculate the operational boundary. It is greater than the operational boundary to allow sufficient headroom for unusual or exceptional cash requirements. The authorised limit reflects a level of borrowing which, while not desired, could be afforded in the short term but would not be sustainable in the long term. See paragraph 4.11 of the Prudential Framework in appendix 6 for an explanation of how the adoption of IFRS 16 Leases will affect the CFR, operational boundary and authorised limit. The operational boundary and authorised limits are shown in the table below:

Operational boundary and authorised limit for external debt	2020-21 estimate £m	2021-22 estimate £m	2022-23 estimate £m
Operational Boundary	431	537	575
Authorised Limit	449	561	601

6.6. Treasury investments arise due to cash flow timings in receiving cash before it is due to be paid out again at a later date. The main objectives of treasury investments are to obtain an acceptable market rate of return subject to protecting capital security and liquidity of invested funds. This ensures the focus is on minimising risk rather than maximising returns. An important element of the Council's recent medium term planning has included the strategy of debt smoothing which involves the repayment of debt over the medium term as part of the Council's planned budget, capital investment and treasury management strategies. The current debt smoothing strategy will naturally conclude in the near future.

7. COMMERCIAL ACTIVITIES

7.1. These are investments made outside the normal treasury management activity, such as property investments, with the sole aim of making a financial surplus. The Council has no such investments at this time.

8. OTHER LONG TERM LIABILITIES

8.1. In addition to the debt of £350 million detailed in 6.3 above, the Council has contracted through a Public Private Partnership for the provision and maintenance of educational and other facilities. The outstanding finance lease obligation at the 31st March 2020 will be £71.4m.

8.2. The Council is part of the Local Government Pension Scheme in Scotland (LGPS) which is a funded, defined benefit, statutory occupational pension scheme. As a funded scheme, the council and employees pay contributions into the fund, calculated at a level intended to balance the scheme's pension liabilities with the scheme's investment assets. At the 31st March 2019, it was estimated that the Council's share of the defined obligation exceeded scheme assets by £276.7m. An updated estimate will be calculated for the 2019/20 annual accounts.

8.3. Provisions are made when an event has taken place that gives the Council a legal or constructive obligation that will probably require a settlement, usually in cash but it can be other economic benefit or service benefits. At the 31st March 2019 the Council had set long term provisions of £5.4m related to holiday pay compensation payments, insurance claims and other claims. The long term provisions will be re calculated for the 2019/20 annual accounts.

9. GOVERNANCE

9.1. **Capital Programmes:** Potential capital projects will be assessed for strategic fit, achievability, affordability, practicality, revenue impact and non-monetary impacts such as future economic growth, environmental or social well-being.

9.2. Once the capital projects have been considered, the Capital Plan is approved annually by the full Council, setting out the funding available, means of financing and Prudential Indicators. No capital expenditure can be authorised unless it has been provided for in the approved capital plan or is within an officer's delegated authority. The Financial Regulations set out the framework for transferring money from one budget to another.

9.3. Capital budget monitoring reports from the Director of Finance and Resources are considered by the relevant Policy Board including any explanations for significant variances from budget targets and the Policy Board will approve any actions required to bring financial performance within approved limits.

9.4. Each capital programme is under the control of a responsible project manager who will approve and monitor expenditure against the programme. The project manager will receive support from a variety of sources within Finance & Resources, for example to receive capital budget reports, to ensure that the expenditure complies with the statutory definition of capital, that any external contracts agreed comply with the Standing Orders of the Council or any advice over legal matters.

9.5. **Treasury Management:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance & Resources and relevant staff who must act in within the parameters set out in the Treasury Management Strategy approved annually by full Council. A mid-review of treasury management activity is presented each year to the Finance, Resources and Customer Services Policy Board with a full year review reported to Council.

9.6. **Commercial Activities:** Property investments would be classified as capital expenditure and therefore included as part of the capital plan. Any commercial investment decisions would be made by the Council in line with the Financial Regulations and Standing Orders of the Council.

10. KNOWLEDGE AND SKILLS

10.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council ensures qualified staff meet their continuous professional development requirements. The Council provides support to finance staff for training and study towards relevant professional qualifications.

10.2 Council staff knowledge and experience is supplemented by the use of external advisors and consultants that are specialists in their field. For example, the Council currently has a contract with Arlingclose Ltd for the provision of treasury management consultancy services. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

PROCEDURE TO BE FOLLOWED AT THE MEETING OF RENFREWSHIRE COUNCIL TO BE HELD ON 9 MARCH 2020 DURING CONSIDERATION OF ITEM 3 CONCERNING THE HOUSING REVENUE ACOUNT BUDGET, RENT LEVELS 2020/2021 AND HOUSING CAPITAL INVESTMENT PLAN 2020/2021-2022/2023

The purpose of this note is to give Members advance notice of the procedure which Provost Cameron has agreed should be followed at the Meeting of the Council on 9 March 2020 viz:

1. The Convener of the Communities, Housing & Planning Policy Board (the Convener) will make her budget statement for financial year 2020/2021 and move as appropriate. She will then speak to the principal points of her proposals. The motion will require to be seconded.
2. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.
3. An opportunity will then be given to the Leaders of the opposition groups and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together budget proposals, the rent levels and the capital investment plans).
4. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting. Provost Cameron may then adjourn the meeting to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups.
5. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups to move their respective budget statements and speak in support of the principal points of their proposals. However, Provost Cameron shall have the power to require any person speaking to limit their speech in order to facilitate the conduct of the meeting.
6. Provost Cameron will then invite other Members to take part in the debate.
7. The debate will conclude with Provost Cameron giving the Convener an opportunity to reply.
8. A vote or votes will then be taken in accordance with the provisions of standing orders.

To: Council

On: 9 March 2020

Report by: Director of Communities, Housing and Planning and Director of Finance & Resources

Heading: Housing Revenue Account Budget & Rent Levels 2020/21 and Housing Capital Investment Plan 2020/21 to 2022/23

1. Summary

1.1 This report details the proposed Housing Revenue Account (HRA) budget for financial year 2020/21 and sets out the information which allows consideration of rent levels for 2020/21.

1.2 The report provides members with the results from the consultation process with tenants regarding the annual rent setting process.

1.3 The report also details the Housing Capital Investment Plan for the three-year period from 2020/21 to 2022/23.

1.4 In setting the 2020/21 HRA budget, members will wish to consider the medium and longer term financial context for the HRA in light of the ongoing risks and challenges facing the HRA as outlined in this report.

2. Recommendations

2.1 It is recommended that the Council:

(i) considers the contents of this report and approves an average weekly rent increase of 2% for 2020/21;

(ii) notes the findings of the recent Tenant Consultation exercise;

(iii) approves the Housing Revenue Account Budget for financial year 2020/21 as detailed in Appendix 2;

(iv) approves the Housing Capital Investment Plan 2020/21 to 2022/23 as detailed in Appendix 3 of the report; and

(v) notes the continuing requirement to achieve best value in the commissioning of works by having an optimum workflow over the 3 years of the investment plan and authorises the Director of Communities, Housing and Planning to liaise with the Director of Finance and Resources to re-profile the capital programme and available resources, as necessary, in line with the appropriate limits established under the Council's capital prudential framework arrangements.

---

3. Background and Medium Term Financial Context

3.1. The HRA operates a rolling 30-year Business Plan model which is the standard operating practice amongst local authorities and Registered Social Landlords. The 30-year basis of the model reflects the need for a long term planned approach to the replacement of major items such as rewiring, central heating etc aligned to the lifecycle of the element. The model ensures that planned rental income is sufficient over the term of the plan to cover the costs of servicing capital expenditure including significant investment and regeneration initiatives together with funding the annual costs of maintaining the housing stock and all HRA operating costs including staffing.

3.2. The Business Plan model is reviewed annually to take account of the adjusted base budget position from the previous year and to update any key assumptions. This review process allows consideration to be given to the setting of rent levels for the forthcoming and future financial years.

3.3. The HRA has continued to operate in a period of uncertainty as a result of the UK Government's Welfare Reform policy changes. These reforms have placed additional financial stress on families, pressure on Council services and present a significant financial risk to the HRA, particularly in relation to the roll out of Universal Credit. The roll out of Universal Credit in Renfrewshire commenced in June 2015, with full service digital roll out being introduced in Renfrewshire on 19th September 2018.

3.4. To date 2,090 tenants have migrated on to Universal Credit and experience with these tenants highlights that 60% are on managed rent payments. Reviews have highlighted that it is more likely that those in receipt of universal credit will fall into arrears due to the procedural delays in receiving payments from the DWP. Housing staff continue to be proactive and provide assistance to tenants to progress their UC application and thus minimise the financial impact on them. The introduction of managed payments of rent to landlords directly assists in the management of HRA debt levels.

3.5. Members will note that the level of provision for bad debt was increased from 2.5% to 3.5% in last year's budget to reflect the roll out of universal credit. This level of provision for bad debt is considered prudent over the short to medium term.

3.6. After the tragic events at Grenfell Tower in June 2017, the Scottish Government introduced new fire safety regulations in relation to smoke, heat and carbon monoxide alarms and detectors and these will come into place in February 2021. Works in relation to these regulations are already underway in multi storey blocks and will be rolled out across all stock over the course of the next year to achieve compliance by February 2021. In order to strengthen Renfrewshire Council's approach to fire safety and broader compliance issues, a new post of Safety Compliance Officer is included in the budget from April 2020.

3.7. The HRA is a ringfenced account and any financial strategy must ensure that service delivery can be maintained within the available resources from the account. It is therefore essential to maintain a level of HRA reserves which provides adequate protection to the HRA against the short-term impact of the materialisation of any risks, including the uncertainty over the impact of welfare reform on arrears and rental collection. It is considered prudent, therefore, to maintain the level of unallocated balances on the HRA at £6.8m entering financial year 2020/21.

3.8 Over the course of recent months as part of the long term business planning arrangements, it has been identified that financial capacity is expected to begin to emerge over the medium term that could facilitate carefully managed growth in the long term housing investment programme beyond that currently outlined in the business plan. The scale of this potential growth will be influenced by a number of factors some of which are under the direct control of the Council such as future rents as well as factors that are subject to a degree of uncertainty, particularly around future cost and inflationary pressures and any changing statutory requirements that may emerge moving forward.

3.9 Further work will be taken forward to develop proposals for how such investment capacity may be utilised over the long term. This will require the Council to consider carefully a number of key factors in order to ensure that any investment maximises the opportunity it presents. This will include not just the direct benefits the investment can bring to tenants in respect to the sustainability and condition of the housing stock but also how the investment aligns to the Council's wider strategic priorities ensuring it seeks to widen significantly the benefits that flow from the investment for tenants and communities across Renfrewshire. Once this work is appropriately progressed it is proposed that an initial report will be brought to a future cycle of the Community Housing and Planning Board for consideration of the developing proposals.

---

4. HRA Budget Planning Assumptions

4.1. The rental income generated by the HRA must support service delivery, the costs of appropriately maintaining the housing stock and the financing costs to service the investment required in HRA assets. Details are provided in Appendices 1 and 2.

4.2. Key Assumptions are:

4.2.1 Estimated housing stock for 2020 is 11,777 inclusive of new build stock at Johnstone Castle and Bishopton.

4.2.2 An allowance has been made for pay inflation for 2020/21 of 3% which is in line with the agreed local government three year pay policy.

4.2.3 In addition to this a budget has also been created to fund enhanced estate management services to support planned area regeneration activity, and reflecting an increased focus on safety and compliance, resources have also been included to fund a Safety Compliance Officer.

4.2.4 Inflation of 3% has been added to the repairs budget reflecting the pay award, market conditions and increasing material and the supplier costs being borne by Building Services and other contractors.

4.2.5 The repairs budget has been increased by £174,000 to reflect the increase in stock numbers as a result of the additional new build units.

4.2.6 Previously agreed savings in maintenance and repairs costs of £200,000 per annum have been included.

4.2.7 Rental loss from voids will remain at 1.5% for 2020/21 together with an allowance of 0.25% for Council Tax on empty properties in line with business plan assumptions.

4.2.8 The bad debt provision will remain at 3.5% for 2020/21. We continue to review the levels of bad debt throughout the year as part of the routine budget monitoring process.

4.2.9 A provision of £1.5m was made in 2019/20 as part of a planned programme of works to meet the Scottish Government's new standard relating to smoke, heat and carbon monoxide alarms. These new regulations come into force in February 2021 and therefore a further provision of £1.5m has been made in the 2020/21 capital programme to complete all the relevant works by February 2021.

4.2.10 The strategy of using HRA surpluses and Capital Financed from Current Revenue (CFCR) to reduce new debt and smooth debt repayments will continue to be used to ensure the medium to long term sustainability of the HRA.

---

5. Tenant Consultation

5.1 Renfrewshire Council has a statutory duty to consult tenants before increasing rents. To help inform the decision on rents for 2020/21, consultation was undertaken over December 2019 and January 2020. This involved:

- discussion with tenant representatives at the annual Council Wide Forum
- 5% telephone survey by external consultants (over 600 interviews with Council tenants)
- on-line survey of Council tenants (18 tenant respondents)

5.2 Overall the majority of tenants who took part in the consultation agreed with the 2% rent increase, with strong support in the telephone survey (75% of respondents were in agreement with the proposed increase) and at the Council Wide Forum.

5.3 Tenants were asked what the long term priorities should be. The top priorities were:

- More new build Council housing (70%)
- Higher levels of investment in existing housing (59%)
- Improvements in environmental standards, such as bin stores, paths, communal areas, open space maintenance (56%)
- Improvements to the letting standard for empty houses (40%)

---

6. Housing Capital Investment Plan – 2020/21 to 2022/23

6.1 Overview

6.1.1 The proposed Housing Capital Investment Plan for the 3-year period from 2020/21 to 2022/23 is attached at Appendix 3. The total value of the plan is £74.98m and includes allowances for new build homes and related Scottish Government grants, regeneration and the planned investment programmes required to ensure council house stock is maintained at the Scottish Housing Quality Standard (SHQS).

6.1.2 The planned net capital investment in 2020/21 will be £24.03m, followed by £29.76m in 2021/22 and £21.20m in 2022/23. The plan will be reviewed on an annual basis incorporating an ongoing assessment of risk.

6.1.3 Authority is granted to the Director of Communities, Housing and Planning to flexibly manage the capital investment programme as necessary to ensure optimum use of resources within the corporate limits of prudential borrowing. It is proposed that this facility remains in place over the life of the new three-year plan detailed in Appendix 3.

6.1.4 The table overleaf sets out the proposed composition of the plan for 2020/21 and how it will be funded.

2020/21 Programme		Funding	
Planned Investment Programmes	£19.28m	Prudential Borrowing	£17.84m
Regeneration, New Build and retrofit	£4.75m	Government New Build Grant and grant for retrofit works	£6.19m
Total	**£24.03m**	**Total**	**£24.03m**

6.2 **Planned Investment Programmes**

6.2.1 Since achieving compliance with the Scottish Housing Quality Standard (SHQS) in April 2015, there has been an ongoing requirement to ensure our housing stock continues to be maintained at this standard. This requirement will continue to be the driver for the planned investment programmes which will focus on:

- Investing in those properties which had been assessed as complying prior to 2015 but which subsequently drop below the standard

- Ensuring properties in the abeyance category which subsequently become void are upgraded prior to being re-let

The capital programme for 2020/21 to 2022/23 will deliver a total investment of £51.03m in planned investment programmes in the existing housing stock. Further longer-term housing investment proposals in relation to the additional capacity identified in para 3.8, will be brought forward to a future meeting of the Communities, Housing and Planning Policy Board.

6.2.2 The Council is required to ensure that all stock achieves the minimum energy rating under the Energy Efficiency Standard for Social Housing (EESSH) by the first milestone of 31 December 2020. It is anticipated that by April 2020 78% of the Council's housing stock will meet the 2020 standard. The Council's position is that EESSH will be achieved through the capital funding for planned investment programmes, together with Government sourced supplementary funding (e.g. HEEPS:ABS - Home Energy Efficiency Programmes for Scotland) and other external sources such as ECO (Energy Company Obligation).

6.2.3 As a result of the level of investment during the SHQS programme which saw internal improvements delivered to 10,700 homes, the main focus of the planned investment programme has now shifted towards external improvements which will also contribute to the achievement of EESSH. There will continue to be a programme of heating renewals in 2020/21 and the smaller programme of kitchen, bathroom and rewiring combinations will only be carried out in properties which are void or were otherwise in abeyance at the end of the SHQS programme. This is likely to remain the position with internal upgrades until 2020/21 at least.

6.2.4 The main categories of planned investment programmes are:

- External improvements which includes renewal of roofs, rainwater goods and external fabric,

- Internal improvements which includes replacing or upgrading kitchens, bathrooms, electrical wiring and heating systems,

- Multi storey flat and sheltered housing improvements, and the roll out of the new standards relating to smoke, heat and carbon monoxide detectors.

- Other investment including launderettes, disabled adaptations, asbestos removal and rotworks.

6.2.5 The main elements of the planned investment programme for next year will include the following:

2020/21 Planned Improvements	**Number of Properties**
External fabric upgrading	436
Kitchen, bathroom and rewiring replacement	200
Heating renewals	250

6.2.6 In August 2019, an Acquisition Scheme was approved by the Communities, Housing and Planning Policy Board which will enable these funds to be reinvested in replacement housing stock. Privately owned properties will be identified for acquisition by the Council where they meet criteria set out in the scheme (i.e. properties which would meet identified needs, close to existing Council housing and where the purchase represents good value for money).

6.3 **New Build**

6.3.1 The Capital Investment Plan continues to include provision for investment in building new Council Housing. Two new build projects will be completed by May 2020 at Johnstone Castle (95 new homes) and Bishopton (80 new homes) and the plan approved in February 2019 also included provision for further newbuild Council projects at additional sites across Renfrewshire.

6.3.2 Work is expected to start on site at two other newbuild sites later in 2020:

- Ferguslie Park (101 new Council homes)
- South West Johnstone – Auchengreoch Rd (39 new Council homes)

6.3.3 In addition to these sites, further new build sites are planned at :

Gallowhill (around 60 new Council homes)
Foxbar (mixed tenure development, with around 40 new Council homes)

6.3.4 The Strategic Housing Investment Plan 2020/21 to 2024/25, approved by the Communities, Housing and Planning Policy Board on 29 October 2019, includes provision for Scottish Government grant funding for Council newbuild projects.

6.3.5 The current new build grant benchmark rate for local authorities is £59,000 per unit. At present there is no certainty about the Affordable Housing Programme beyond March 2021, but allowance is made in the Housing Capital Investment Plan to fund the cost of developing these new Council homes, net of the anticipated grant contribution and assuming that grant continues to be available at the current rate.

6.3.6 These newbuild Council houses will make a significant contribution towards meeting the Council's target of 1,000 new affordable homes for Renfrewshire over the five-year period to 2021 in partnership with housing associations and the Scottish Government.

Implications of the Report

1. **Financial** – The report and appendices detail the proposed HRA budget and average weekly rent increase for 2020/2021 and the Housing Capital Investment Plan for 2020/21 to 2022/23.

2. **HR & Organisational Development** – None.

3. **Community/Council Planning**

   - *Our Renfrewshire is well* – enabling communities to have their voices heard, and influence the places and services that affect then – consulting tenants on the proposed changes to rents for 2020/21
   - *Building strong, safe and resilient communities* - continuing housing regeneration programmes across Renfrewshire to create sustainable communities.
   - *Tackling inequality, ensuring opportunities for all* - improving and maintaining housing conditions for the benefit of tenants and providing assistance to tenants to mitigate the impacts of Welfare Reform.
   - *Creating a sustainable Renfrewshire for all to enjoy* – accessing supplementary external funding where available to support the achievement of the minimum energy rating under the Energy Efficiency Standard for Social Housing.
   - *Working together to improve outcomes* – consulting tenants on the proposed changes to rents for 2020/21 and involving tenant representatives in the specification and monitoring of the investment programme.

4. **Legal** – The council is required to set an HRA budget for 2020/21 and agree any rent changes for notification to tenants. The council must give tenants at least 28 days notification in advance of any changes.

5. **Property/Assets** – The report proposes the Housing Capital Investment Plan for 2020/21 to 2022/23.

6. **Information Technology** – None.

7. **Equality & Human Rights -** The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – The proposed new post of Safety Compliance Officer, as contained within this report, will enhance and strengthen the council's approach to fire safety .

9. **Procurement** – The proposed Capital Investment Plan for 2020/21 to 2022/23 will include procurement of contracts.

10. **Risk –** The HRA Business Plan remains subject to a number of risks including the impact of welfare reform and economic factors such as interest rates and inflation.

11. **Privacy Impact** – None.

12. **Cosla Policy Position** – Not applicable.

13. **Climate Risk -** None

List of Background Papers

None.

Author: *Stewart Muir, Finance Business Partner (Communities, Housing & Planning),*
Tel: *0141 618 6132, stewart.muir@renfrewshire.gov.uk*

Appendix 1

Housing Revenue Account - Budget Changes for 2020/21

Expenditure					
Subjective Heading	**2019/20 Budget**	**Change**	**2020/21 Budget**	**Major Changes**	**Change**
	£000	**£000**	**£000**		**£000**
Employee Costs	8,274	650	8,924	Funding for the proposed Estate Management Service to support future investment.	350
				Fire Safety Officer post	45
				Allowance for pay inflation for APT&C and manual staff.	255
				Total Movement in Employee Costs	**650**
Property Costs	14,462	354	14,816	Reduction in repairs budget to reflect efficiencies to be made by Building Services through the review of hard and soft facilities management.	-200
				3% increase in the repairs budget to reflect an allowance for pay inflation and other inflationary pressures.	350
				Increase to repairs budget to reflect the additional stock relating to new build completions during the year.	174
				Property costs incurred by the proposed Estate Management team	30
				Total Movement in Property Costs	**354**
Supplies & Services	714	0	714		
Support Services	2,425	0	2,425		
Transfer Payments	3,832	78	3,910	Increased allowance for bad debt and void loss as a result of the rent increase and increase in stock numbers due to new build.	78
Tranport	83	20	103	Travel costs incurred by the proposed Estate Management team	20
Loan Charges	21,375	446	21,821	Realignment of repayment of principal debt to reflect the debt smoothing strategy.	446
Total Expenditure	**51,165**	**1,548**	**52,713**	**Total movement in Expenditure**	**1,548**

Income					
Subjective Heading	**2019/20 Budget**	**Change**	**2020/21 Budget**	**Major Changes**	**Change**
	£000	**£000**	**£000**		**£000**
House Rents	46,805	1,548	48,353	Net increase in rents to reflect new build properties, less any demolitions or disposals	600
				Rental Increase	948
				Total Movement in House Rents	**1,548**
Supporting People Income	898	0	898		
Commercial Rents	1,181	0	1,181		
SHQS Professional Fees	961	0	961		
Service Charges	322	0	322		
Building Services Rebate	224	0	224		
Temporary Interest	131	0	131		
Lock Up Rents	293	0	293		
Renewable Heat Initiative (RHI) income	100	0	100		
Other Income	250	0	250		
Total Income	**51,165**	**1,548**	**52,713**	**Total movement in Income**	**1,548**
HRA surplus transferred to balances	**0**	**0**	**0**		

Appendix 2

1

Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2021

Housing Revenue Account

Subjective Summary

Line No	Expenditure	2019/20 Estimates £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2020/21 Estimates £
1	**Employee Costs**	**8,273,910**	**395,000**	**255,260**	**8,924,170**
2	Salaries - APT&C	5,690,650	311,300	180,060	6,182,010
3	Superannuation - APT&C	1,098,170	54,200	34,570	1,186,940
4	National Insurance - APT&C	537,140	29,500	17,000	583,640
5	Salaries - manual workers	545,640	0	16,370	562,010
6	Superannuation - manual workers	119,360	0	3,580	122,940
7	National Insurance - manual workers	49,930	0	1,500	51,430
8	Overtime - manual workers	72,820	0	2,180	75,000
9	Occupational Health Contribution	54,800	0	0	54,800
10	Conference expenses	1,500	0	0	1,500
11	Pension Increases	66,400	0	0	66,400
12	Training Costs	37,500	0	0	37,500
13	**Property Costs**	**14,461,940**	**3,860**	**350,230**	**14,816,030**
14	Community alarm maintenance	51,000	0	0	51,000
15	Contract trading service - cleaning	159,450	0	0	159,450
16	Electricity	402,020	0	0	402,020
17	Factoring & common charges	52,000	0	0	52,000
18	Garden assistance scheme	371,200	0	0	371,200
19	Gas	147,030	0	0	147,030
20	Improve garden / close cleaning	494,400	0	0	494,400
21	Maintenance of Gardens and Open Spaces	246,800	0	0	246,800
22	Maintenance of Commercial Units	30,000	0	0	30,000
23	Maintenance of houses	11,700,580	-26,140	350,230	12,024,670
24	Property insurance	335,400	0	0	335,400
25	Rates	131,300	0	0	131,300
26	Office Rent	72,000	0	0	72,000
27	Temporary Accommodation	9,000	0	0	9,000
28	Water metered charges	10,000	0	0	10,000
29	Repairs direct	11,000	0	0	11,000
30	Special uplift service	224,900	0	0	224,900
31	Commercial Refuse	3,860	0	0	3,860
32	Supply of bins	5,700	0	0	5,700
33	Estate Management costs	0	30,000	0	30,000
34	Other Property Costs	4,300	0	0	4,300
35	**Supplies and Services**	**713,860**	**0**	**0**	**713,860**
36	Advertising	3,600	0	0	3,600
37	Bank Charges	7,000	0	0	7,000
38	Clothing/Uniforms	21,700	0	0	21,700
39	ICT software & licenses	196,600	0	0	196,600
40	ICT Equipment maintenance & replacement	10,000	0	0	10,000
41	Office equipment and furniture	5,900	0	0	5,900
42	Legal expenses, Sheriff Officer services	136,000	0	0	136,000
43	Publicity	18,000	0	0	18,000
44	Removal costs	11,800	0	0	11,800
45	Customer research	18,300	0	0	18,300
46	Energy Management Recharge	23,400	0	0	23,400
47	Postage	68,600	0	0	68,600
48	Printing and stationery	40,050	0	0	40,050
49	Telephones	109,810	0	0	109,810
50	Translation and Interpreting Services	1,700	0	0	1,700
51	Other supplies & services	41,400	0	0	41,400
52	**Carried Forward**	**23,449,710**	**398,860**	**605,490**	**24,454,060**

Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2021

Housing Revenue Account

Subjective Summary

Line No	Income	2019/20 Estimates £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2020/21 Estimates £
1	**Income**	**51,164,680**	**599,800**	**948,100**	**52,712,580**
2	District heating income - Tenants	79,700	0	0	79,700
3	District heating income - Owner Occupiers	15,100	0	0	15,100
4	Renewable Heat Incentive (RHI) income	100,000	0	0	100,000
5	Launderette income - Tenants	65,000	0	0	65,000
6	Launderette income - Owner Occupiers	161,900	0	0	161,900
7	Other charges to Owners	10,000	0	0	10,000
8	Recovery of Legal fees	40,000	0	0	40,000
9	Sheltered Housing contribution	151,300	0	0	151,300
10	Customer Support contribution	746,990	0	0	746,990
11	Rental income - commercial properties	1,181,000	0	0	1,181,000
12	Rental income - houses	46,805,000	599,800	948,100	48,352,900
13	Rental income - lock ups	292,690	0	0	292,690
14	Rechargeable Repairs Income (net of write offs)	90,000	0	0	90,000
15	Temporary interest	131,500	0	0	131,500
16	SHQS Professional Fees	961,000	0	0	961,000
17	Admin Recoveries	56,500	0	0	56,500
18	Building Services Rebate	224,000	0	0	224,000
19	Commission on Insurance	5,000	0	0	5,000
20	Energy Management system recharge	15,000	0	0	15,000
21	Other Accounts of the Authority	25,000	0	0	25,000
22	Property Enquiry Fees	5,000	0	0	5,000
23	Property Management Service	3,000	0	0	3,000
24	**Carried Forward**	**51,164,680**	**599,800**	**948,100**	**52,712,580**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2021
Housing Revenue Account
Subjective Summary

Line No	Expenditure	2019/20 Estimates £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2020/21 Estimates £
53	**Expenditure Brought Forward**	**23,449,710**	**398,860**	**605,490**	**24,454,060**
54	**Support Services**	**2,425,000**	**0**	**0**	**2,425,000**
55	Apportionment of Central Administration	1,085,100	0	0	1,085,100
56	Apportionment of Central Administration Business Support	308,110	0	0	308,110
57	Apportionment of Central Administration Non Defined	441,790	0	0	441,790
58	MSS Recharge - Devt & Housing Services	175,000	0	0	175,000
59	ASIST & Mediation recharge from Environmental Services	245,250	0	0	245,250
60	Insurance	123,000	0	0	123,000
61	Membership fees & subscriptions	31,750	0	0	31,750
62	Tenant Consultation	15,000	0	0	15,000
63	**Transfer Payments**	**3,832,010**	**29,700**	**47,880**	**3,909,590**
64	Council tax	118,500	0	0	118,500
65	Garden competition	5,700	0	0	5,700
66	Apprenticeship Levy	31,260	0	0	31,260
67	Grants to tenants associations	8,000	0	0	8,000
68	Irrecoverable rent - housing	1,613,600	20,700	32,700	1,667,000
69	Welfare Reform Initiatives	38,000	0	0	38,000
70	Neighbourhood housing forums	269,500	0	0	269,500
71	Neighbourhood Environmental Trainees Scheme	200,000	0	0	200,000
72	Voids - commercial	170,000	0	0	170,000
73	Voids - operational	702,100	9,000	14,200	725,300
74	Voids - lock ups	49,150	0	980	50,130
75	Strategy & Quality Initiatives	67,690	0	0	67,690
76	Commissioned Costs - Customer Support	558,510	0	0	558,510
77	**Transport**	**82,500**	**20,000**	**0**	**102,500**
78	Travel and Subsistence	78,300	0	0	78,300
79	Internal Transport - Hire	2,200	20,000	0	22,200
80	Internal Transport - Maintenance	1,000	0	0	1,000
81	Internal transport - Fuel	1,000	0	0	1,000
82	**Loan Charges**	**21,375,460**	**-2,937,460**	**3,383,430**	**21,821,430**
83	Loan charges - expenses	108,000	-11,000	0	97,000
84	Loan charges - interest	4,199,000	-182,000	0	4,017,000
85	Loan charges - principal	17,068,460	-2,744,460	3,383,430	17,707,430
86	**Total Expenditure**	**51,164,680**	**-2,488,900**	**4,036,800**	**52,712,580**

Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2021

Housing Revenue Account

Subjective Summary

Line No	Income	2019/20 Estimates £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2020/21 Estimates £
87	Income Brought Forward	51,164,680	599,800	948,100	52,712,580
88	Total Income	51,164,680	599,800	948,100	52,712,580
89	Total Expenditure	51,164,680	-2,488,900	4,036,800	52,712,580
90	Net Expenditure	0	-3,088,700	3,088,700	0

Appendix 3

Housing Capital Investment Plan – 2020/21 to 2022/23

Expenditure Category	2020-21 £m	2021-22 £m	2022-23 £m	3 Year Totals £m
Existing Housing Stock				
Internal Investment	2.770	2.850	2.530	8.150
Low Rise External Improvements	10.700	7.400	8.600	26.700
Multi Storey Flats Improvements	1.250	0.250	3.250	4.750
Sheltered Housing Improvements	0.100	0.100	0.100	0.300
Others e.g. Adapts, Rotworks & Asbestos	1.860	2.160	2.160	6.180
Smoke and Heat Detectors	1.500	0.000	0.000	1.500
Professional Fees	1.100	1.100	1.250	3.450
Total Existing Housing Stock	**19.280**	**13.860**	**17.890**	**51.030**
Regeneration and New Build				
General	0.825	1.030	1.275	3.130
Tannahill Regeneration	4.000	9.200	0.000	13.200
Gallowhill New Build	2.610	6.090	0.000	8.700
Auchengreoch Rd & Spateston	3.500	2.487	0.000	5.987
Foxbar New Build	0.000	1.450	4.350	5.800
Alternative new build provision	0.000	5.075	0.000	5.075
Total Regeneration and New Build	**10.935**	**25.332**	**5.625**	**41.892**
Overall Gross Housing Investment Total	**30.215**	**39.192**	**23.515**	**92.922**
Government Grant Income	**-6.189**	**-9.428**	**-2.320**	**-17.937**
Net Housing Investment Expenditure	**24.026**	**29.764**	**21.195**	**74.985**

Govt grant income of £6.189m in 20/21 includes £1.8m of grant income from Dept of Business, Energy and Industrial Strategy for the whole house retrofit initiative - as reported to Board 14th January 2020