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Renfrewshire Council

Notice of Meeting and Agenda
Council

Date	Time	Venue
Thursday, 02 March 2023	09:30	Council Chambers (Renfrewshire), Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

MARK CONAGHAN
Head of Corporate Governance

Membership

Provost Lorraine Cameron (Convener): Councillor Iain Nicolson (Leader): Councillor Cathy McEwan (Depute Convener): Councillor Jacqueline Cameron (Depute Leader):

Councillor Jennifer Adam: Councillor Fiona Airlie-Nicolson: Councillor Alison Ann-Dowling: Councillor Stephen Burns: Councillor Michelle Campbell: Councillor Graeme Clark: Councillor Carolann Davidson: Councillor Eddie Devine: Councillor Andy Doig: Councillor Audrey Doig: Councillor Chris Gilmour: Councillor Edward Grady: Councillor Gillian Graham: Councillor Neill Graham: Councillor John Gray: Councillor Anne Hannigan: Councillor John Hood: Councillor Lisa-Marie Hughes: Councillor Robert Innes: Councillor Alec Leishman: Councillor Bruce MacFarlane: Councillor James MacLaren: Councillor Kenny MacLaren: Councillor Mags MacLaren: Councillor Colin McCulloch: Councillor Janis McDonald: Councillor David McGonigle: Councillor Jamie McGuire: Councillor Marie McGurk: Councillor Iain McMillan: Councillor John McNaughtan: Councillor Kevin Montgomery: Councillor Sam Mullin: Councillor Will Mylet: Councillor Jim Paterson: Councillor Emma Rodden: Councillor John Shaw: Councillor Ben Smith: Councillor Andy Steel:

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 email
democratic-services@renfrewshire.gov.uk

22/02/2023

Members of the Press and Public

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Webcasting of Council 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. To find the webcast please navigate to http://renfrewshire.cmis.uk.com/renfrewshire/meetings.aspx and select the meeting from the calendar.
If you have any queries regarding this please e-mail Committee Services at democratic-services@renfrewshire.gov.uk

Procedures for Budget Meeting

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.

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

Items of business

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

1 Minutes of Meetings of Council, Boards and Panels

(attached separately)

Council, 15 December 2022, pages 443-460
Communities and Housing Policy Board, 17 January 2023, pages 461-472
Regulatory Functions Board, 18 January 2023, pages 473-482
Education and Children's Services Policy Board, 19 January 2023, pages 483-488
Audit, Risk and Scrutiny Board, 23 January 2023, pages 489-496
Economy and Regeneration Policy Board, 24 January 2023, pages 497-502
Planning and Climate Change Policy Board, 24 January 2023, pages 503-510
Infrastructure, Land and Environment Policy Board, 25 January 2023, pages 511-518
Personnel Appeals and Applied Conditions of Service Appeals Panel, 26 January 2023, pages 519-520
Local Review Body, 31 January 2023, pages 521-522
Regulatory Functions Board, 2 February 2023, pages 523-534
Special Personnel Appeals and Applied Conditions of Service Appeals Panel, 8 February 2023, pages 535-536
Finance, Resources and Customer Services Policy Board, 9 February 2023, pages 537-556
Appointment Board, 15 February 2023, pages 557-558
Personnel Appeals and Applied Conditions of Service Appeals Panel, 20 February 2023, pages 559-560
Leadership Board, 22 February, 2023 (copy to follow)

2 Provost's Update

Hear from Provost

3 Revenue Budget and Council Tax 2023/24 — 9 - 44

Report by Director of Finance & Resources

7 **Notice of Motion 1 by Councillors Smith and Davidson**

"Disposable Vapes Ban

Renfrewshire Council agrees to support the 'Ban Disposable Vapes' campaign. Council officers will write to the Scottish Government to ask them to enact the ban."

8 **Notice of Motion 2 by Councillors McCulloch and Montgomery**

"Affordable Housing Programme

Despite nearly fifteen years of sustained affordable home building, and the repeal of the damaging 'Right to Buy' that crippled local affordable housing supply, the number of homeless families remains unacceptably high. Tens of thousands of people are without a place to call home, with thousands of children languishing in wholly unsuitable temporary accommodation.

Council calls upon the Scottish Government to further expand its affordable house building programme, focusing on building for social rent and ensuring homeless people are prioritised for these new homes to reduce homelessness across Scotland. Council further calls upon the Scottish Government to markedly increase and expand the provision and funding of critical housing support services, so that more people are offered the vital holistic support needed to avoid homelessness."

9 **Notice of Motion 3 by Councillors Innes and Audrey Doig**

"Linwood War Memorial Association"

Council welcomes the news that Linwood War Memorial Association has received official charity status from the Scottish Charity Regulator.

Notes the hard work and dedication that has been put in by this local group to give Linwood a place to honour victims of war.

Council agrees that officers provide relevant support to Linwood War Memorial Society in their efforts going forward."

10 Notice of Motion 4 by Councillors N Graham and Leishman

"Opposition to any ban on alcohol advertising.

Council agrees to write to the Scottish Government to state our opposition to any ban on alcohol advertising in Scotland out with the safeguards that are already in place. The proposed legislation will have a damaging impact on Scotland and Renfrewshire.

Council will continue to work with services such as RCA Trust and partners across Renfrewshire and beyond to help those with addictions to alcohol and to promote the safe consumption of alcohol."

11 Notice of Motion 5 by Councillors Davidson and Ann-Dowling

"International Women's Day

Council notes that the 8th of March is International Women's Day. Council commends the annual illumination of Renfrewshire landmarks in the colour purple each year on the 8th March to celebrate the achievements of Renfrewshire Women and the indispensable contributions women make worldwide."

12 Notice of Motion 6 by Councillors McMillan and G Graham

"IJB Reserves

Council notes that the IJB are in the process of returning unspent monies previously allocated to them by the Scottish Government that was for Covid related issues.

Council believes that a substantial percentage of this money should be reallocated to Scottish councils in order for them to address the continuing challenges resulting from the pandemic.

Furthermore, council agrees to write to the finance minister to this effect."

13 Notice of Motion 7 by Councillors Andy Doig and Hood

"Citizens Assembly on Council Tax
Replacement and the Funding of Local Government –

This Council regrets the lack of political impetus in Holyrood towards the replacement of the hated Council Tax with a comprehensive system of local government finance which is fair, progressive, and effective, and which delivers the certainty and fiscal security which Scottish local authorities need.

Council notes that a Citizens Assembly on Council Tax replacement was a condition of the SNP/Green Coalition Agreement, and looks with interest on the openness of the Welsh Labour/Plaid Cymru Government to new approaches for local government finance such as a Land Value Tax.

Council therefore calls on the Scottish Government to convene a Citizens Assembly on Council Tax replacement at the earliest opportunity, and on the conclusion of its findings and recommendations to convene an All Party Commission at Holyrood to examine them with a view to implementing the replacement of the Council Tax with an agreed alternative."

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 2 MARCH 2023 DURING CONSIDERATION OF ITEM 3 CONCERNING REVENUE ESTIMATES AND COUNCIL TAX FOR THE FINANCIAL YEAR 2023/24

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 2 March 2023.

1. The Convener of the Finance, Resources & Customer Services Policy Board (the Convener) will make his budget statement for financial year 2023/24 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 2023/24).

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 for 20 minutes to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups or other Members. Corporate Meeting Rooms have been arranged for the adjournment as follows: Administration – Corporate Meeting Room 2, Labour - Corporate Meeting Room 1, Conservative – Corporate Meeting Room 3. The other Members will be able to remain in the Chambers.

6. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups and any other Members 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: 2 March 2023

Report by: Director of Finance & Resources

Heading: Revenue Budget and Council Tax 2023/24

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 2023/24. 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 Members will be aware that as a direct consequence of the COVID19 pandemic and subsequent extremely high levels of inflation and cost growth, the Council is experiencing a hugely challenging and complex set of circumstances. It is recognised that moving into 2023/24 and beyond, the financial environment that local government in Scotland is facing will remain heavily constrained, with substantial risks even in the short term in relation to both cost growth and income loss. Longer lasting legacy impacts on service costs, service demands and income streams are anticipated; as well as a lasting impact on transformation plans.

1.3 Members will be required to take these circumstances into account when setting the 2023/24 budget, recognising that the Council's immediate and medium-term challenges have shifted significantly. As outlined in more detail in the report, the Council's medium-term outlook remains subject to considerable risk. Additionally, as reported to Members throughout the year and subject to decisions taken by Council, there will be a need for the budget position in 2023/24 to rely heavily on the use of ringfenced reserves to address the forecast budget deficit. This solution must be viewed as temporary, and the Council must act in the near term to contain spend within available resource on a recurring basis.

1.4 The economic outlook remains subdued, with the recession now forecast to possibly be shallower than had initially been feared. Inflation rates have begun to fall, but remain over 10%. The year ahead is unfortunately unlikely to see much improved prospects over that experienced in 2022; but the degree of uncertainty remains high depending on several factors such as the war in Ukraine, the outcome of wage settlements, government support for households towards energy bills and government spending and taxation decisions.

1.5 The Scottish Budget was announced on 15 December, again for one financial year only. Resource is prioritised to the NHS and the Scottish Government priorities of eradicating child poverty, supporting the transition to net zero and ensuring sustainable public services.

1.6 The local government settlement benefits from a headline cash increase of £570 million; however when the transfer of new responsibilities and other specific funding allocation are removed, COSLA has calculated that the actual like-for-like increase on the core recurring budget is £71 million. Additional funding to support the agreement of the local government pay offer for 2023/24 and in relation to the teachers' pay offer for 2022/23 and 2023/24 has been announced over the course of the Parliamentary approval process for the Scottish Government Budget, however the distribution of this funding has not at this point been agreed. This additional funding is not reflected in the position outlined within this report, however, neither is the corresponding expenditure. On this basis, the underlying financial position outlined in the report remains valid.

1.7 The key elements of the Council's revenue settlement are set out as follows: -

(i) Circular 11/2022 confirmed Scottish Government revenue grant funding in 2023/24 for the Council of £389.764 million.

(ii) After adjusting for new responsibilities, areas of growing responsibility and other conditional aspects of the settlement, this provides a like for like comparison to 2022/23 where the Council's underlying core grant has increased by £0.239 million (0.1%) – broadly in line with the flat-cash position the Council had assumed.

1.8 The Scottish Government has opted not to announce a Public Sector Pay Policy for 2023/24 at this point given the ongoing negotiation of the 2022/23 pay award in a number of areas across the public sector. Despite a falling forecast, the high levels of inflation currently being experienced will present a challenging environment in which to reach agreement on pay levels.

1.9 The medium-term outlook for the Council looks increasingly bleak. There are now permanent cost and service impacts from the pandemic (particularly in relation to children's social care); however, pay and revenue grant will continue to be the two biggest determinants of the Council's financial outlook. Members have previously been advised that the Scottish Government block grant is likely to incorporate only very moderate increases over the remainder of the spending review period to 2025/26. This provides no confidence that the local government settlement in future years will reflect a sufficient degree of increase to address core budget pressures.

1.10 The Council has consistently and correctly taken a medium-term view of its financial position, agreeing transformation and savings measures that have ensured the Council positively addressed the forecast medium-term budget deficit, whilst supporting temporary investment in priority areas. There has however been significant disruption to the Council's transformation programme arising from COVID19 which has left the Council in a position where the pipeline of savings has fallen behind the pace at which the Council's budget deficit will emerge. It is increasingly apparent that transformation and efficiency saving activity alone will not address the scale of financial pressures the Council is facing over the medium term.

1.11 Applying a scenario-based approach, varying the major influencing elements of the projections under a range of scenarios for the three-year period beyond 2023/24, derives a forecast budget deficit range of broadly £40 - 45 million over this period (before any decisions on the level of Council Tax or any other mitigating action). This forecast outlook is based on relatively tight grant and pay assumptions informed by the current financial settlement and the Government's Medium Term Financial Strategy, as well as likely affordability constraints in relation to future pay awards. Factoring in an assumption of 5% increase each year in Council Tax levels would reduce this range to £25 - 30 million, essentially meaning <u>the Council will need to target cost reductions and savings averaging at a minimum of £10 million each year to remain in financial balance.</u>

1.12 For 2023/24, budget assumptions have been updated as appropriate, including most notably the confirmed grant available to the Council and associated conditions, the impact of new statutory obligations, the likely impact of increasing demographic and demand pressures and expected Council Tax yield levels for 2023/24. After taking account of the cumulative impact of each of these issues<u>, there is a recurring budget deficit for 2023/24 of £7.573 million, after the application of up to £11 million of ringfenced balances</u>, and subject to any further decisions taken by Members.

1.13 Given the scale and unprecedented nature of the financial sustainability challenge that lies ahead for the Council, in setting the 2023/24 budget, it is strongly recommended that any commitments by Members that would result in additional recurring expenditure that would have the effect of increasing the projected medium-term deficit in future years should be supported by offsetting 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 £0.300 million, as detailed at Item 3 of this agenda.

2. RECOMMENDATIONS

Members are asked to:-

2.1 Submit for approval proposals for any savings, investments, and service changes as part of delivering a balanced budget for 2023/24, and in doing so: -

- to consider the equality impact of any proposed service changes as referred to at paragraph 8.3

- to assess whether adequate provision is being made in the 2023/24 budget to deliver against the specified commitments linked to the Council's grant settlement for 2023/24, as detailed at paragraph 4.2

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

2.3 Approve the revenue estimates for all services for 2023/24 subject to adjustment for the allocation of specific grants, inflationary allowances and any proposals for service changes approved by Council.

2.4 Approve the financial measures outlined in section 5, including the release of additional resources made available in 2023/24, to Renfrewshire Health and Social Care Partnership

2.5 Approve the proposals in relation to reserve balances as recommended in section 12

2.6 Submit for approval the Council Tax banding levels A to H inclusive to apply for 2023/24.

3. FINANCIAL OUTLOOK UPDATE

3.1 Successive reports to the Council over the course of 2022 have highlighted the increasingly challenging financial and economic environment the Council is facing, predominantly linked to rapidly increasing costs and high levels of inflation. While volatility in financial markets experienced in the wake of the UK Government "mini-budget" have subsided, there remain challenges for both Scottish and UK economies, with an economic recession still forecast over the course of 2023, albeit possibly to a level shallower than previous forecasts.

3.2 Inflation remains high, and the Bank of England has again in February raised the bank rate to a 15-year high of 4% in an effort to tackle this. Inflation rates have begun to fall, but remain over 10%, with higher energy prices being the main reason, although constrained supplies of imported goods and a tight domestic labour market are also factors. Forecasts generally imply that inflation will fall further over the course of 2023, with the Bank of England suggesting CPI will fall to around 4% by the end of the year; however, the ongoing uncertainty with regards energy prices and wage inflation will materially affect these forecasts.

3.3 The high levels of inflation have created a cost of living crisis for households, with many struggling to fund rapidly increasing energy and food costs within an environment of constrained wage growth in many sectors. Demands for increased wage growth have led to industrial relations issues and strikes in many areas, but most predominantly in the public sector.

3.4 The year ahead is unfortunately unlikely to see much improved prospects over that experienced in 2022; but the degree of uncertainty remains high depending on several factors such as the war in Ukraine, the outcome of wage settlements, government support for households towards energy bills, and government spending and taxation decisions.

3.5 In terms of the public finances, and more particularly those in Scotland, previous reports to Council have outlined the pressure the Scottish Government budget is under with increasing service demands in the NHS and the transfer of social security benefits under the administration of the Scottish Government bringing additional costs. Therefore, significant medium-term uncertainty remains for the Council in relation to future government grant prospects and the Council will be required to continue to plan for a range of potential scenarios, predominantly reflecting downside risks.

3.6 The Institute for Fiscal Studies recently published an analysis of the Scottish Government finance position, and the local government grant settlement within this. The main findings suggest that over the medium-term, funding projections by the Scottish Government appear improved for the next four years compared to what was expected at the time of the Resource Spending Review in May 2022. However, the outlook remains difficult, with funding for day-to-day non-benefit spending set to be almost 2% lower in 2027/28 than in 2022/23. This implies that, "…if health spending were increased by 2.9% a year in real terms each year between 2023–24 and 2027–28 (the increase planned for 2023–24 and roughly in line with estimates of what might be needed in the long term) and spending on the net zero, energy and transport portfolio were increased by 4% a year (slightly less than planned, on average, in the Resource Spending Review), the amount available for all other service areas [including local government] would fall by around 6% between 2023–24 and 2024–25, and by 13% by 2027–28."

3.7 The Council's medium term financial outlook continues to be based on an assumed "flat-cash" revenue settlement over the medium term, and there is currently no clear information or projection to suggest that this assumption should be revised. However, as outlined in previous reports, it is the spend side of the equation which is increasing dramatically in the short term and which is the principal driver for the extremely challenging financial outlook. Incorporating an affordable level of pay increase over the period 2024/25 to 2026/27, and a reduced level of inflation on supplies and services costs suggests that the Council is facing a £40-45 million funding gap over this period, before any decisions on council tax. Assuming a 5% council tax increase in each of these years would reduce the funding gap to £25-30 million, essentially meaning that the Council will need to target cost reductions and savings averaging at a minimum of £10 million each year to remain in financial balance.

3.8 Given the long period since 2010 of securing very significant transformation, efficiency and corporate financing savings totalling in the region of £170 million, the Council will be unable to generate further recurring transformation and efficiency savings at this scale without impacting on service delivery or quality. Additionally, over the last decade, nationally set directives as part of grant settlements as well as local priorities, has protected spend in key areas such as Education and Social Care - which constitute around two thirds of the Council's budget. This has resulted in the other non-protected service budgets - which account for the remaining one-third of total spend and cover service areas such as Environment & Infrastructure, Economic Development & Employability, Community Services and Customer & Corporate Support functions - being required to carry the burden of delivering cost reduction and savings over this long term period. Securing further savings at scale from these service areas will be exceptionally challenging for the organisation. While transformation and the opportunity for increased efficiency will continue to be key priorities, it is likely that material service reductions and spending cuts will be a necessary requirement if the Council is to remain financially sustainable. As outlined later in this report, the Scottish Government has in 2023/24 continued to set conditions which will require each council across Scotland to protect spending on teaching and other school staff as well as social care spending – with financial sanctions applying where conditions have not been met. Should such conditional grant arrangements continue over the medium term, this will increasingly reduce the flexibility for the Council to manage the delivery of the required cost reductions and focus disproportionately financial savings from the non-protected areas of spend. Should such circumstances emerge over the medium term this will inevitably result in a requirement for significant service reductions having to be secured from these areas of service.

4. GRANT SETTLEMENT

4.1 On 15 December 2022, the Scottish Government published its draft budget for 2023/24, which was subject to parliamentary approval over the course of February 2023. On 20 December, the draft local government finance settlement was published, as set out in the Local Government Finance Circular 11/2022, which provided details of the provisional revenue and capital funding allocations for 2023/24 for local government across Scotland. The Circular was amended and reissued on 10 January 2023 to reflect corrections highlighted through engagement with councils and COSLA.

4.2 Circular 11/2022 confirmed Scottish Government revenue grant funding in 2023/24 for the Council of £389.764 million. The Deputy First Minister outlined associated issues in a letter to all Council Leaders that set out specific commitments to be read in conjunction with the detail of the financial settlement that make up the provisional funding allocation and which constitute: -

a) The continued prioritisation of financial support for social care. Included within the local government settlement, the Government has provided an additional £95 million nationally to support health and social care as delegated to Integration Joint Boards broken down as follows:

- £100m to support ongoing adult social care pay
- £15m to uplift free personal nursing care rates
- £20m of interim care money provided on a non-recurring basis in 2021/22 is removed

The government confirmed that taken together, the total additional funding of £95 million is to be additional to each Council's 2022/23 recurrent spending delegated to Integration Authorities and not be substitutional i.e. these allocations must be passed to the HSCP for these delegated services. This position is explained further in section 5 below.

b) With regards non-domestic rates, 1 April 2023 marks the next revaluation date, the first under the three-yearly cycle as introduced by the Barclay reforms. The Deputy First Minister outlined his view that the system of valuation appeals by public bodies offers little value for money and will therefore introduce a process whereby any financial incentive to appeal is removed. Where a property occupied by a public body is subject to a successful proposal or appeal, the financial benefit from the reduction in rateable value will result in a downward re-determination of revenue allocations at a subsequent fiscal event.

c) The Deputy First Minister also agreed or committed to further discussion on a number of issues:

- Councils will have full flexibility to set a Council Tax rate that is appropriate to their area
- A commitment to align budgets to maximise impact on outcomes
- A commitment to remove barriers which hinder flexibility in funding
- A commitment to seek to remove unnecessary reporting
- An approach aimed at building trust and relationships through a partnership agreement that will underpin the New Deal for local government.

4.3 The Council's settlement figure includes a number of adjustments for new spending burdens, responsibilities, and conditional funding totalling £24.372 million, linked primarily to the move to devolve Empty Property Relief to local government; a direct pass-through of funding to Integration Joint Boards; and the baselining of funding for the 2022/23 pay award. There is also a range of differences in the planned timing of distribution of resources linked to discretionary housing payments and funding for the Living Wage.

4.4 After adjusting for these areas of new burdens funding, new responsibilities, conditional funding and timing differences in the distribution of funding, the Council's 2023/24 core grant figure as set out in the provisional local government finance settlement has, on a like-for-like basis, increased by 0.1% from 2022/23, broadly in line with the like-for-like increase nationally. The Council's share of the overall local government revenue funding settlement has increased marginally from 3.21% to 3.27%.

4.5 The total revenue grant funding therefore available to the Council is set out in Table 1 below:

Table 1 – Grant Settlement 2023/24

Summary of Revenue Estimate 2023/24	**2023/24**	
	£000	**£000**
Estimated Funding		
Specific Grants	25,693	
Non Domestic Rate Income	131,323	
Revenue Support Grant (including CT replacement)	232,748	
Total Government Grant (per FC 11/2022)		**389,764**

4.6 At the time of writing, the Budget Bill had just been approved by the Scottish Parliament. During the course of the approval process, additional funding was announced related specifically to pay awards for teaching staff in 2022/23 and 2023/24; and non-teaching staff in 2023/24. Funding nationally of £100 million to support non-teaching staff and £123 million in 2023/24 for teaching staff was announced, with an additional £33 million in 2022/23 for the teacher pay offer. The distribution of these amounts to individual councils remains to be confirmed. Given neither this additional income, nor the corresponding costs of any uplifted pay offer have been included within the financial position outlined in the remainder of this report, the assumptions and position as outlined remain valid. However, there is a risk that the funding provided and the eventual pay settlement agreed do not equal each other. A future report to Council will provide a reconciliation of the final grant position.

4.7 The Scottish Government opted not to publish its Public Sector Pay Policy for 2023/24 alongside the 2023/24 Budget, outlining the reason as being the desire to approach pay negotiations differently for 2023/24, the imperative for reform and the need to ensure the sustainability of public sector pay and workforce arrangements. Members will be aware that pay negotiations for teachers and chief officers remains ongoing for 2022/23. In addition, an initial pay claim from the local government pay group for 2023/24 includes a headline 12% pay uplift. A revised pay offer to teachers covering the 2022/23 and 2023/24 financial years has been made by COSLA, but subsequently rejected by the EIS. Negotiation remains ongoing. The revised offer was based on additional funding being provided to local government in both 2022/23 and 2023/24 as outlined above. There is therefore the possibility that both additional cost and income may transpire in the short term which may impact the Council's financial outlook.

4.8 Over the course of the Parliamentary approval process, the Cabinet Secretary for Education has announced a range of measures related to the maintenance of teacher numbers and pupil support staff, probationer placements and hours in the school week which introduce new conditions into the local government settlement. Should these conditions fail to be met, £233.5 million of funding is at risk nationally, of which the amount at risk in Renfrewshire would be £6.454 million.

5. SPENDING AND DEMAND PRESSURES

5.1 An analysis has been enclosed with this report detailing, for each service, the proposed budget changes between 2022/23 and 2023/24. The budget has been adjusted to reflect: -

(i) the continuing costs of the current level of service, excluding any additional exceptional costs which may be incurred during 2022/23 in the continuing recovery from the COVID19 pandemic;

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

5.2 Demographic, socio-economic and - significantly - inflationary factors continue to play a major role in driving core spending pressures for the Council, with practically all areas of the Council affected either in terms of income loss or increased cost pressures. As has been reported to Council over the course of 2022, very high levels of inflation have been experienced, resulting in a projected overspend position in 2022/23 which is outlined in further detail in section 12 below. Economic forecasts suggest that the level of inflation will reduce over the course of 2023, however the price increases which have been incurred are very unlikely to be reversed – simply the pace of increases in prices will slow.

5.3 There are particular price pressures, notably in relation to gas, electricity and road fuel for which a provision has been incorporated into the base budget for 2023/24, however there remains significant risk as to whether the level of provision (reflecting broadly a 13% increase over 2022/23) will be sufficient; depending on a range of global factors, most notably the war in Ukraine. In setting previous budgets, the Council decided not to apply any general inflationary uplift to non-pay budgets. Given the very significant 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 2023/24 budget.

5.4 2023/24 is a revaluation year for non-domestic rates purposes, and draft valuations available from the Assessor suggest that an increased rates liability in the order of £0.7 million will require to be provided for from 1 April. As outlined at paragraph 4.2 above, there is now limited prospects of reducing this cost owing to the revised appeals arrangements introduced by the Scottish Government.

5.5 Over the course of the pandemic, the level of income from on and off street parking (and associated fine income) has reduced very substantially. In 2021/22 an under recovery of £1m was incurred, with a similar amount being forecast for 2022/23. In addition, the Council has agreed to pilot different charging regimes and free periods in an effort to support increased town centre footfall. Assuming no change to the current position income losses will continue to accrue. It is therefore proposed that while a wider review of parking is undertaken the Council should incorporate in to the 2023/24 budget position an anticipated £1 million draw from ringfenced reserves to cover this shortfall. The impact on reserves balances is explored in section 12 below.

5.6 The recommended 2023/24 base budget position detailed in Table 3 includes a provision for pay inflation that reflects what is affordable for the Council, recognising that there is also an element of unfunded pay award from 2022/23 which also requires to be addressed. At the time of writing, the teachers' settlement for 2022/23 still remains to be agreed, as does the chief officer pay award for 2022/23. Should these be settled at a level which is above that agreed for SJC employees, this may increase the projected overspend outlined in this report further and add to the deficit position outlined in this report for 2023/24 should the additional funding provided by the Scottish Government for this issue prove insufficient. In this event, the financial impact will be reported as part of the financial monitoring arrangements along with any required action during 2023/24, as well as the recurring financial adjustment required moving into 2024/25.

5.7 In agreeing the 2022/23 pay award, the Scottish Government provided additional funding to local government, being a combination of revenue and capital funding. In total, the Council received £8.617 million to support the additional costs of the pay settlement over the level of provision which was made in setting the 2022/23 budget – this amount is now baselined within the 2023/24 grant settlement. Councils do not generally receive funding in relation to pay awards therefore the position in relation to this funding is unusual. In recent years, the Council and HSCP have operated under a financial planning assumption that pay award costs will be funded within the total resource available to the HSCP, with no general pay inflation funding being provided by the Council. However, given the specific funding received and now baselined in 2023/24 in relation to the 2022/23 pay award, and following discussion with the HSCP Chief Financial Officer, it is proposed that a proportion of this funding will be provided to the HSCP on a recurring basis. This sum (£1.054 million) will be provided to the HSCP in addition to the funding provided within the settlement (outlined at paragraph 5.11 below) which the Scottish Government has mandated be passed to the HSCP.

5.8 The Financial Regulations require charges for services to be reviewed at least annually. The overview of the Council's spending in Table 3 makes provision of £0.266 million for an inflation adjustment to charges at 5%.

Adult Social Care

5.9 In relation to adult social care, the HSCP over the course of 2022/23 has, as in the preceding two years, been highly focused on responding to, and recovery from, the demands of the pandemic. Significant resources have been provided by the Scottish Government to help offset associated costs; including large amounts of funding provided late in the 2021/22 financial year which has been carried forward into 2022/23. The Scottish Government has put in place a mechanism to recover a proportion of these funds where they have not been specifically committed. It is estimated that a sum in excess of £14million will be reclaimed by the Scottish Government from the Renfrewshire HSCP through application of the above mechanism.

5.10 In terms of core Adult Services budget, the HSCP has reported an underspend throughout the course of 2022/23; with a year-end forecast underspend of £0.7m being reported. It is expected that this year-end core underspend will be added to existing unallocated balances of £5.8 million, which the HSCP will carry forward and have available to support future change and transformation, as well as addressing pressures in future years.

5.11 As outlined above, there are specific conditions within the local government settlement which mandate the pass-through of funds related to social care to Integration Authorities. In 2023/24 there is a total of £95 million within the settlement nationally which requires to be passed through:

Table 2

Funding	**National funding £m**	**Renfrewshire allocation £m**
Living Wage	100	(tbc)
Personal & Nursing Care	15	0.276
Interim Care (22/23 one-off funding)	(20)	(0.664)
Total	**95**	**(0.388)**

5.12 The exact distribution of the Living Wage £100m remains to be confirmed, however it is estimated that Renfrewshire HSCP will receive approximately £3.3 million of this funding. As outlined at paragraph 5.5 above, it is proposed that the funding secured from the Scottish Government in relation to the 2022/23 pay award (and which is baselined within the 2023/24 settlement) will be passed to the IJB on a proportionate basis. The HSCP share is £1.054 million; which when added to the estimated £2.9 million in the table above will result in approximately £4 million of funding being passed to the IJB, fully complying with Scottish Government direction.

5.13 A budget transfer of £1.476 million with the HSCP will be reflected in the 2023/24 base budget for services provided by the Council which directly support the delivery of HSCP Adult Social Care services across Renfrewshire (soft FM costs, day centre transport costs, property costs and financial/charging administration support teams). This adjustment reflects both cost increases associated with these services that have been absorbed previously by the Council since the HSCP was established as well as adjustments to service provision which have been requested by and agreed with the HSCP and funded through interim annual funding transfer arrangements. This adjustment regularises and formally re-bases the interaction between the Council and HSCP budgets, ensuring that adult social care resources that have been transferred to the HSCP since inception and as part the Scottish Government's arrangements are appropriately meeting the cost increases associated with all service functions relevant to the delivery of Adult Social Care, as well as regularising funding arrangements associated with increased service provision put in place at the request of the HSCP. It is planned that in future years, these costs will be updated annually to reflect inflationary cost pressures and any service level changes requested by the HSCP.

Children's Services

5.14 Funding in relation to teacher numbers has been included within the grant allocation from the Scottish Government and this resource, along with education-specific reserve balances, will be utilised flexibly to address cost and other service pressures over the medium term. The scale, shape and extent of education cost pressures – not least of which being the teachers' pay award - is likely to continue to develop over the longer term with potentially permanent changes in the costs of education delivery being possible, but at this stage being very difficult to estimate. As in recent years therefore, non-recurring resources will continue to be deployed to address such costs, and therefore no provision in this respect has been made within the core service budgets, with the exception of those relating to contractual inflation.

5.15 In terms of future risks to the education financial position, there is an emerging issue in relation to the increased costs of pupil transport that will require close monitoring. While no provision has been incorporated into the proposed base budget, it is expected that increasing costs will emerge in the near future as both fleet and fuel costs are incorporated into new school transport contracts.

5.16 In addition, the Cabinet Secretary for Education recently announced a Scottish Government intention to take steps to ensure that current numbers of teacher and pupil support staff are maintained, to ensure there is no reduction in the number of pupil learning hours; and to ensure places remain available for all probationer teachers who need them through the teacher induction scheme. Should the conditions on teacher and pupil support staff numbers and probationers not be achieved, the Scottish Government will recover or withhold relevant monies allocated to individual authorities for these purposes. Nationally the funding at risk is £233.5 million, of which the proportion for Renfrewshire is £6.454 million. This intervention represents a very significant risk to the education budget, and to the immediate financial stability of the Council should the Council not meet the conditions outlined. It is not currently clear exactly by what mechanism, or by what amount any deduction would be enacted.

5.17 Members should note that no provision has been included within the proposed base budget in relation to a permanent solution to the capacity concerns at Dargavel Primary School – this reflects the position that, while additional costs can be anticipated, the proposed solution has not yet been fully established, therefore there is no basis on which to incorporate a funding solution. Future updates to the medium to longer term financial plan will seek to incorporate these costs as they become clear.

5.18 Successive reports to Council and relevant policy boards over the course of 2022/23 have highlighted the very significant cost and service pressures being experienced in children's social care, particularly in relation to external placements. It is forecast that an overspend in the order of £4-5 million will be incurred by the service in 2022/23; with no reasonable expectation that spend at this level will reduce as we move into 2023/24. However, within the financial constraints facing the Council, it is not possible to build into base budgets an increase on this scale. It is therefore proposed that a phased approach to increasing budgets is taken, which will also give the opportunity to monitor demand and spend for an extended period in order to judge the longer term pattern and therefore be more definitive around what a new baseline level of spend may be. An increased provision of £2 million has been included within the proposed base budget; with an expectation that potentially up to a further £3 million (based on actual spend in 2022/23) may be required to be funded from ringfenced balances in 2023/24. The impact on reserves is outlined in section 12 below.

5.19 Table 3 below summarises the recommended base budget adjustments to reflect the pressures facing the Council in 2022/23.

Table 3 - Summary of Recommended Base Budget Adjustments 2023/24

	2023/24	
	£000	**£000**
Impact of previous Council and Board Decisions		
Removal of Local Government elections funding	(500)	
Right for Renfrewshire Savings	(4,731)	
Financial Sustainability Workstreams	(3,580)	
Total Reductions		**(8,811)**
Add Unavoidable Pressures:		
Financial Settlement adjustments Health and Social Care	(388)	
HSCP share of 22/23 pay funding	1,054	
Financial Settlement adjustments New Burdens	4,106	
Financial Settlement adjustments Other	196	
Pay/staff related	467	
Contract Payment Adjustments	6,926	
Requisition Adjustments	885	
Other Unavoidable Pressures	1,427	**14,673**
Long term debt budget		780
Net Increase in Provision for inflationary pressures		16,943
Net Base Budget (Reduction)/Increase		**23,584**

6. FINANCING COSTS AND LONG-TERM BORROWING

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. The Council has previously agreed to a number of corporate financing adjustments in order to both address the anticipated costs of the pandemic and the longer term financial outlook for the Council – including agreement to revise the Council's accounting for service concession arrangements – most notably the schools PPP contract. The implementation of these revised accounting arrangements will provide both ongoing support to the Council's revenue budgets over the medium term in the order of £1.4 million per annum, and a one off retrospective gain which is proposed will be incorporated into the Council's long term debt management provision in order to fund the longer term costs of the revised accounting arrangements. The ongoing revenue saving has been incorporated into the proposed base budget as outlined in Table 3 above.

6.2 As previously reported to Council, the pausing of the Right for Renfrewshire programme during the pandemic has impacted on the level of planned savings over recent years, with the result that the Council has required to use longer term capital financing flexibilities to bridge the savings gap over the medium term. This approach will result in higher borrowing costs in the longer term, and this will require to be met through appropriate base budget adjustments in the coming years and the release of long-term flexibility resources. In setting the 2022/23 budget, Members agreed to adjust the base budget by £7.5 million, in the knowledge that this position would require to be unwound over the medium to longer term. The proposed base budget for 2023/24 incorporates the commencement of the re-building of the loans charges budget, with a provision of £0.8 million being included. Provision on this scale will require to be made over the medium to longer term in order to rebuild the core loans charges budget; with non-recurring support in the interim being provided through a draw on ringfenced debt and capital support funds – potentially up to £7 million, but reducing year-on-year. The actual position will be influenced predominantly by the progress of capital investments, with any rephasing of spend on capital projects in effect deferring the requirement to draw from balances. Updates on this position will be reflected in future reports to Council.

7. <u>SAVINGS</u>

7.1 Reports to Council over the course of 2022 have outlined the recommencement of service transformation activity alongside the development of a range of financial sustainability workstreams which aim to achieve a range of savings over the medium term.

7.2 The Council's main transformation programme – branded Right for Renfrewshire (RFR) most recently – is the main route for the Council to transform services and release efficiencies, thereby supporting the delivery of recurring savings over the medium term. Members will be aware that, at the onset of the coronavirus pandemic, a decision was taken to formally pause the programme, recognising the capacity of the Council required to be fully diverted to support the emergency response. As has been outlined in previous financial update reports, the longer term impact of this decision is that the Council's pipeline of associated savings has fallen behind the level required to support overall financial sustainability.

7.3 Where management capacity has allowed, service reviews have taken place in discrete areas of the Council – Finance and ICT services have been reviewed utilising the RFR approach and recurring savings have been generated. In addition, reviews of the Operations and Infrastructure service within Environment and Infrastructure have also commenced with a view to savings being generated over the course of 2022/23 to 2024/25. Remaining areas of the Council where reviews will be undertaken include Legal and Democratic services, Events and Communications, Policy and Commissioning and People and Organisational Development. Based on work undertaken by services to date, and that for which specific plans are being developed over the next 12 – 18 months, it is estimated that £8 million of savings could be deliverable against the £15 million target, of which £4.731 million can be confidently incorporated into the 2023/24 base budget.

7.4 In relation to the financial sustainability workstreams, work has progressed over recent months with regards many of these; however it is apparent that the ambition with regards the scale of savings (£20 million target) is not going to be achievable within the 3-year period under consideration now that further investigation has been undertaken. Nonetheless, many of the workstreams have indicated potential to deliver savings in the longer term, or in some cases, while not delivering significant savings in their own right, the work is important to undertake as it is a critical enabler in the delivery of other service changes or savings. For example, development and improvement of the Council's web presence through the Digital Experience project will take some investment in the short to medium term, however this is a key enabler in increasing digital ways of working and digital customer services, which will generate efficiencies in the longer term. Work to date would suggest that £3.580 million of savings can be confidently incorporated into the 2023/24 base budget (incorporating the inflationary uplift in fees and charges as outlined at 5.8 above). As outlined above there remains a considerable amount of development required for some proposals and there is scope for further achievement of savings, in particular from a much more critical examination of the Council's property holdings – not just in terms of current operating costs but importantly having an eye to future very significant lifecycle maintenance and component replacement requirements

7.5 Taken together, the above savings total of £8.311 million will, when added to the reversal of one-off spend associated with administering the local government elections in 2022, provide £8.811 million of recurring support to the 2023/24 revenue budget position.

8. EXPENDITURE OVERVIEW

8.1 The Council approved spending for 2022/23 of £466.342 million. This excluded the commitment of non-recurring grant income of £3.982 million. It is estimated that £500.170 million (as detailed in Table 4) 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 2023/24. To note, this **excludes** the proposed use of ringfenced reserve balances to address the parking income under-recovery and children's social care costs outlined in section 5.

Table 4 – Estimated Spending Need 2023/24

Summary of Revenue Estimate 2023/24	2023/24	
	£000	£000
Estimated Funding		
Estimated Spending need 2022/23		**466,287**
22/23 Budget Motion recurring committments	55	
Plus late settlement changes (FC 1/2022):		
Health and Social Care	7,513	
Free School Meals	2,244	
Other	4,109	**13,921**
Base Budget per Update to Council June 2022		**480,208**
Less non-recurring settlement adjustments		(3,622)
Revised Closing Base Budget 2022/23		**476,586**
Budget reductions per Table 3	(8,811)	
Unavoidable budget increases per Table 3	14,673	
Long term Debt budget provision	780	**6,642**
Base Budget 2023/24		**483,228**
Inflationary cost provision 23/24		16,943
Total Estimated Spending Need 23/24		**500,170**

8.2 As is well recognised by Members and as highlighted throughout this report, significant cost pressures are anticipated to persist beyond 2023/24 for the Council. Members will continue to be updated with regards the medium term financial position, but they should be aware that in setting the 2023/24 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 or other income. Similarly, any decision 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.

8.3 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.

8.4 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.

9. COUNCIL TAX

9.1 The Council's level of Council Tax (Band D) for 2022/23 is £1,354.88 and is £7.91 (0.6%) above the Scottish average. It is estimated that in 2023/24 each £1 of Council Tax will yield £75,529 gross (£62,238 net of adjustment for Council Tax Reduction), higher than 2022/23. The increase in the yield reflects anticipated growth in the Council Tax base in the context of some recovery from the pandemic being experienced in housing construction.

9.2 A maximum net gross yield of £102.3 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.

9.3 Members are required to determine the level of Council Tax for Bands A to H inclusive, which should apply for 2023/24.

10. RESOURCE ALLOCATIONS

10.1 Appendix 1 attached summarises the provisional resource allocation for each service. 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.

11. BUDGET OVERVIEW – 2023/24

11.1 The overview budget position for the Council for 2023/24, prior to any changes in service levels or Council Tax levels, is outlined in Table 5 below. This overview position confirms a recurring budget deficit position, after the planned use of ringfenced reserves to fund spend or income loss outlined earlier in the report. As members are aware, the use of ringfenced reserves can only ever be a temporary solution to the financial position and should only be agreed while substantive measures are taken to move the Council's finances back to recurring financial balance. <u>The £7.573 million projected deficit position outlined in table 5 is AFTER the application of up to £11 million of reserve balances explained in section 12</u>.

Table 5 – Budget Overview 2023/24

Summary of Revenue Estimate 2023/24	2023/24	
	£000	£000
Estimated Funding		
Total Government Grant (per FC 11/2022)		389,764
Council Tax Income		102,333
Council Tax / Community Charge Arrears Recovery		500
Total Income		**492,598**
Estimated Spending Need		500,170
Estimated In-Year Surplus/(Deficit)		**(7,573)**

12. PROBABLE OUTTURN 2022/23, BALANCES AND RESERVES

12.1 Appendix 1 to this report details an overview of the Probable Outturn for 2022/23. The Council's general fund balances as at 1 April 2022 were £104.667 million and, as outlined in Table 7 below, the significant majority of this was earmarked for specific purposes. This balance also reflects the previously agreed increase in unallocated balances to a minimum of £10 million, reflecting the heightened financial risk environment over the course of the pandemic and subsequent cost of living crisis and associated extremely high levels of inflation. As reported to Members over the course of 2022/23, a year-end overspend position in the order of £11 million is projected for the Council, with an expectation that COVID and inflation-specific balances would require to be utilised to fund the overspend. At the time of writing, significant risks remain for the 2022/23 outturn position – predominantly in relation to the teachers' pay settlement. The projected outturn reflected in this report is based on an assumed position that the teachers' pay award will be settled around the same level as the local government workforce. If a higher level of award is agreed, and no compensatory funding is received from the Scottish Government to fund this, then the outturn deficit position will increase.

12.2 The financial outlook report to Council in December 2022 outlined that the projected 2022/23 overspend would be funded by drawing from a number of balances:

Table 6

Ringfenced reserve	Opening balance £m	Potential drawdown £m
COVID Construction recovery	10	4
COVID Education recovery	6.3	2-3
COVID General recovery	9.1	4-5
Inflation mitigation	5	2-4

It should be noted the estimates above are subject to change as the 2022/23 year-end position is finalised. It should also be noted that the £4m drawdown from the Construction Recovery fund relates to the 2022/23 pay award funding provided by the Scottish

Government as capital resource, and which Council agreed in September would be switched from this reserve, i.e. this drawdown is not related to funding the projected revenue overspend. The use of these balances should therefore negate any requirement to draw on unallocated balances over that agreed in setting the 2022/23 budget.

12.3 It is proposed that on closing the 2022/23 financial year, the funds in table 6 above are amalgamated into a single Financial Sustainability ringfenced reserve which will be utilised to provide temporary support to the Council's revenue budget over the 2023/24 financial year, and potentially (depending on member budget decisions) the year thereafter. As highlighted in paragraphs 5.5 and 5.18 above, it is recommended that up to £4 million of this Financial Sustainability reserve be earmarked in setting the 2023/24 base budget to address the anticipated parking income under-recovery and unmet children's social care costs.

12.4 It is further proposed – linked to the revised service concession accounting arrangements outlined at section 6 above - that the retrospective gain outlined be consolidated with the existing PPP replacement fund into a long term debt management reserve which will be utilised over the medium term to flexibly support the anticipated budget gap in loans fund interest repayments and the cessation of loans charges support while the base budget is rebuilt as outlined at section 6 above. Officers will continue to revise capital spending and borrowing forecasts, and utilise existing budget and accounting mechanisms flexibly in order to minimise the potential draw on this fund in 2023/24; however a draw of up to £7 million may be required. Combined with the £4 million anticipated draw described in paragraph 12.3, this results in a potential use of up to £11 million of ringfenced balances being used to support the 2023/24 revenue budget. That is, the £7.573 million projected deficit position outlined in table 5 is AFTER the application of up to £11 million of reserve balances.

12.5 It remains important that the Council maintains sufficient unallocated reserves to provide an appropriate degree of financial protection and immediate financial resilience moving forward, and that the level of unallocated reserves held is guided by the risk profile faced by the Council.

12.6 It is recognised that the financial risk profile for the Council has increased significantly over the past 2 years and in this context the Council previously approved to maintain unallocated balances at a minimum £10 million. The actual outturn on unallocated balances in 2021/22 of £10.788 million represented 2.3% of the Council's budgeted net expenditure. In setting the 2022/23 budget, £450,000 was committed from unallocated balances for specific purposes, resulting in an estimated 2022/23 closing balance of £10.3 million - a level that remains both prudent and appropriate for the Council's circumstances. As always, the Accounts Commission will continue to closely monitor the Council's position in respect to unallocated reserves as part of its wider assessment of the Council's financial stability and resilience.

12.7 Table 7 below summarises the forecast movement and year-end position of General Fund balances, including those earmarked for agreed purposes and estimated future liabilities. It should be noted this forecast is subject to significant volatility given the potential additional grant income and pay costs which may be incurred in 2022/23.

Table 7 – General Fund Balances 2022/23

Summary of Usable Reserves 2022/23	Balances at 1/4/2022	Forecast Movement	Forecast Closing Position at 31/03/2023
General Fund Balances	**£000**	**£000**	**£000**
Alcohol and Drugs Commission	1,854	(750)	1,104
British Sign Language	1	-	1
City Deal	1,750	(577)	1,173
Climate Change Fund	611	(339)	272
Community Empowerment Fund	339	(38)	301
COVID-19 Education Recovery Fund	6,328	(6,328)	-
COVID-19 General Recovery Fund	9,161	(9,161)	-
COVID-19 Recovery Construction Fund	10,000	(10,000)	-
Extraordinary Inflation	4,990	(4,990)	-
Financial Sustainability Fund	-	14,227	14,227
Loan Charges Flexibility Fund	-	40,271	40,271
PPP Reserve	12,670	(12,670)	-
Civil Contingencies surplus	-	50	50
Culture Bid Legacy	3,566	(1,126)	2,440
Development Contribution - Paisley Town Centre	1,057	-	1,057
Digital Infrastructure	2,389	(383)	2,006
Discretionary Business Grants	392	-	392
Early Years Strategy	1,900	-	1,900
Employability	9,481	(1,523)	7,958
Environment & Infrastructure	1,015	(500)	515
Family Wellbeing Fund	-	988	988
Leisure: Inclusive Play Facility	50	(35)	15
Local Heat and Energy Efficiency	-	75	75
Memorial Headstone Safety	625	(511)	114
Paisley Town Centre Heritage Strategy	1,254	(1,125)	129
Private Sector Housing Grant	2,207	(157)	2,050
Public Wi Fi Project	33	(33)	-
Pupil Equity Funding	1,259	-	1,259
School Music Participation	285	(125)	160
Service Modernisation and Reform Fund	11,008	(2,306)	8,702
Service Year End Flexibility	5,291	(1,476)	3,815
Fairer Renfrewshire Programme	-	3,786	3,786
Social Renewal Plan	1,795	(1,041)	754
Tackling Poverty	1,402	(972)	430
Villages Improvement Fund	133	(133)	-
Welfare Reform	1,033	(400)	633
Unallocated General Fund Balances	10,787	(460)	10,327
Total General Fund Balances	**104,666**	**2,238**	**106,904**

12.8 As previously reported to Council in its consideration of the annual accounts, and as detailed in Table 8 below, other specific reserves continue to be maintained.

Table 8 – Specific Reserves 2022/23

Summary of Usable Reserves 2022/23	Balances at 1/4/2022	Forecast Movement	Forecast Closing Position at 31/03/2023
Specific Reserves	**£000**	**£000**	**£000**
Insurance Fund	2,653	-	2,653
Reservoir Repair Fund	321	-	321
Education Capital Items Fund	2,269	(124)	2,145
Investment Programme Capital Fund	90,456	(2,500)	87,956
Total Specific Reserves	**95,699**	**(2,624)**	**93,075**

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

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

12.11 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.

12.12 The Investment Capital Fund is used to hold planned contributions to the delivery of the ongoing capital investment programmes, as well as resources that support the long-term debt smoothing strategy. These debt smoothing resources are utilised to manage both the debt levels linked with the capital investment programme and the associated debt servicing costs i.e. principal repayments, charged to the revenue account each year.

13. BUDGETARY CONTROL

13.1 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. Members should also be aware that, given the reliance on non-recurring reserves to produce a balanced budget, any further decisions taken by the Council or Policy Boards to increase spend over the course of the year must give consideration to how this spend will be funded.

14. FURTHER ACTION

14.1 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.

14.2 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 2023/24 revenue budget, identifying a recurring deficit position in year, with a significant budget deficit of up to £40-45 million forecast over the following three 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 2023/24 budget, it would be anticipated that the grant settlement will 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 to continue to increasingly make key choices to direct 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.

8. **Health & Safety** - none

9. **Procurement** – none

10. **Risk** - As outlined in the report, the Council continues to be faced with extreme financial risk in setting its 2023/24 budget in the context of inflationary costs, service demands and potential funding claw backs. The financial outlook over the medium term remains loaded with downside risks, principally in relation to factors out with the

Council's direct control. In addition, the scope of service change required and scale of cost reduction necessary to align Council spending with available resources over the medium term brings with it additional risk for the Council. In recognition of this it is critical that the Council's financial resilience is maintained 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: Alastair MacArthur, Director of Finance & Resources

APPENDIX 1

RENFREWSHIRE COUNCIL
PROVISIONAL RESOURCE ALLOCATION STATEMENT
(subject to amendment for any budget proposals approved by Council)

Net Expenditure	2022/23 Approved Estimates £000	2022/23 Revised Estimates £000	2022/23 Probable Outturn £000	2023/24 Estimates £000
Children's Services	222,413	226,403	231,672	230,826
Adult Services	86,011	93,598	92,577	92,788
Environment and Infrastructure	44,864	47,165	50,013	44,388
Miscellaneous Services	28,369	29,266	29,266	33,225
Finance and Resources	34,620	38,986	39,339	40,892
Communities and Housing Services	10,041	9,195	9,155	9,965
Chief Executive Services	10,783	11,719	11,696	10,743
Leisure Services	11,734	11,734	12,592	12,419
Loans Fund	3,627	3,697	3,697	3,077
SPT	3,248	3,168	3,168	3,248
Renfrewshire Valuation Joint Board	1,657	1,657	1,657	1,657
Net Expenditure	**457,367**	**476,588**	**484,832**	**483,228**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
ADULT SERVICES

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**93,597,835**
Adjustment to Current Year Estimates		
Settlement Adjustments:		
Removal of Interim Care (non-recurring)	(664,000)	
Free Personal and Nursing care	276,000	
		(388,000)
Unavoidable Pressures:		
Full year impact of 2022/23 pay settlement	1,054,000	
		1,054,000
Transfers (to) / from other Services:		
HSCP support costs to Miscellaneous	(1,476,000)	
		(1,476,000)
2023/24 Estimates (before Council decisions)		**92,787,835**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
CHIEF EXECUTIVE SERVICES

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**11,719,088**
Adjustment to Current Year Estimates		
Unavoidable Pressures:		
iDox Software Upgrade (Planning)	19,000	
Climate Ready Clyde subscription	11,000	
Inflationary increase in Scotland Excel requisition	3,900	
		33,900
Proposed Savings:		
Right for Renfrewshire Tranche 2	(860,000)	
Financial Sustainability Workstreams	(150,000)	
		(1,010,000)
2023/24 Estimates (before Council decisions)		**10,742,988**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
LEISURE SERVICES

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**11,733,799**
Adjustment to Current Year Estimates		
Unavoidable Pressures:		
Net Inflationary increase - OneRen requisition	685,300	
		685,300
Proposed Savings:		
		-
2023/24 Estimates (before Council decisions)		**12,419,099**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
CHILDREN'S SERVICES

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**226,403,088**
Adjustment to Current Year Estimates		
Settlement Adjustments:		
Funding for teachers	(110,000)	
Early Learning Childcare	(675,000)	
1+2 Languages	(40,000)	
Free school meal expansion	(44,000)	
Pupil Equity Fund	378,000	
School Clothing Grants	30,000	
Whole Family Wellbeing (New burden)	985,580	
Removal of Core Curriculum Charges	24,000	
Removal of Fees for Music Tuition	137,000	
		685,580
Unavoidable Pressures:		
Annual Contractual PPP Contract Indexation Adjustment	1,737,000	
External secure care / residential placements	2,000,000	
		3,737,000
2023/24 Estimates (before Council decisions)		**230,825,668**

RENFREWSHIRE COUNCIL **PAPER 1**
SUMMARY OF 2023/24 REVENUE ESTIMATES
COMMUNITIES AND HOUSING SERVICES

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**9,194,722**
Adjustment to Current Year Estimates		
Settlement Adjustments:		
Preventing Homelessness	451,000	
		451,000
Unavoidable Pressures:		
Inflationary increase in payment to Glasgow Scientific Services	11,100	
		11,100
Transfers (to) / from other Services:		
Regulatory Services / Public Protection from Miscellaneous	307,728	
		307,728
2023/24 Estimates (before Council decisions)		**9,964,550**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
ENVIRONMENT AND INFRASTRUCTURE

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**47,164,912**
Adjustment to Current Year Estimates		
Settlement Adjustments:		
Local Energy Strategy (New Burden)	75,000	
		75,000
Unavoidable Pressures:		
Waste collection and disposal service	120,000	
Streetlighting - Electricity Price Increase	100,200	
Bitumen price inflation	116,300	
Road Salt price inflation	45,000	
Soft FM staff for Kirklandneuk PS	17,200	
Soft FM food labelling (Natasha's law)	4,000	
		402,700
Transfers (to) / from other Services:		
	-	
		-
Proposed Savings:		
Right for Renfrewshire Tranche 2	(2,711,000)	
Financial Sustainability Workstreams	(544,000)	
		(3,255,000)
2023/24 Estimates (before Council decisions)		**44,387,612**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
STRATHCLYDE PASSENGER TRANSPORT

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**3,167,698**
Adjustment to Current Year Estimates		
Transfers (to) / from other Services:		
Inflationary increase in SPT requisition	80,000	
		80,000
2023/24 Estimates (before Council decisions)		**3,247,698**

RENFREWSHIRE COUNCIL **PAPER 1**
SUMMARY OF 2023/24 REVENUE ESTIMATES
FINANCE AND RESOURCES

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**38,985,694**
Adjustment to Current Year Estimates		
Settlement Adjustments:		
Empty Property Relief (New burden)	3,045,600	
Scottish Disability Assistance	45,000	
		3,090,600
Unavoidable Pressures:		
Business Services and recruitment staffing	231,900	
Digital First and Customer Services staffing	130,100	
Cyber Security systems and staffing	103,100	
ICT contract renewals and inflation	159,700	
External audit fees increase	46,300	
Elected Member pension costs	24,600	
Support for National Young Person Bus Travel Scheme	15,900	
		711,600
Transfers (to) / from other Services:		
Insurance premium uplifts November 2022 from Miscellaneous	184,295	
		184,295
Proposed Savings:		
Right for Renfrewshire Tranche 2	(960,000)	
Financial Sustainability Workstreams	(1,120,000)	
		(2,080,000)
2023/24 Estimates (before Council decisions)		**40,892,189**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
RENFREWSHIRE VALUATION JOINT BOARD

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**1,657,150**
Adjustment to Current Year Estimates		
Unavoidable Pressures:		
Increase in requisition to RVJB	-	
		-
2023/24 Estimates (before Council decisions)		**1,657,150**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
MISCELLANEOUS SERVICES

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**29,265,563**
Adjustment to Current Year Estimates		
Unavoidable Pressures:		
Utility and contract cost inflation	2,740,000	
Non-Domestic Rates impact of 2023 revaluation	733,000	
Fuel inflation provision	400,000	
Royal National Mod 2023 (non-recurring)	300,000	
		4,173,000
Transfers (to) / from other Services:		
Regulatory to Communities and Housing	(307,728)	
Requisition increase to SPT	(80,000)	
HSCP direct support cost	1,476,000	
Insurance premium uplifts to Finance and Resources	(184,295)	
		903,977
Proposed Savings / Prior Year Decisions:		
Removal of one-off cost for Local Elections	(500,000)	
Unwind of temporary Council Tax Reduction support	(250,000)	
Financial Sustainability Workstreams	(366,000)	
		(1,116,000)
2023/24 Estimates (before Council decisions)		**33,226,540**

RENFREWSHIRE COUNCIL
SUMMARY OF 2023/24 REVENUE ESTIMATES
LOANS FUND

PAPER 1

Analysis of Change between 2022/23 and 2023/24

		£
2022/23 Estimates		**3,696,610**
Adjustment to Current Year Estimates		
Strategic Investments:		
Loan Charges Sustainability Fund (formerly PPP reserve)	280,000	
Financial flexibilities application - capital and debt management	500,000	
Proposed Savings:		**780,000**
Financial Sustainability Workstreams	(1,400,000)	
		(1,400,000)
2023/24 Estimates (before Council decisions)		**3,076,610**

Item 4

Renfrewshire Council

To: Council

On: 2 March 2023

Report by: Director of Finance & Resources

Heading: Non-Housing Capital Investment Programme, Prudential Framework and Treasury Management Strategy, and Capital Strategy 2023/24 – 2027/28

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1. Summary

1.1. This report details the planned Non-Housing Capital Investment Programme for projects across all service areas of the Council, except Council Housing. Funding available to support this investment includes prudential borrowing and capital grant, as well as contributions from revenue, partners and external funding bodies.

1.2. On 15 December 2022, the Scottish Government published the draft Scottish Government budget for 2023/24, with a provisional local government finance settlement as outlined in Finance Circular 11/2022 (revised), published on 10 January 2023. The capital grant for Renfrewshire Council in 2023/24 outlined in the circular is £19.169m. This includes specific funding for the 2022/23 local government pay award, the expansion of Free School Meals, and Cycling Walking and Safer Streets (CWSS), leaving £12.044m as general capital grant (£12.075m in 2022/23).

1.3. The level of general capital grant allocated to local government in the draft Scottish Budget for 2023/24 (£687m) remains broadly in line with that received in 2022/23, with the addition of £80m relating to the expansion of free school meals and £120m (non-recurring) to fund the 2022/23 local government pay award. In the context of this funding environment, there is little scope for any investment in assets other than rolling lifecycle maintenance, unless the Council is able to access and secure other sources of funding including; for example, realised capital receipts, sustainable prudential borrowing funded by recurring revenue savings, or external grant

funding. The Council has had success in levering external funding in recent years as evidenced through grant awards in relation to Levelling Up funding, City Deal and Regeneration Capital Grant funds; and the Council will continue to build on this expertise in the coming years in an effort to sustain higher levels of investment.

1.4. There are also likely to be limited opportunities for capital receipts as a source of income to the capital plan; suggesting potentially a greater reliance on borrowing as the main source of capital funding outwith the capital grant settlement. Increased borrowing, however, will result in revenue pressures at a time when the revenue fund is also severely constrained.

1.5. It should be noted that the capital plan outlined in this report extends beyond 2023/24, yet no capital grant from 2023/24 has been incorporated. Approved programmes already in place that are funded by other arrangements, e.g. prudential borrowing or specific funding related to the City Deal, are included. It should be further noted that this approach does not preclude the Council from taking further investment decisions as part of the budget process where separate funding arrangements are established.

1.6. The Prudential Code and Treasury Management Code play a key role in capital finance in local authorities; 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, setting out the long-term context within which capital investment decisions are made to improve capital, revenue and balance sheet planning.

1.7. Details of the proposed Prudential Indicators and Treasury Management Strategy are attached at Appendix 3; and the proposed Capital Strategy is attached at Appendix 4.

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2. Recommendations

2.1 It is recommended that Council:

(a) Approves the Capital Investment Programme covering the period up to 2027/28, as summarised in Table 2 of this report and detailed in Appendices 1 and 2 attached;

(b) Notes the level of core capital grant available and that no assumptions are included within the planned programme beyond this financial year in respect to future grant levels;

(c) Delegates authority to the relevant Heads of Service in consultation with the Director of Finance and Resources to adjust, where appropriate, resources across individual components of the lifecycle maintenance, roads and structures and schools investment programmes respectively;

(d) Approves the Prudential Indicators set out in Appendix 3 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;

(e) Approves the Treasury Management Strategy Statement 2023/24, including the treasury management indicators, set out in Appendix 3 to this report;

(f) Approves the Capital Strategy set out in Appendix 4 to this report;

(g) Considers the equality impact of any decisions being taken by Members relating to these recommendations outlined above.

3. Overview of Capital Resources and Current Programme

3.1 The updating of the capital programme outlined in this report focuses on the 2023/24 financial year. It is against this background that this report is presented and includes:

- Confirmation of the roll forward of projects already approved as part of the existing Capital Investment Plan, including major projects already underway as part of the existing investment programme;
- In line with the Council's agreed medium-term financial planning principles, general capital grant for 2023/24 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 lifecycle maintenance programme for the Council's property portfolio (£4m);
  - maintaining an annual replacement programme for the Council's vehicle fleet (£2m);
  - maintenance programmes for the Council's transport infrastructure covering roads & footpaths (£3m), bridges and streetlighting/traffic lights (£1m);
  - renewal of artificial pitches (£0.6m);
  - maintenance and refresh of the Council's ICT estate (£0.5m)
  - maintaining delivery of the private sector housing programme (£0.6m).

    - unallocated capital resource held within the Strategic Asset Management Fund, which is available for consideration and direction to priority investment areas (£0.3m).

- Specific capital grant for 2023/24 is for the following purposes:
    - Cycling, Walking and Safer Streets (£0.786m);
    - Expansion of Free School Meals (£2.352m); and
    - Funding of the 2022/23 local government pay award (£3.988m).

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 and 2.

Table 1: Resource Availability 2023/24 - 2025/26

	2023/24 £000s	2024/25 £000s	2025/26 £000s
Prudential Borrowing	72,449	68,715	40,100
Total Borrowing	72,449	68,715	40,100
Specific Grant	1,824	2,169	0
General Capital Grant	18,383	0	0
City Deal Grant	0	0	44,542
City Deal borrowing	31,166	0	0
Usable Capital Receipts	21,631	23,100	768
Capital Funded from Current Revenue (CFCR)	473	0	0
Total Resource Availability	145,926	93,984	85,410

Table 2: Programme 2023/24 - 2027/28

	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Major Programmes					
Schools Estate Programme	8,904	39,540	38,250	400	400
Lagoon Internal Play Centre	1,000	0	0	0	0
Transformation & ICT	1,730	400	400	400	400
Private Sector Housing Programme	600	0	0	0	0
Artificial Pitch Upgrades	600	0	0	0	0
City Deal Projects	57,959	14,758	44,592	51,154	43,362
Regeneration	1,500	0	0	0	0
AMIDS South	14,260	24,690	0	0	0
Paisley Learning & Cultural Hub	1,781	66	0	0	0
Paisley Museum	18,410	927	0	0	0
Investment in Heritage Venues & Town Centre Infrastructure	15,398	5,684	0	0	0
Townscape Heritage 2	501	0	0	0	0
Town Centre Capital Regeneration	2,000	0	0	0	0
Place Based Fund	1,038	2,169	0	0	0
Nature Restoration Fund	387	0	0	0	0
Improvements to Outdoor Access and Play Area	161	0	0	0	0
Asset Lifecycle Maintenance Programmes					
Vehicle Replacement	2,235	0	0	0	0
Roads & Footpaths	6,698	400	400	400	400
Bridges	680	0	0	0	0
Lighting Columns and traffic signals	1,012	0	0	0	0
Investment In Cemeteries	305	0	0	0	0
Parks Improvement Programme	370	461	768	0	0
Free School Meals Upgrade	2,352	0	0	0	0
Buildings Capital Lifecycle	5,000	4,889	1,000	1,000	1,000
Multi Purpose Bins	20	0	0	0	0
Community Halls & Facilities Programme	725	0	0	0	0
Strategic Asset Management Fund - unallocated	300	0	0	0	0
Total Planned Spend	145,926	93,984	85,410	53,354	45,562

4. Lifecycle Maintenance of Existing Assets

4.1 The Council has committed to a financial planning principle that capital grant resources would be directed in the first instance to supporting lifecycle maintenance programmes to protect the Council's existing assets and infrastructure. Annual lifecycle investment across the Council's key asset classes during 2023/24 is included within the capital programme detailed in Appendix 2.

Property Lifecycle Maintenance

4.2 The Council's property portfolio was predominantly built prior to statutory and Health & 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 access improvements within Council properties. The amount of funding available to undertake elemental replacement and major maintenance remains constrained and this is increasingly problematic in maintaining the condition of the estate. The Council will need to consider the future size of the property estate in terms of the affordability of maintenance obligations.

4.3 It is recognised that a sufficient degree of flexibility in the management of the lifecycle maintenance fund is required to address changing priorities that may emerge. It is therefore proposed that the Head of Facilities and 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.

Roads and Footpaths

4.4 The investment level detailed in this report for 2023/24 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, targeted to deliver a stepped change in the condition of key routes and transport infrastructure. Similar to property lifecycle maintenance, it is proposed that the Head of Climate, Roads and Public Protection, in consultation with the Director of Finance and Resources, is delegated authority to adjust the allocation of resources within this programme.

Streetlighting, Bridges and Other Road Structures

4.5 In order to maintain the overall condition of street lighting columns, bridges and structures, a rolling replacement programme of £1m is proposed for 2023/24.

Vehicle & Plant Replacement Strategy

4.6 The Council has invested significant capital resources in recent years to support a vehicle replacement strategy. Continued investment is required in order to sustain planned vehicle replacement cycles and maintain the ability of the existing vehicle and 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.

Private Sector Housing Grant (PSHG)

4.7 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 regeneration programme.

5. Prudential Framework for Capital Finance and Treasury Management Strategy Statement 2023/24

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 and 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 expenditure plans and investment plans are affordable and proportionate;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- the risks associated with investments for commercial purposes are proportionate to their financial capacity; and
- treasury management decisions are taken in accordance with good professional practice.

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, proportionate, 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 cashflows, money market 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 3 to this report are full details of the Council's Prudential Indicators and Treasury Management Strategy Statement for 2023/24 based on 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 activities 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 4 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 of decision-making, elected members must have sufficient information available 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 five-year period; along with associated funding sources. The Capital Plan, Prudential Framework, Treasury Management Strategy and Capital Strategy ensure 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 arising from this report.

3. **Community/Council Planning:** the investments outlined in these reports contribute to all strategic themes within the Council Plan objectives; their delivery will ensure that the Council's assets and infrastructure are fit for purpose and provide the people of Renfrewshire with access to facilities that improve their environment and opportunities, while ensuring the Council is financially sustainable by applying prudential rules.

4. **Legal:** none arising from this report

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 that will ensure the Council continues to have access to secure, efficient ICT services.

7. **Equality & Human Rights:** the recommendations contained in 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 facilities 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's carbon footprint.

Author: Alastair MacArthur, Director of Finance & Resources

List of Appendices to this report:

Appendix 1	Summary of Capital Income and Expenditure 2023/24 to 2027/28
Appendix 2	Capital Investment Programme 2023/24 to 2027/28
Appendix 3	Prudential Framework and Treasury Management Strategy Statement 2023/24
Appendix 4	Capital Strategy 2023/24 to 2025/26

Appendix 1

2023/24 – 2027/28 Capital Investment Programme

	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Prudential Borrowing	72,449	68,715	40,100	2,200	2,200
Total Borrowing	**72,449**	**68,715**	**40,100**	**2,200**	**2,200**
Specific Grant	1,824	2,169	0	0	0
General Capital Grant	18,383	0	0	0	0
City Deal Grant	0	0	44,542	51,154	43,362
City Deal Interim Borrowing	31,166	0	0	0	0
Usable Capital Receipts	21,631	23,100	768	0	0
Capital Funded from Current Revenue (CFCR)	473	0	0	0	0
Total Resource Availability	**145,926**	**93,984**	**85,410**	**53,354**	**45,562**

General Services Capital Programme	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Schools and Early Years Investment	8,905	39,540	38,250	400	400
Leisure Estate	2,325	0	0	0	0
Environment and Infrastructure	11,868	861	1,168	400	400
Economic Development	39,127	8,846	0	0	0
City Deal	73,719	39,448	44,592	51,154	43,362
Corporate Projects	9,382	5,289	1,400	1,400	1,400
Private Sector Housing Grant	600	0	0	0	0
Total General Services Programme	**145,926**	**93,984**	**85,410**	**53,354**	**45,562**

Appendix 2

2023/24 – 2027/28 Capital Investment Programme by Project

Schools and Early Years Investment	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Paisley Grammar New Campus	5,000	34,140	33,850	0	0
Primary Schools Estate Programme(SEMP 2020)	1,000	5,000	4,000	0	0
Kirklandneuk PS Extension	54	0	0	0	0
Park Mains Extension	250	0	0	0	0
St Andrews Extension	200	0	0	0	0
Dargavel Extension (Modular Units)	2,000	0	0	0	0
Total Schools Investment Programme	**8,504**	**39,140**	**37,850**	**0**	**0**
Other Programmes					
Technology Replacement Strategy ICT	400	400	400	400	400
Total	8,904	39,540	38,250	400	400

Leisure Estate	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Lagoon Internal Play Centre	1,000	0	0	0	0
Community Halls Refurbishment	725	0	0	0	0
Artificial Pitches Uopgrade	600	0	0	0	0
Total	2,325	0	0	0	0

Appendix 2

2023/24 – 2027/28 Capital Investment Programme by Project

Environment and Infrastructure	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Programme Funded By Specific Grant					
Cycling, Walking & Safer Streets - Outwith Travel Plans	786	0	0	0	0
Total Programme Funded By Specific Consent	**786**	**0**	**0**	**0**	**0**
Asset Lifecycle Maintenance Programmes					
Vehicle Replacement Programme	2,235	0	0	0	0
Bridge Assessment/Strengthening	680	0	0	0	0
Roads/Footways Upgrade Programme	5,848	400	400	400	400
Lighting Columns Replacement	1,012	0	0	0	0
Core Pathways & Cycle Network	64	0	0	0	0
Other Major Programmes					
Parks Improvement Programme	63	0	0	0	0
Investment In Cemeteries	305	0	0	0	0
Improvements To Outdoor Access And Play Area	161	0	0	0	0
Nature Restoration Fund	387	0	0	0	0
Multi Pupose Bins	20	0	0	0	0
Renewal of Play Parks	307	461	768	0	0
Total	11,868	861	1,168	400	400

Appendix 2

2023/24 – 2027/28 Capital Investment Programme by Project

Economic Development	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Paisley Venue and Town Centre Infrastructure					
Paisley Town Centre Infrastructure	1,150	5,393	0	0	0
Paisley Town Centre Infrastructure (4 Junctions)	1,916	0	0	0	0
Paisley Arts Centre Redevelopment	1,435	41	0	0	0
Paisley Town Hall Redevelopment	6,256	250	0	0	0
St James Playing Fields Redevelopment	2,327	0	0	0	0
External Sports: ON-X Linwood	1,324	0	0	0	0
External Sports: Ferguslie Pavillion Upgrade	990	0	0	0	0
Paisley Museum	18,410	927	0	0	0
Town Centre Regeneration	2,000	0	0	0	0
Place Based Fund	1,038	2,169	0	0	0
Paisley Learning and Cultural Hub	1,780	66	0	0	0
Development and Housing Projects					
Townscape Heritage CARS 2	501	0	0	0	0
Total	39,127	8,846	0	0	0

Appendix 2

2023/24 – 2027/28 Capital Investment Programme by Project

City Deal	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
City Deal					
Glasgow Airport Investment Area	2,078	65	0	0	0
Clyde Waterfront & Renfrew Riverside	55,881	14,693	50	0	0
Airport Access	0	0	44,542	51,154	43,362
Total City Deal	**57,959**	**14,758**	**44,592**	**51,154**	**43,362**
City Deal Related Programmes					
GAIA Regeneration	1,500	0	0	0	0
Gallowhill Cycleway	300	0	0	0	0
AMIDS South	13,960	24,690	0	0	0
Total	73,719	39,448	44,592	51,154	43,362

Corporate Projects	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
ICT Programme					
ICT Infrastructure Maintenance and Renewal Programme	1,730	400	400	400	400
Other Corporate Programmes					
Strategic Asset Management Fund	300	0	0	0	0
Lifecycle Capital Maintenance (LCM) Fund	5,000	4,889	1,000	1,000	1,000
Free School Meals expansion	2,352	0	0	0	0
Total	9,382	5,289	1,400	1,400	1,400

Renfrewshire Council

APPENDIX 3 - Prudential Framework for Capital Finance 2023 to 2026 and Treasury Management Strategy Statement 2023/24

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 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.

1.3 The Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities. This strategy (from section 8 onwards) sets out the Council's policies and plans for the year ahead in relation to the management of cashflows; money market 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.

1.4 CIPFA published updated Prudential and Treasury Management Codes on 20 December 2021. After a soft introduction of the Codes, local authorities are expected to fully implement the required reporting changes from 1 April 2023.

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, who determine their own programmes for capital investment in fixed assets. 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:

- capital investment plans are affordable and proportionate;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- the risks associated with investments for service and commercial purposes are proportionate to their financial capacity;
- treasury management and other investment decisions are taken in accordance with professional good practice; and
- the Council is accountable, by providing a clear and transparent framework.

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

2.4 The 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. 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, i.e. full Council. The Chief Finance Officer is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration and for establishing procedures to monitor performance.

2.6 Prudential indicators for previous years are taken directly from the Council's Annual 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. No such qualification has been stated.

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 Revenue budget of the Council. Affordability is ultimately determined by judgement about acceptable levels of Council Tax or, 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 those expected in future years, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming years. The Council is also required to consider known significant variations beyond this timeframe. This requires the development of a three-year revenue forecast, and a rolling five-year capital investment plan.

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 Annual 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 2023/24* 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 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 of the planned investment programmes for Housing and Non-housing services are presented in this report and take account of the capital resources that will be made available to the Council from the Scottish Government through the local government settlement 2023/24.

3.4 In addition to the approved capital investment plans, there may be projects that emerge throughout the year that can 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 regular 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 five financial years:

Estimated Capital Expenditure	2023/24 £m	2024/25 £m	2025/26 £m
Non-Housing	145.926	93.984	85.410
Housing	29.678	48.624	69.027
Total	175.604	142.608	154.437

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. Owing to risks inherent in 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. These figures will be included in the Council's Annual Accounts, along with explanations of significant variations from expectations. The actual capital expenditure incurred in 2021/22 was £81.296m.

3.7 **Capital Financing Requirement (CFR)**

Local authorities have access to a number of ways of financing traditionally procured capital investment. This does not refer to the payment of cash, but the funding sources that are applied to ensure that the underlying amount arising from capital plans is absolutely in place, whether at the point of spend or over the longer term. Some available financing options involve resourcing the investment at the time that it is incurred. These are:

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

3.8 Capital expenditure that is not financed by one of the above methods will increase what is known as the Capital Financing Requirement (CFR) of the Council. It has often been referred to as capital expenditure financed by borrowing; however this is incorrect, as borrowing provides cash, not the asset, since borrowing has to be repaid. Also, the term 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 cashflows, 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 financial transactions of the Council and not simply those arising from capital spending. In contrast, the CFR reflects the Council's underlying need to borrow for a capital purpose.

3.10 The Council is required to make reasonable estimates of its CFR at the end of the forthcoming financial year and the two subsequent years, showing figures for Housing and Non-housing separately, and keep this under review.

3.11 The CFR 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 CFR will reduce at the same time that the capital expenditure is incurred, resulting in no net increase to the CFR. The CFR 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.

3.12 Where capital expenditure is not resourced immediately, this will result in a net increase to the CFR 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.

3.13 It is recommended that the Council approves the following as the indicator for the CFR at the end of each of the next three financial years:

Capital Financing Requirement	2023/24 £m	2024/25 £m	2025/26 £m
Non-Housing	337.524	405.356	442.226
Housing	121.209	147.968	199.139
Total	458.733	553.324	641.365

3.14 After the year-end, the actual CFR as at 31 March will be calculated for Housing and for Non-housing and these figures will be included in the Council's Annual Accounts, with explanations for significant variations from expectations. At 31 March 2022 the Capital Financing Requirement was £360.485m.

3.15 **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. This ensures that the Council makes a prudent annual provision to pay off an element of loans fund advances accumulated from previous financial years. For all new loans fund advances, the policy for repayment is as follows.

Asset Life Method:

Loans fund advances are repaid with reference to the life of an asset, using an average life of 40 years for General Fund assets and 30 years for HRA assets. There are exceptions to this, such as assets constructed under City Deal arrangements, that have differing asset lives, and loans fund repayments are therefore proposed over 50-60 years for those.

The annuity rate applied to current loans fund repayments has also been revised and is based on an annuity rate of 6.00% and similar average life periods to those referred to above. This is considered to be a prudent approach to ensure the loans fund repayments continue for a period that is reasonably in line with that over which the asset provides benefits to the Council.

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 must be consistent with the Council's plans for capital expenditure and financing and with its Treasury Management 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 cashflow. Risk analysis and risk management strategies are taken into account, as are plans for capital expenditure, estimates of the CFR and estimates of cashflow 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 of such would be significant and 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 2023/24 through 2025/26:

Operational Boundary	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	364.558	460.952	550.870
Other long-term liabilities	94.175	92.372	90.495
Total	458.733	553.324	641.365

4.5 **Authorised Limit**

This is based on the same assumptions as the Operational Boundary, with sufficient headroom to allow for unusual or exceptional cash movements. This headroom ensures sufficient capacity to allow for cashflow management without breaching the limit.

4.6 The Authorised Limit will be reviewed on an annual basis and any changes require to be approved by Council.

4.7 The Council is required to set for the next three financial years an authorised limit for its total external debt (gross of investments), identifying separately any 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 2023/24 to 2025/26:

Authorised Limit	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	382.786	484.000	578.414
Other long-term liabilities	94.175	92.372	90.495
Total	476.961	576.372	668.909

4.8 After the year-end, the balance of actual external debt as at 31 March 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 2022 was £325.7m of which £254.2m related to borrowing and £71.5m to outstanding obligations on finance leases and guarantees.

4.10 On 20 September 2022, the Scottish Government issued Finance Circular 10/2022, section 2.2 of which allows local authorities to re-profile all payments for service concession arrangements, provided it is applied consistently and to all arrangements with greater than five years remaining as at the 1 April 2022. The Council will exercise section 2.2 and re-profile payments under PPP arrangements; this has led to the forecast increase in other long-term liabilities in the table in 4.7 compared to the balance at 31 March 2022.

4.11 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 a point in time. In addition, the 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 CFR. The projected external debt compared to the estimated CFR for the three-year period 2023/24 through 2025/26 is detailed at section 10.3.

4.11 A new international accounting standard "IFRS 16: Leases" was announced in December 2018 by CIPFA/LASAAC. The practical effect of adopting this is that any contract the Council has signed that provides the right to rent or lease exclusive use of an asset, such as property or vehicles, will 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.

4.12 This liability will be treated as additional borrowing, therefore increasing the Capital Finance Requirement and other associated Prudential Indicators such as the Operational Boundary and Authorised Limit. CIPFA/LASAAC has now confirmed that mandatory implementation of the accounting standard IFRS 16 Leases is deferred until 1 April 2024, although authorities can choose to adopt earlier.

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"). This requires that the annual Treasury Management Strategy Statement is approved by Council, along with treasury limits for the three-year period 2023/24 to 2025/26.

5.2 In adopting the Treasury Management Code, the aim is to ensure that treasury management is driven by a clear and integrated Treasury Management Strategy and a recognition of the existing structure of the Council's borrowing and investment portfolios. The primary 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 its investment activities.

5.3 Borrowing more than, or in advance of, the Council's need purely 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.

5.4 The Treasury Management Code requires that the Council approves, annually in advance, a strategy for its treasury management activities. The Treasury Management Strategy for 2023/24 is set out in this report from section 8 onward.

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 in the medium term because 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 medium-term net borrowing is only to be used for capital purposes.

6.2 In the Prudential Code, this requirement must be demonstrated through a comparison of net borrowing with the CFR. Except in the short term, net external borrowing should not exceed the total CFR in the previous year, plus the estimate of any additional CFRs for the current and next two financial years.

6.3 The projected CFR at 31 March 2026 is £641m (section 3.13). Net external borrowing should not exceed this level and, indeed, the projected Operational Boundary at 31 March 2026 is also £641m (section 4.4). The Council had no difficulty in meeting this requirement at 31 March 2022 and no difficulties are anticipated in meeting it 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 Treasury Management Code are designed to help demonstrate prudence. The prudential indicator is that the Council has adopted CIPFA's Treasury Management Code.

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 budget 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 (estimated)	2023/24 %	2024/25 %	2025/26 %
Non-Housing	3.64%	3.91%	3.91%
Housing	28.97%	30.81%	32.33%

Non-housing estimates for 2024 to 2026 are currently based on the 2023/24 settlement figures because the current spending review does not extend beyond this year.

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.

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7.3 Revenue streams relate either to the amounts received in terms of government grant and local taxpayers for Non-housing, or to the amounts received from tenants in respect of housing rents for 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* for Housing services are:

Impact of capital investment decisions on:	2023/24	2024/25	2025/26
Band D Council Tax	£0.00	£0.00	£0.00
Weekly Housing Rents	£0.37	£1.31	£3.15

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 and 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 Treasury Management Code.

8.2 This report covers the requirements of the latest (December 2021) version of the Treasury Management Code, including the treasury management indicators as defined therein, and the requirements of the Local Government Investments (Scotland) Regulations 2010 with regards consent from Scottish Ministers in respect of local authority investments.

8.3 The Council's **Treasury Management Strategy Statement** for 2023/24 is set out here at sections 8 to 12, and constitutes the Council's annual strategy and plan in relation to its treasury management activities as defined by the 2021 version of 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 overarching objective in relation to treasury management activities: the effective management and control of risk.

9.2 The Council has a contract with Link Asset Services Limited ("Link") 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, 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 proposed Treasury Management Strategy for 2023/24 is based on a view of interest rates, supplemented by market forecasts provided by Link, and covers the following aspects of the treasury management function:

- treasury limits in force that 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; and
- policy on use of external service providers.

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10. Treasury Management Strategy Statement: Borrowing strategy

10.1 Current external borrowing position

The Council's external borrowing position as at 3 February 2023 was as follows:

External borrowing position	As at 31 March 2022		As at 3 February 2023		change in the year
	£m	average interest rate	£m	average interest rate	£m
Long-term borrowings					
PWLB: fixed rate	201.297	3.97%	225.255	3.82%	23.958
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	254.213	4.12%	278.171	3.98%	23.958
Total short-term borrowings	0.000	0.00%	0.000	0.00%	0.000
Total of all external borrowings	**254.213**	**4.12%**	**278.171**	**3.98%**	**23.958**

10.2 The increase in Public Works Loan Board (PWLB) borrowing of £25m taken during 2022/23 was offset by scheduled debt repayments made in the year. A further £0.828m of debt will be repaid to the PWLB by 31 March 2023.

10.3 Projected Borrowing Position

The Council's anticipated borrowing position for 2023/24 and the two subsequent 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.

Estimated Borrowing Position	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	335	401	484
Other long-term liabilities	94	92	90
Total External Debt	429	494	575
Capital Financing Requirement	459	553	641
Under Borrowing	30	60	67

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 shows that gross external debt does not, except in the short-term, exceed the total of the Capital Financing Requirement in 2022/23 plus the estimates of any additional Capital Financing Requirement for 2023/24 and the two subsequent 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 2022/23 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 using 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.

Some shorter-term borrowing may be required to fund the City Deal projects, however. This is required because 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 2025/26. 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 Council's overall borrowing forecast.

10.6 **Liability Benchmark Indicator**

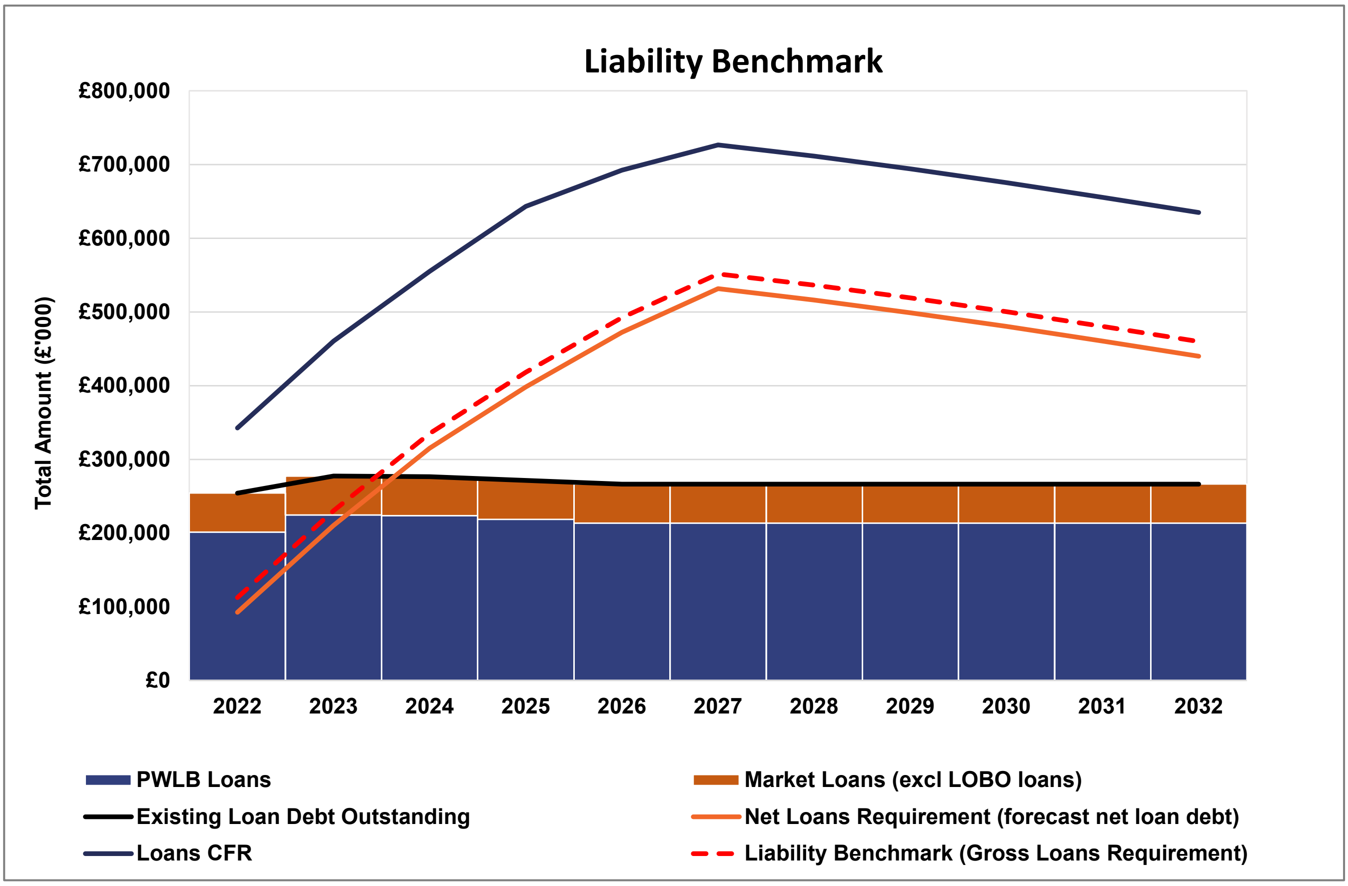
A new treasury prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the next three financial years, as a minimum. CIPFA recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity period of the Council.

There are four components to the LB:

- **Existing loan debt outstanding:** the Council's existing loans that are still outstanding for future years;
- **Loans CFR:** this is calculated in accordance to the Capital Finance Requirement definition in the Prudential Code described in 3.7, excluding other liabilities;
- **Net Loans Requirement:** this will show the Council's gross loan debt less treasury management investments projected into the future, and is based on approved net capital expenditure and planned loans fund principal repayments;
- **Liability Benchmark:** this equals the net loans requirement plus any short-term liquidity requirements.

The Loans CFR is only allowed to reflect capital expenditure and loan fund repayments approved by Council, therefore only for net capital expenditure up to 2027/28. As the debt maturity profile extends well beyond this period< the usefulness of the liability benchmark as a prudential indicator is diminished beyond 10 years. Therefore, the liability benchmark is shown below for the 10-year period that CIPFA recommends, rather than for the full debt maturity period.

The LB shown in the graph below is the total of PWLB and Market Loans for 2022/23 and for most of 2023/24. The LB is currently forecast to cross over current borrowing levels around this period largely as a result of the anticipated City Deal expenditure described in 10.5. The LB peaks around 2026/27 and starts to reduce thereafter, illustrating that the borrowing may only be required in the shorter term rather than over a long period.



10.7 **Interest Rate Forecast**

As part of Link'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 rates are based on the Certainty Rate (the standard rate minus 20 bps), which has been accessible to the Council since 1 November 2012.

10.8 The central forecast is that the Monetary Policy Committee (MPC) will continue to try to mitigate high inflation by delivering a succession of rate increases. The Bank Rate currently stands at 4%, up from 0.50% in February 2022, and is expected to peak between 4.25% and 4.5% in the first half of 2023. It is then forecast that the MPC will reduce the rates once the worst of the inflationary pressures are over.

10.9 However, there is a high level of uncertainty over the timing of these forecasts as it involves a lot of judgement over the best time to start reducing rates. Reducing rates too early could lead to an increase in inflationary pressures, but delaying this action could prolong any downturn or recession.

Interest rate forecast: Bank Rate	March 2023	June 2023	Sept 2023	Dec 2023	March 2024	March 2025	March 2026
Bank Rate	4.25%	4.50%	4.50%	4.25%	4.00%	2.75%	2.50%

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022. The MPC reported in February 2023 that they expect inflation to reduce to around 4% by the end of 2023, largely owing to past increases in energy and other goods falling out of the calculation of the year-on-year rate.

10.10 **Forecasts for PWLB rates**

The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally in the range of 4.1% to 4.8%; this is compares to rates between 2.2% and 2.4% twelve months ago.

Interest rate forecast: PWLB borrowings	March 2023	June 2023	Sept 2023	Dec 2023	March 2024	March 2025	March 2026
5-year loans	4.20%	4.20%	4.10%	4.00%	3.90%	3.40%	3.10%
10-year loans	4.40%	4.40%	4.30%	4.10%	4.00%	3.50%	3.30%
25-year loans	4.60%	4.60%	4.50%	4.40%	4.20%	3.70%	3.50%
50-year loans	4.30%	4.30%	4.20%	4.10%	3.90%	3.50%	3.20%

10.11 **Borrowing Decisions**

The main borrowing decisions to be made for 2023/24 are:

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

10.12 Based on the Capital Investment Programme, it is anticipated that the Council may need to borrow up to £117m to fund new capital expenditure during 2023/24 and to replace loans due to mature that year.

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

(i) The cheapest borrowing is currently internal borrowing, accessed by running down cash balances. However, where long-term borrowing rates are forecast to increase at a later date, consideration will also be given to locking in lower rates by borrowing earlier. The investment rate of return is also a deciding factor here;

(ii) PWLB borrowing for a term of less than 10 years, potentially covering only the period where there is a need for cash. This offers a range of options for new borrowing which will spread debt maturity 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;

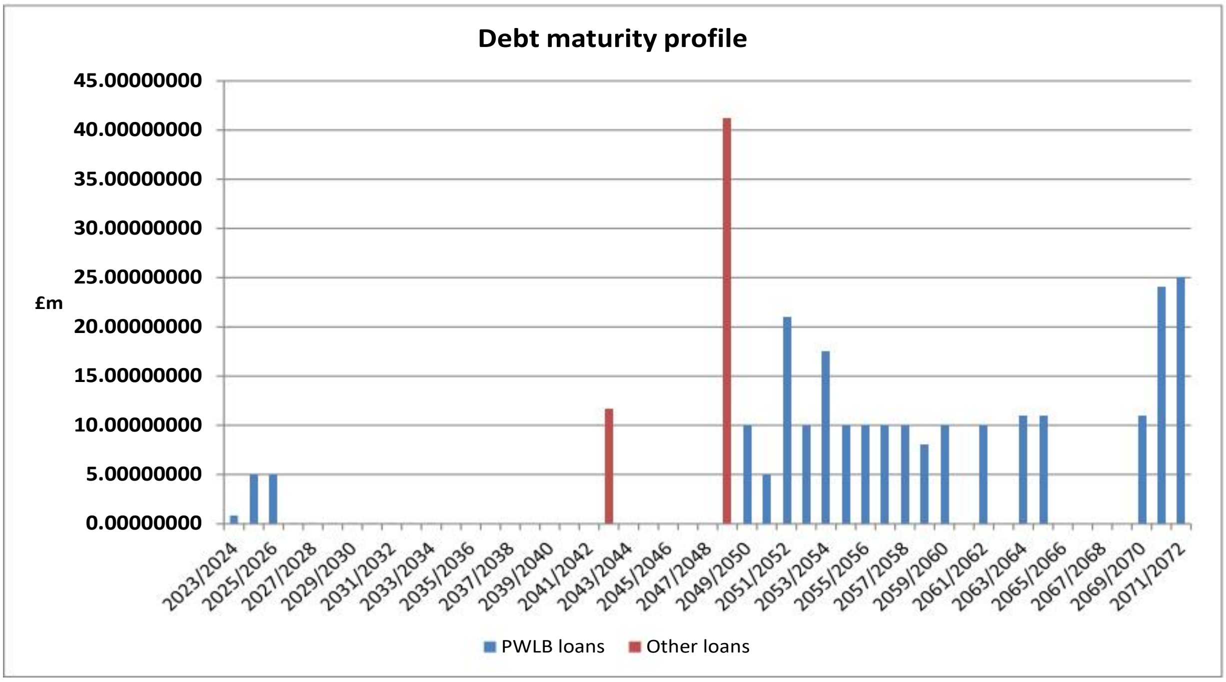
(v) Long-term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available), with due regard to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

10.14 **Sensitivity of the interest rate forecast**

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 was felt that there was a significant risk of a sharp **fall** in long- and short-term interest rates than that currently forecast, then long-term borrowings would be postponed, with focus shifting to consideration of short-term borrowing to meet the Council's need along with any opportunities for rescheduling;
- If it was felt that there was a significant risk of a much sharper **rise** in long- and short-term interest rates than that currently forecast, then the portfolio position will be reappraised with a possible move to take on required borrowing whilst interest rates were still relatively low.

10.15 The forecast debt maturity profile at 31 March 2023 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 just below 15% (14.9% in 2048/49). This will be monitored and likely rescheduled well in advance of this date to ensure there is no risk that it rises above 15%. This is well within the Council's treasury indicators for debt maturity and therefore gives the Council the flexibility needed to structure new borrowing in a manner that minimises debt interest costs.



10.16 Since the Council has a capital investment plan covering the period to 2026/27 and detailed investment and borrowing analyses, advantage can be taken of opportunities that may arise to minimise 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.

10.17 Caution will continue to be exercised 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.

10.18 **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.

10.19 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.

10.20 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 has regard to the Local Government Investment (Scotland) Regulations 2010, the accompanying Scottish Government Finance Circular 5/2010, the 2021 Treasury Management Code, and the CIPFA Treasury Management Guidance Notes 2021.

11.2 The Council's investment priorities are:

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

11.3 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. In the current economic climate, it is considered appropriate to keep investments short-term to cover cashflow needs. However, where appropriate, the Council will also consider the value available in periods up to 24 months with high credit rated financial institutions, as well as wider range fund options.

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

11.5 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also consider investments for periods up to 12 months with high credit rated institutions, whilst investment rates remain elevated, as well as a wider range of fund options.

11.6 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.

11.7 **External Investment Position**

The Council's external investment position as at 3 February 2023 was as follows:

External investment position	As at 31.03.2022		As at 03.02.2023		change in the year
	£m	average interest rate	£m	average interest rate	£m
Temporary investments:	215.360	0.19%	233.573	2.80%	18.213

The increase in the Council's short-term, or temporary investments during the period reflects borrowing from PWLB when rates were favourable, in advance of need, for City Deal projects.

11.8 The average rate of interest received on the Council's temporary deposits has increased by over 2%. The increase reflects that more recent temporary deposits secured by the Council have been at higher rates than some of the longer-term rates secured at relatively low rates that have now matured. The Bank of England's decision to increase the base rate during the second half of 2022 and early 2023 has led to increased investment returns. The Council will continue to monitor future rate movements and when appropriate will lock into longer term temporary deposit deals with counterparties of particularly high creditworthiness, securing a higher overall rate of return across the portfolio without compromising the security of investments.

11.9 **Creditworthiness Policy**

In order to maintain an approved list of counterparties (institutions with which the Council will invest funds), the Council applies the creditworthiness service provided the Council's treasury advisers 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, where available; and
- the financial press.

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

11.11 The approved list of counterparties (Annex B) also 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. In recent years, the counterparty limit for each bank and building society has been set at 5% and the limits for Money Market Funds and enhanced cash funds has been set at 5% of the total cash balances held by the Council at the time the investment is made.

The increase in temporary investment balances, see 11.7, during 2022/23, alongside potential for additional borrowing in advance of City Deal projects and the requirement to maintain sufficient liquidity within the Money Market Funds in a period of uncertainty has the potential to lead to challenges maintaining the limits below 5%, particularly in light of the restricted number of approved providers of Money Market Funds has led to a review of the limits.

For 2023/24 the limit for each bank and building society has been set at 10% and the limits for Money Market Funds and enhanced cash funds has been set at 10% of the total cash balances held by the Council at the time the investment is made. Due to the restricted number of approved providers of Money Market Funds, the deposit level with any one institution can extend to a maximum of 15%, where the element that exceeds the 10% threshold is deposited in another permitted instrument, e.g. an ultra-short dated bond funds. This approach allows the Council to meet its cashflow management objectives whilst appropriately spreading investment risk over a range of counterparties and underlying investment instruments. The limits will be continually reviewed for appropriateness throughout 2023/24.

11.12 All credit ratings are monitored daily. Link alerts the Council to rating changes made by any of the three rating agencies and, should a downgrade result in the counterparty or 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: 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 The City Deal project requires the Council to make payments in Euros during 2023/24. This will involve holding balances in Euros in order to meet these payments. The Creditworthiness Policy for holding Euros will be the same as outlined from 11.9 to 11.13.

Investment Decisions

11.15 The current forecasts from Link (see point 10.9 above) indicate that the Bank Rate is likely to rise in the first half of 2023 before stabilising and gradually reducing over a number of years.

11.16 Investments will be made with reference to core balance and cashflow requirements and the outlook for short-term interest rates (i.e. for investments up to 12 months). Greater returns are usually achievable by investing for longer periods. While most cash balances are required in order to manage variations in cashflow, careful consideration is given to investing identified cash sums for longer periods, where appropriate.

11.17 The majority of the Council's temporary cash balance is currently invested in short-term deposits with other local authorities, along with investments in Money Market Funds and short-term deposits with banks. The Council will continue to invest with these institutions; however, if attractive rates become available with counterparties of particularly high creditworthiness, making longer-term deals worthwhile and within the risk parameters set by the Council, then longer-term investments will be considered.

11.18 Investment decisions will require to take account for balances held in Euros as per paragraph 11.14. The Council will closely monitor exchange rate movements and may use risk management tools or instruments available, such as a forward contract or advance purchase of foreign currency to hold in an account until such time as required; always providing that these measures are used only for the prudent management of the Council's financial affairs and not for any speculative purpose.

Investment Performance

11.19 The Council will use an investment benchmark to assess the investment performance of its investment portfolio based on the 7-day compounded SONIA rate. This is a change from the previous measure of 7-day LIBID, which is now obsolete.

11.20 SONIA (Sterling Overnight Index Average) is a single rate published each day by the Bank of England, reflecting overnight rates paid on eligible sterling denominated deposit transactions conducted the previous day.

11.21 It should be noted that, given the current rising interest rate environment, this measure will present higher investment rates than those currently experienced by the Council, since many of the Council's current investments would have commenced some months ago, before the Bank Rate increased. This deviation should reduce over time, however; the Council's average investment term is currently 212 days.

12. Treasury Management Strategy Statement: treasury management indicators

12.1 The Guidance Notes for Local Authorities that accompany the CIPFA Treasury Management Code specify four treasury management indicators covered by the Prudential Code:

(i) authorised limit for external debt;

(ii) operational boundary for external debt; and

(iii) liability benchmark

Details of these indicators can be found in sections 4 and 10 of this Appendix.

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

12.3 **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 that require to be replaced when interest rates could be unfavourable. It is recommended that the Council approves the following limit as the Maturity Structure of Borrowing indicator for the forthcoming financial year:

Maturity structure of borrowing	**2023-24**	
	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 above.

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**	**Description / Objectives**	**Minimum Credit Criteria**	**Liquidity Risk**	**Market Risk**	**Maximum Share of Total Investments**	**Maximum Maturity Period**
Debt Management Account Deposit Facility (DMADF)	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 and 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.	Not applicable	Term	No	100%	2 years
Longer-term deposits with local authorities	Similar to term deposits with other local authorities (below) except that deposits are placed for longer periods: between 2 and 5 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's treasury advisers. Similar to term deposits with local authorities, no more than £10m can be placed with any one institution or group.	Per approved counterparty list	Term	No	20%	10 years
Call accounts and notice accounts with banks and building societies	Offer access to recalling cash deposited over short call periods (call account periods vary from short-term such as 7 days, but can extend to 32- 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.	Per approved counterparty list	Instant / notice period	No	100%	Up to 100 days
Term deposits with banks and building societies	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.	Per approved counterparty list	Term	No	100%	Per approved counterparty list

Permitted Investments Table 1	Description / Objectives	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	Maximum Maturity Period
Term deposits with local authorities	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 ensures diversification of its portfolio of deposits by having no more than 10%* (£20m for other Scottish local authorities and £15m for other local authorities) of the total portfolio placed with any one institution or group. Longer-term deposits offer an opportunity to increase investment returns by locking into relatively high interest rates ahead of an expected fall in rates. Longer-term rates can also offer good value when the markets incorrectly assess the speed and timing of interest rate increases. Offers flexibility and a higher level of earnings than the DMADF; however, once a longer-term investment is made, cash is 'locked in' and cannot be accessed until the maturity date.	Not applicable	Term	No	100%	2 years
Treasury bills	Short-term bills (up to 12 months) issued by the Government and so backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage 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.	UK sovereign rating	T+1	Yes	75%	1 year
Certificates of deposit issued by banks and building societies	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. This 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.	Per approved counterparty list	T+1	Yes	10%	Per approved counterparty list

Permitted Investments **Table 1**	**Description / Objectives**	**Minimum Credit Criteria**	**Liquidity Risk**	**Market Risk**	**Maximum Share of Total Investments**	**Maximum Maturity Period**
UK Government gilts	Longer-term debt issuance by the UK Government, backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and 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. An 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.	UK sovereign rating	T+1	Yes	75%	2 years
Money Market Funds (MMFs)	By definition, MMFs are AAA-rated (the highest security rating available) and widely diversified, using many forms of money market securities including types that the Council does not 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. 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 available in the market. MMFs also help an organisation diversify its own portfolio, for example a £2m investment placed directly with a specific bank is a 100% risk exposure to that specific bank, whereas £2m invested in an MMF may result in only 1% being invested with a specific bank. MMFs offer an effective way of minimising risk exposure, while still getting better rates of return than available through the DMADF.	Long-term AAA volatility rating	Instant	No	75%	Not applicable
Ultra-short dated bond funds	Similar to MMFs, these 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 for longer terms, so they are more volatile. Can have WAMs and Weighted Average Lives (WALs) of 90–365 days or longer. Investment in these funds would only be undertaken in the event funds could be “locked out” for a minimum of 3-6 months in order to mitigate short-term fund value fluctuations.	Bond fund rating	T+1 to T+5	Yes	75%	Not applicable

Permitted Investments Table 1	Description / Objectives	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	Maximum Maturity Period
Pooled funds other than money market / ultra-short dated bond 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 will be used for longer investment periods. MMFs are included in Table 1, but the Council, given the extent of its long-term investment balances, may use this vehicle to diversify an agreed proportion (capped at a maximum of 25% 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 3-5 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 further scrutiny and suitability, drawing on the experience and advice of the Council's treasury advisers.	Long-term AAA volatility rating	Various	Yes	20%	Not applicable

* 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 15%, where the element which exceeds the 10% threshold is deposited on the basis of a call account deposit with the institution.

Other types of investment instrument available to the Council:

(i) *Forward foreign exchange contracts and options*: These are only utilised in order to manage specific known exchange rate risks and not for speculative purposes. A forward contract may be entered into in order to hedge against exchange rate risk where the amount and date of a payment in a foreign currency is known in advance. An option is a premium paid product which gives the right, but not the obligation, to purchase a pre agreed EUR amount, at a pre agreed rate and date.

(ii) *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.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	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	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 Table 3 lists the permitted investments of a **non-cash** nature available for use by the Council:

Permitted Investments Table 3	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 that 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

Permitted Investments Table 3	Treasury Risks	Mitigating Controls	Maximum Share of Total Investments
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

A.3 Treasury risks

All investment instruments listed in Tables 1 and 2 above are subject to the following risks and their mitigating controls:

Treasury Risk	Description	Mitigating Controls
Credit and counterparty risk:	The risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the Council, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA-rated organisations have a very high level of creditworthiness.	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.
Liquidity risk:	The risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk, as credit risk can never be zero, in this document liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument.	The Council has a cashflow forecasting model to enable it to determine the duration for which individual investments can be made, and how much can be invested.

Treasury Risk	Description	Mitigating Controls
Interest rate risk:	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.	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.
Legal and regulatory risk:	The risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.	The 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 carrying out its treasury management operations.
Exchange rate risk:	The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which it has failed to protect itself adequately.	The Council will closely monitor exchange rate movements and may use risk management tools or instruments available, such as a forward contract or advance purchase of foreign currency to hold in an account until such time as required; always providing that these measures are used only for the prudent management of the Council's financial affairs and not for any speculative purpose.
Market risk:	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.	Asset allocation and diversification can protect against market risk because different portions of the market tend to underperform 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 the selection of individual stocks within each type of investment. The investment fund's principal objective is achieving moderate capital growth in combination with low volatility to mitigate the impact of market risk. To achieve this, the investment managers operate within predefined asset allocation limits, as outlined in Table 2 above.

Annex B: Renfrewshire Council Counterparty List

Counterparty	Country of domicile	Authority-specific limits: Maximum deposit: % Limit	or £m Limit	Maximum investment period
UNITED KINGDOM: BANKS				
CLYDESDALE BANK	GB	10%	16.0	100 days
BANK OF SCOTLAND PLC	GB	10%	20.0	6 months
BARCLAYS BANK UK PLC	GB	10%	20.0	6 months
CLOSE BROTHERS LTD	GB	10%	20.0	6 months
GOLDMAN SACHS INT'L BANK	GB	10%	20.0	6 months
HANDELSBANKEN UK PLC	GB	10%	20.0	12 months
HSBC BANK PLC	GB	10%	20.0	12 months
ROYAL BANK OF SCOTLAND PLC/T	GB	10%	20.0	12 months
SANTANDER UK PLC	GB	10%	20.0	6 months
STANDARD CHARTERED BANK	GB	10%	20.0	6 months
UK: BUILDING SOCIETIES				
COVENTRY BUILDING SOCIETY	GB	10%	16.0	6 months
LEEDS BUILDING SOCIETY	GB	10%	16.0	100 days
NATIONWIDE BUILDING SOCIETY	GB	10%	16.0	6 months
UK: OTHER INSTITUTIONS				
UK LOCAL AUTHORITIES	GB	100%	100%	2 years
UK GOVERNMENT	GB	100%	100%	50 years
COMMONWEALTH OF AUSTRALIA	AU			
AUST AND NZ BANKING GROUP	AU	10%	20.0	12 months
COMMONWEALTH BANK OF AUSTRALIA	AU	10%	20.0	12 months
NATIONAL AUSTRALIA BANK LTD	AU	10%	20.0	12 months
WESTPAC BANKING CORP	AU	10%	20.0	12 months
GOVERNMENT OF CANADA	CA			
BANK OF MONTREAL	CA	10%	20.0	12 months
BANK OF NOVA SCOTIA	CA	10%	20.0	12 months
CAN IMPERIAL BK OF COMMERCE	CA	10%	20.0	12 months
NATIONAL BANK OF CANADA	CA	10%	20.0	6 months
ROYAL BANK OF CANADA	CA	10%	20.0	12 months
TORONTO-DOMINION BANK	CA	10%	20.0	12 months
FEDERAL REPUBLIC OF GERMANY	GE			
LANDESBANK HESSEN-THURINGEN	GE	10%	20.0	12 months
KINGDOM OF THE NETHERLANDS	NE			
COOPERATIEVE RABOBANK UA	NE	10%	20.0	12 months
MONEY MARKET FUNDS				
Insight Liquidity Funds PLC - GBP Liquidity Fund	IR	10%	20.0	call
Federated Short-Term Sterling Prime Fund	GB	10%	20.0	call
CCLA - Investment Management Ltd	GB	5.0%	8.0	call
Goldman Sachs Sterling Liquid Reserves	IR	10%	20.0	call
Royal London Sterling Liquidity Money Market Fund	GB	10%	20.0	call
Aberdeen Asset Managment	LUX	10%	20.0	call

Appendix 4: Capital Strategy 2023 to 2026

1 Introduction

1.1 This 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 sustainability implications for the future.

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

2 Purpose and Aims

2.1 Following consultation, 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") in December 2021.

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

- capital expenditure plans and investment plans are affordable and proportionate;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- the risks associated with investments for commercial purposes are proportionate to their financial capacity; and
- treasury management decisions are taken in accordance with good professional practice.

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 take 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 risk.

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 to the Council 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 and Financing

4.1 The Council is legally obliged to determine the maximum it may allocate to capital expenditure, in line with statutory guidance. The planned limits are 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 not itself subsidised by, other local services. HRA capital expenditure is therefore recorded and reported separately.

Estimated Capital Expenditure	2023/24 £m	2024/25 £m	2025/26 £m
Non-Housing	145.926	93.984	85.410
Housing	29.678	48.624	69.027
Total	175.604	142.608	154.437

4.2 The Council Plan *"Creating a fairer Renfrewshire built on innovation, wellbeing and opportunity"* was agreed in September 2022 and outlines five strategic priorities for the Council over the period to 2027. The Council Plan provides a “golden thread” that ensures these priorities translate into specific spend programmes.

4.3 The Plan contains an over-arching theme of "improving outcomes for children and families". Every one of the five strategic priorities should directly contribute to this outcome, and demonstrate that services are working together to get it right for children, families and communities.

4.4 Below is a summary of the five strategic themes from the Council Plan, and some related projects within the Capital Plan 2023 to 2026:

Place – working together to enhance wellbeing across communities:
£42.2m investment in cultural and economic infrastructures, transforming Paisley Town Hall, Paisley Learning & Cultural Hub and Paisley Museum
£7.2m investment in regeneration through a mixture of projects leading to transformative investments which will drive economic activities and re-purpose town centres to become more diverse, successful and sustainable
£9.9m of improvements in infrastructure within Renfrewshire improving roads, traffic management, bridges and street lighting
Economy – building an inclusive, green and resilient economy
Investment of £211.8m in continuation of the City Deal projects which will lead to total spend of £290.8m on infrastructure in Renfrewshire, translating into an improved local economy
Fair – nurturing bright, happy and healthy futures for all
A schools investment programme totalling £87.5m which will have part-funding under the Scottish Government Learning Estate Investment Programme that will lead to a new build community campus at Renfrew Road, Paisley to replace Paisley Grammar school.
£2.3m investment in improving school kitchen facilities to accommodate the expansion of Free School Meals for primary pupils
Green – leading Renfrewshire to Net Zero
Investment in parks, play areas, outdoor access and nature restoration of £2.1m
Living our values – making a difference together
£3.3m investment in new ICT equipment and software to improve council services

4.5 A full copy of the Council Plan is available on the Council's website by following

Your Council > Information, performance and statistics > Plans, policies and strategies.

Renfrewshire Council Plan.

4.6 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:

	2023/24 £000s	2024/25 £000s	2025/26 £000s
Prudential Borrowing	72,449	68,715	40,100
Total Borrowing	72,449	68,715	40,100
Specific Grant	1,824	2,169	0
General Capital Grant	18,383	0	0
City Deal Grant	0	0	44,542
City Deal borrowing	31,166	0	0
Usable Capital Receipts	21,631	23,100	768
Capital Funded from Current Revenue (CFCR)	473	0	0
Total Resource Availability	145,926	93,984	85,410

4.7 Debt is only a temporary source of finance, since loans and leases must be repaid, and it is replaced over time by other financing, usually from revenue, which is known as loans fund repayments.

4.8 The Council's cumulative outstanding amount of debt finance that will be charged to future revenue budgets is measured by the Capital Financing Requirement (CFR). The CFR increases with new debt-funded capital expenditure and reduces with loans 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	2023/24 £m	2024/25 £m	2025/26 £m
Non-Housing	337.524	405.356	442.226
Housing	121.209	147.968	199.139
Total	458.733	553.324	641.365

4.9 The loans fund repayments, combined with interest payable on loans, forms the total charge to revenue, known as financing costs. An estimate of the total financing costs as a percentage of net revenue (the amount funded from Council Tax, government grants, business rates, or rental income in the HRA), is shown in the table below.

Ratio of financing costs to net revenue stream (estimated)	2023/24 %	2024/25 %	2025/26 %
Non-Housing	3.64%	3.91%	3.91%
Housing	28.97%	30.81%	32.33%

5 Asset management

5.1 The Council's Corporate Asset Strategy (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. The strategy states an overall principle that all assets are owned corporately by the Council, and their management is co-ordinated across the organisation to maximise the benefits for Renfrewshire, as well as to support the achievement of the vision for the area and the Council's key objectives.

5.2 The Council commenced a Strategic Property Review in 2022 as part of its work around financial sustainability. The objective of this review is to assess the optimum size and shape of the Council's property estate, reducing its carbon footprint and using buildings more efficiently to provide its services.

6 Treasury management

6.1 Treasury management is concerned with keeping sufficient, but not excessive, cash balances 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 Statement (TMSS) contains objectives for borrowing and investments, with the overarching objective in relation to treasury management activities being effective management and control of risk. The full TMSS can be found within Appendix 4 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 states 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 2023-26.

Estimated Borrowing Position	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	335	401	484
Other long-term liabilities	94	92	90
Total External Debt	429	494	575
Capital Financing Requirement	459	553	641
Under Borrowing	30	60	67

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 a significant matter, requiring 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; however, it is higher to allow sufficient headroom for unusual or exceptional cash requirements. The Authorised Limit reflects a level of borrowing that could be afforded in the short-term, but that would not be sustainable in the long-term. The Operational Boundary and Authorised Limits are as follows:

Limits on External Debt	2023/24 £m	2024/25 £m	2025/26 £m
Operational Boundary	459	553	641
Authorised Limit	477	576	669

6.6 Treasury investment requirements arise due to cashflow timings, i.e. 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. The focus is therefore on minimising risk rather than maximising returns.

7 Commercial activities

7.1 These are investments made outside the normal treasury management activity, such as property investments, with the sole objective 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 borrowing detailed in 6.3 above, the Council is party to a Public Private Partnership for the provision and maintenance of educational and other facilities, including a Residual Waste facility. The Council also has finance lease agreements for a number of vehicles. The outstanding finance lease obligation at 31 March 2023 will be £0.155m.

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 its 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 31 March 2022, it was estimated that the Council's share of the defined obligations exceeded scheme assets by £55.2m. An updated estimate will be reported in the 2022/23 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 can be other economic or service benefits. At 31 March 2022 the Council had set aside long-term provisions of £5.1m related to holiday pay compensation and insurance claims. The long-term provisions will be reviewed for the 2022/23 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 between budgets.

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

9.4 Each capital programme is assigned a responsible officer who will approve and monitor expenditure. They receive support from a variety of sources, 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 to obtain any advice on 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 and Resources and relevant staff, who must act within the parameters set out in the Treasury Management Strategy approved annually by full Council. A mid-year 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 its Financial Regulations and Standing Orders.

10 Knowledge and skills

10.1 The Council employs professionally qualified and experienced staff with responsibility for making capital expenditure, borrowing and investment decisions, and ensures that its qualified staff meet their continuous professional development requirements.

10.2 Council staff knowledge and experience is supplemented by the use of external advisors and consultants that are specialists in their field. The Council currently has a contract with Link Asset Services 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 2 MARCH 2023 DURING CONSIDERATION OF ITEM 5 CONCERNING THE HOUSING REVENUE ACOUNT BUDGET, RENT LEVELS 2023/2024 AND HOUSING CAPITAL INVESTMENT PLAN 2023/2024-2027/2028

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 2 March 2023 viz:

1. The Convener of the Communities and Housing Policy Board (the Convener) will make her budget statement for financial year 2023/2024 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 for 20 minutes to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups or other Members. Corporate Meeting Rooms have been arranged for the adjournment as follows: Administration – Corporate Meeting Room 2, Labour - Corporate Meeting Room 1, Conservative – Corporate Meeting Room 3. The other Members will be able to remain in the Chambers.
5. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups and other Members 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.

Renfrewshire Council

To:	**Council**
On:	**2 March 2023**

Report by:	**Director of Communities & Housing and Director of Finance & Resources**

Heading:	**Housing Revenue Account Budget & Rent Levels 2023/24 and Housing Capital Investment Plan 2023/24 to 2027/28**

1. Summary

1.1 This report details the proposed Housing Revenue Account (HRA) budget for financial year 2023/24 and sets out the information which allows consideration of rent levels for 2023/24.

1.2 The report highlights the impact of the economic pressures on the HRA and sets out the range of operational pressures that have emerged and the adjustments to budgets and resources required to deal with these pressures.

1.3 The report provides members with the results from the consultation process with tenants regarding the annual rent setting process. The consultation process asked five key questions regarding the priorities our tenants have identified previously and as to whether they felt they were still very important, important, or not important. The consultation results show that only 3.8% of responses have deemed these priorities as not important.

1.4 The report also details the Housing Capital Investment Plan for the five-year period from 2023/24 to 2027/28 which will deliver a total investment of £270.840m over the 5-year period in the councils housing stock. It is anticipated that this level of investment will attract £26.595m of government grant for new builds etc and this results in a net capital programme amounting to £244.245m

1.5 In setting the 2023/24 HRA budget, members will wish to consider the medium and longer-term financial context for the HRA considering 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 £4.94, which is below the commitment made by COSLA to keep increases below £5 on average, this equates to 6% for house rents. A 6% increase is also proposed for lock ups;

(ii) approve the development of a tenant's support fund and to increase our housing advice provision to support tenants in financial hardship;

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

(iv) approves the Housing Revenue Account Budget for financial year 2023/24 as detailed in Appendix 2;

(v) approves the Housing Capital Investment Plan 2023/24 to 2027/28 as detailed in Appendix 3 of the report; and

(vi) notes the continuing requirement to achieve best value in the commissioning of works by having an optimum workflow over the 5 years of the investment plan and authorises the Director of Communities and Housing 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 from the 11,769 average number of lettable properties in 2023/24 is sufficient over the term of the plan to cover debt and servicing capital expenditure including significant investment and regeneration initiatives together with funding the annual costs of maintaining the housing stock and all HRA annual operating costs including staffing.

3.2. The Business Plan model is reviewed to take account of the adjusted base budget position from the previous year and to update any key assumptions, economic factors and known or emerging risks. This review process allows consideration to be given to the setting of rent levels for the forthcoming and future financial years through effective scenario planning.

3.3. The 30-year Business Plan model currently assumes 9.9% CPI (Consumer Price Index model) for the 2023/24 financial year, this reflected the letter to the Chancellor from the Bank of England in September noting that CPI was at 9.9%. The forecast levels of CPI in a years' time and used at present for planning purposes is 3.4%. The assumption beyond this period is that CPI returns to the 2% Bank of England target and remains at 2% in the long-term.

3.4. The level of inflation varies across our cost drivers and different levels of inflation has been applied to our main cost drivers for 2023/24 and 2024/25 to reflect the expected impact more accurately on Renfrewshire's cost base. In the longer-term cost increases have reverted to the CPI forecasts noted in 3.3.

3.5. Tenants and social landlords are facing some of the most challenging economic times in recent memory. The Covid-19 pandemic, Brexit and the war in Ukraine have all had a significant impact on national and global economies. Our housing system is interconnected with, and much of what we do is contingent upon, these wider economic systems. This has created a cost-of-living crisis that is leading to significant hardships for many social housing tenants, including some of the most vulnerable people in our society.

3.6. On 20 December 2022, the Scottish Government indicated its intention to end the rent cap in the social rented sector from the end of March 2023. This position follows the "statement of intent" issued by COSLA, confirming that local authorities are committed to keeping rent increases to an average of no more than £5 per week (exclusive of service charges) and that Scottish Federation of Housing Associations members are consulting on increases which would average at 6.1%.

3.7. In 2022/23 (current year) the HRA continues to experience impacts relating to our recovery from the pandemic. The backlog of repairs to void properties has a negative impact on rental income and council tax liability through increased void periods. This reflects the operational capacity of Building Services and other contractors to expand to deliver a backlog of repairs, maintenance void works and adaptations from prior years in conjunction with delivering the full programme of maintenance and repair works for the current year. A skills and material shortage in construction trades continues and has affected construction output levels in both the public and private sector.

3.8. Members will recall that following a strategic review of the HRA it was determined that there was capacity in the HRA to fund an additional £100m investment and regeneration programme over the next decade. Council approved the proposals to take forward this first phase of investment focussing on eight areas and around 1,100 council properties. Members will also recall that the plan also includes over £30m of investment required in our high-rise accommodation. The cost of repayment on our borrowing to deliver this ambition has increased because of the cost-of-living crisis and current economic climate with rising interest rates. To ensure sufficient funding in the long term an assumption of 1% above CPI is assumed to our rents across the 30-year plan.

3.9. Renfrewshire has close to 75% of tenants in receipt of some form of support for their housing costs. A rent increase would result in some tenants receiving more Housing Benefit and some existing non-claimants becoming entitled to Housing Benefit. However, unless their circumstances change, most tenants will be liable for the same contribution towards their rent, with Housing Benefit making up the difference. A fund is proposed to provide additional support to tenants in financial hardship and is included within the proposed 2023/24 budget, application conditions and qualifying criteria will be developed and brought to a future meeting of the Communities and Housing policy board.

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4. HRA Budget Planning Assumptions for 2023/24

4.1. The rental income generated by the HRA must support service delivery, the costs of appropriately maintaining the housing stock and the loan debt related costs to service the capital investment required in HRA assets.

4.2. The proposed budget adjustments for 2023/24 are shown across the high level HRA categories in summary form on Appendix 1 and analysed into the revenue monitoring format in Appendix 2. To supplement the information contained in these appendices additional contextual commentary is provided below and this can be read in conjunction with Appendices 1 and 2.

4.3 Revenue Expenditure

4.3.1 Supervision and management includes the operational inflation and additional costs covering areas such as pay increases for staff, energy costs and insurance costs which, in 2023/24 are higher than the expectations forecast for the 2022/23 rent increase level. As well as these continuing pressures, additional service provision for tenants' advice services has been included, £0.100m, to allow for exclusive support to tenants in hardship. The removal of temporary posts from last year forms another part of the net movement. Additional budget is also required for council tax reflecting the increased void pressures. The overall combined impact of these pressures and additional investment is an increased net budget requirement of £1.259m for 2023/24.

4.3.2 Housing repairs and maintenance is an area of budget that has been under considerable pressure due to both cost increases and post pandemic recovery demands. The budget has increased by £3.027m to take account of the very real and significant challenges around increasing costs. This includes pressures such as rising material, fuel, and labour prices to repair, maintain, and improve our tenants' homes.

4.3.3 The new grounds and estates maintenance standards, introduced in recent years on a phased basis is now fully implemented, an additional £0.239m has been added to deliver these improvements. A further £0.257m is available for additional services, including an allocation for increased void cuts to ensure these gardens are maintained to the same standard as our assistance scheme. Therefore, the overall combined impact of this is an increased grounds and estates maintenance budget requirement of £0.506m.

4.3.4 The void rent loss movement of £0.772m reflects an increase to the expected void rent loss projections based on the current operational pressures within the sector. It also includes an adjustment to include management voids previously accounted for under an adjustment to the rental income budget. In terms of void rent loss, this reflects a targeted performance improvement internally but is an increase above the existing budget levels.

4.3.5 The bad debt provision increases of £0.786m reflects the uncertain economic position our tenants are facing and the associated risk in relation to our bad debt levels increasing due to the cost-of-living crisis as well as an allocation for inflationary increases on our collection costs. This also includes additional funding to provide support to tenants in financial hardship.

4.3.6 The proposed Support Fund, will supplement the current Rent Collection process and is a temporary measure to alleviate existing and emerging financial stress, prevent and reduce escalating rent arrears and contribute to sustaining Council tenancies in Renfrewshire. The Fund is intended to support tenants experiencing financial difficulty, through no fault of their own, where it has been identified that financial challenges exist due to a change of circumstances including, but not limited to:

- Increase in household costs / cost of Living (eg. energy, food, fuel, rent);
- Reduction in income (eg. loss of employment, reduced hours, loss of a household member);
- Changes to Welfare benefit, Housing Benefit and/or Universal Credit.

The Fund will be implemented through an application/assessment process that will detail the tenant's income and expenditure and the circumstances that have led to financial support being requested. The officer's assessment and engagement with the tenant will include a prerequisite that income is maximised and that the tenant has exhausted all other financial assistance available for example, Discretionary Housing Payment and the Scottish Welfare Fund. Application conditions and qualifying criteria will continue to be developed and brought to a future meeting of the Communities and Housing policy board.

4.3.7 The net financing costs Loan charges budget has reduced by (£5.617m), an element of this has been separated out under the Contribution to Capital Programme line £3.924m. The net £1.693m is used as a mitigation for the overall rent increase required in 2023/24. This is through a reduction in loan charges, increased interest income and contributions to the Capital Programme. While this will mitigate the rent increase in 2023/24 it will increase our borrowing requirements, which will consequentially increase interest payments in the long term. This is therefore a short-term solution to mitigate the rent increase for 2023/24 and as previously stated these short-term measures will require above CPI rent increases in future years to restate the budget to meet future demands.

4.4 Revenue Income

4.4.1 The net increase in Rental income (£3.300m), reflects the 6.0% increase on both house and lock up rents. The stock movement assumptions are based on our regeneration, demolition and investment plans and reflected in the income assumptions. An accounting adjustment to transfer management void loss directly to void rent loss is also included.

4.4.2 In relation to lock up rents, which had last been increased in 2020/21, the average charge per lock up is currently £21.98 per month and the 6.0% increase represents an average of £1.32 per month increase.

4.4.3 Other income increases by (£0.081m), reflecting minor inflationary adjustments for recovery of staffing related costs managed within the revenue expenditure budget but recovered by income. No other income increases are assumed at present for increased recoveries from tenants or owners via increased service charges, the recharge models will in future require review to ensure the fair recovery of increasing costs.

4.4.4 To mitigate the impact on rent increases in 2023/24 it is proposed to use (£1.276m) of current reserves as a one-off measure. This will reduce the level of contingency held to £5.221m within the HRA to meet future and unforeseen cost pressures, including our ICT system replacement, it is deemed that the revised level of reserves remains prudent.

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5. Tenant Consultation for 2023/24 Rent Increase

5.1 Renfrewshire Council has a statutory duty to consult tenants before increasing rents. To help inform the decision on rent proposals for 2023/24, consultation was undertaken in January 2023 and involved a telephone survey of Council tenants.

5.2 The annual rent consultation this year was focused on tenants' views around investment priorities. There was no question on rent increase options, as at the time of issue, there was uncertainty about the 2022/23 cap on rent increases potentially continuing beyond 31 March 2023.

5.3 The consultation process asked five key questions regarding the priorities our tenants have identified previously and as to whether they felt they were still very important, important, or not important. A total of 600 of our tenants have been consulted and the response is summarised in the table below.

Priority	Very Important	Important	Not Important
Improve the energy efficiency of Council housing. This will help, in the long term to reduce energy bills and increase the lifespan of houses	87.2%	11.7%	1.2%
Higher levels of investment in existing stock. Includes retrofitting to make highly energy efficient and improving the quality of internal / external common areas, as well as removing poor quality stock and building replacement housing.	71.3%	27.3%	1.3%
Improving the letting standard for empty houses. Maintaining this would enable us to provide more housing for tenants quickly and bring in more rent	71.0%	26.2%	2.8%
More new build Council housing. Provide modern new homes for residents.	58.5%	36.0%	5.5%
Environmental works and open spaces, (e.g., bin stores, paths, communal areas, open space maintenance). This will help the appearance of neighbourhoods.	53.5%	38.5%	8.0%
Overall Responses	**68.3%**	**27.9%**	**3.8%**

5.4 Improving the energy efficiency of Council housing was most likely to be "very important" to tenants (87%). This was followed by higher levels of investment in existing housing and improving the letting standard for empty houses which both had 71% of tenants stating this was very important. Lower importance for tenants was environmental works and open spaces with only 54% of tenants stating this was very important.

5.5 The consultation results show that only 3.8% of responses have deemed these priorities as not important. The proposed rent increase of 6.0% will allow us to continue with our high level of planned investment across the 30-year plan with a major focus of this being over the next 5 years in delivering improvements to energy efficiency and delivery of the housing regeneration programme.

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6. Housing Capital Investment Plan – 2023/24 to 2027/28

6.1 Overview

6.1.1 The proposed Housing Capital Investment Plan for the 5-year period from 2023/24 to 2027/28 is attached at Appendix 3. The gross value over the 5-year period in the councils housing stock is £270.840m. It is anticipated that this level of investment will attract £26.595m of government grant for new builds etc and this results in a net capital programme to be funded amounting to £244.245m The programme includes allowances for new build homes, related Scottish Government grants, regeneration and renewal, and the planned investment programmes required to ensure council house stock is maintained at the appropriate standards.

6.1.2 The planned net capital investment for each year is as follows:

Financial Year	**Gross £m**	**Income £m**	**Net £m**
2023/24	29.678	(1.786)	27.892
2024/25	48.624	(8.024)	40.600
2025/26	69.027	(4.575)	64.452
2026/27	71.653	(8.420)	63.233
2027/28	51.858	(3.790)	48.068
5 Year Total	**270.840**	**(26.595)**	**244.245**

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 and Housing in consultation with the Director of Finance and Resources, 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 five-year plan detailed in Appendix 3.

6.1.4 The table below sets out the proposed composition of the plan for 2023/24 and how it will be funded.

Financial Year 2023/24	**Expenditure £m**	**Income £m**	**Net £m**
Planned Investment Programmes	17.170	0.000	17.170
Regeneration and New Build, etc.	12.508	0.000	12.508
Government New Build Grant	0.000	(1.786)	(1.786)
Other Income	0.000	(0.530)	(0.530)
CFCR	0.000	(3.924)	(3.924)
Prudential Borrowing	0.000	(23.438)	(23.438)
Total	**29.678**	**(29.678)**	**0.000**

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 least at this standard. Last year, for the first time, compliance with 5 yearly Electrical Installation Condition Reports (EICR) and the new smoke and heat detector standard were included within the assessment of SHQS compliance, which led to a reduction in our SHQS compliance. The council’s programme of EICR checks and smoke detector upgrades has been significantly affected by the impact of covid on the construction industry and was not complete by March 2022 as planned, however, both programmes are still ongoing and will give a significant increase in SHQS compliance this year.

6.2.2 In addition to SHQS, there is an over-arching emphasis on improving the housing stock to the latest energy efficiency standards to bring the stock up to the standards as set out in the Energy Efficiency Standards for Social Housing post 2020 (EESSH2). These energy efficiency investments will continue to act as a driver for reducing fuel poverty and ensure that our homes are warmer and greener to contribute to a lower carbon economy across Renfrewshire.

6.2.3 The capital programme for 2023/24 to 2027/28 as per the attached Appendix 3 will deliver a total of £136.240m in planned investment programmes in existing housing stock, £33.918m in New Supply of housing stock outwith the regeneration areas and a further £100.682m included as part of the Regeneration and Renewal Plan including New Supply within regeneration areas. The capital programme for the same period will attract £25.595m of income from government grants.

6.2.4 The Council is required to ensure that the HRA has capacity to deliver on regulatory requirements and standards including ensuring that properties meet requirements such as SHQS and EESSH. At March 2022, 78.4% of Council housing stock was compliant with the EESSH1 target (after applying allowable exemptions).

6.2.5 The Scottish Government introduced a higher EESSH2 standard to be met by 2032 however, this has been suspended pending review in 2023 to ensure it aligns with new next zero carbon requirements. The outcome of this review process will determine the council's strategy to meet any new standard which may emerge from the review.

6.2.6 The capital investment programme has an allowance of £29.260m for the longer-term investment requirements in all high-rise properties, for works over the next five years including cladding, roofing, window and door replacements, foyer improvements and lift refurbishments.

6.2.7 There will continue to be a programme of heating renewals in 2023/24 and also a programme of kitchen, bathroom and rewiring combinations with works recommencing in tenanted properties that will supplement those works currently being carried out in properties which are void.

6.2.8 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;
- Other investment including disabled adaptations, asbestos removal, rotworks and the delivery of the final stages of the investment relating to smoke, heat, and carbon monoxide detectors.

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

2023/24 Planned Improvements	Number of Properties
External fabric upgrading	700
Kitchen, bathroom, and rewiring replacement	220
Heating renewals	300

6.3 New Build and Regeneration

6.3.1 Phase 1 of the Housing Led Regeneration and Renewal Plan covering eight communities across Renfrewshire was approved by the Communities, Housing and Planning Policy Board on 18 January 2022. The Capital Investment Plan outlines the anticipated timetable for this significant regeneration programme for the next five years.

6.3.2 In addition to the Regeneration and Renewal Plan, the Capital Investment Plan continues to include provision for investment in building new Council Housing. Three newbuild projects are now complete – at Johnstone Castle, Bishopton and Auchengreoch Road – and work to provide 101 new homes is now on site at Tannahill, Ferguslie Park, with some already handed over.

6.3.3 As part of the Housing-Led Regeneration and Renewal Programme, feasibility studies are currently being carried out at the Howwood Road Area and at Ferguslie/Broomlands ahead of proposed development works. These sites should deliver up to 70 and 18 units, respectively.

6.3.4 Over and above the Housing-Led Regeneration and Renewal Programme, a feasibility study is currently being conducted at Gallowhill and another is being procured for Foxbar Rivers. These sites should deliver up to 60 units each.

6.3.5 The Strategic Housing Investment Plan 2022-27 approved by the Communities, Housing and Planning Policy Board on 26 October 2021, includes provision for Scottish Government grant funding for Council newbuild projects.

6.3.6 The revised new build grant benchmark rate for local authorities is a 3-person equivalent benchmark of £71,500 per unit. The new build specification is being updated to include the quality measures required to maximise grant claim. (Silver level as a minimum, balconies to flatted developments, space for home working / study, digital enablement, fire suppression and zero emission heating). The additional measures will incur higher capital costs but will also attract additional grant funding over and above the £71,500 benchmark.

Implications of the Report

1. **Financial** – The report and appendices detail the proposed HRA budget and average weekly rent increase for 2023/2024 and the Housing Capital Investment Plan for 2023/24 to 2027/28.

2. **HR & Organisational Development** – As a result of the budget adjustments proposed in this report there will be additional staffing posts created which will be recruited to in accordance with the councils approved recruitment policy/processes.

3. **Community/Council Planning**

- *Our Renfrewshire is well* – enabling communities to have their voices heard and influence the places and services that affect them by consulting tenants on the proposed changes to rents for 2023/24.
- *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 any Welfare Reform changes.
- *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 2023/24 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 2023/24 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 2023/24 to 2027/28.

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** – None

9. **Procurement** – The proposed Capital Investment Plan for 2023/24 to 2027/28 will include procurement of contracts.

10. **Risk** – The HRA Business Plan remains subject to a number of risks and economic factors such as interest rates and inflation, while these risks are reviewed as part of the HRA business planning process a high level of uncertainty remains relating to the external economic situation.

11. **Privacy Impact** – None.

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

13. **Climate Risk -** None

List of Background Papers

Housing Revenue Account Budget & Rent Levels 2022/23 and Housing Capital Investment Plan 2022/23 to 2026/27, 3rd March 2022.

Author: *Mary Crearie, Director of Communities and Housing*

Housing Revenue Budget - 2023-24 - 2027-28 Appendix 1

	2022/2023 Budget £m	2023/2024 Budget £m	Movement £m
Expenditure			
Supervision and Management	16.482	17.741	1.259
Housing Repairs and Maintenance	12.994	16.021	3.027
Grounds & Estates Maintenance	1.844	2.350	0.506
Void Rents	1.448	2.220	0.772
Bad Debt Provision	1.315	2.101	0.786
Financing Costs Loan Charges	20.642	15.025	-5.617
Contribution to Capital Programme	0.000	3.924	3.924
Reserves to C/F	0.000	0.000	0.000
Total Expenditure	**54.725**	**59.382**	**4.657**
Income			
Rental Income	-51.655	-54.955	-3.300
Other Income	-3.070	-3.151	-0.081
Use of B/F Reserves	0.000	-1.276	-1.276
Total Income	**-54.725**	**-59.382**	**-4.657**
Net	**0.000**	**0.000**	**0.000**

Appendix 2

POLICY BOARD : COMMUNITIES AND HOUSING - Housing Revenue Account 2023/24 Budget

Subjective Summary	Original Annual Budget 2022/23	Original Annual Budget 2023/24	Budget Adjustments Current Year	Explanation of Movement
Employees	10,568,000	11,008,000	440,000	This reflects pay award across 2022/23 and 2023/24 as well as the removal of temporary posts from 22/23.
Premises Related	16,470,996	20,732,241	4,261,245	This includes an additional £3.105m for repairs & Maintenance, £0.506m of additional Estate Management budget, £0.216m for council tax, £0.380m of fuel inflation and the balance of £0.054m on other inflation pressures including insurance.
Transport Related	102,500	102,500	0	
Supplies and Services	737,935	792,330	54,395	This reflects inflation pressures mainly on ICT and £0.009m for increased debt collection costs.
Third Party Payments	27,196	48,998	21,802	This reflects inflation pressures.
Transfer Payments	3,782,077	5,431,077	1,649,000	The bad debt budget is increased by £0.777m net from last year to reflect the cost-of-living crisis with an allocation from this budget to be utilised for the tenant support fund. A further £0.100m of this is allocated for additional advice services. The remainder is an increase in the void budget reflecting increased income, service pressures and an adjustment to management voids previously accounted for under income.
Support Services	2,489,885	2,492,443	2,558	This reflects inflation pressures partially offset by a reduced management recharge.
Depreciation and Impairment Losses	20,774,000	19,089,000	(1,685,000)	The net reduction in financing budget reflects the realignment of this budget to mitigate rent increases in 2023/24.
GROSS EXPENDITURE	**54,952,589**	**59,696,589**	**4,744,000**	
Income	(54,952,589)	(59,696,589)	(4,744,000)	£1.276m reflects a drawdown from reserves to be utilised to mitigate the rent increase in 2023/24 A small amount reflects the income recovery for Repairs and Maintenance £0.079m increase. An additional £0.008m is assumed from Interest income. The balance of this is the net impact of the house and lock up rent increases and an adjustment of management voids to be accounted for under transfer payments.
NET EXPENDITURE	**0**	**0**	**0**	

Housing Capital Investment Plan - 2023-24 - 2027-28 **Appendix 3**

Expenditure Category	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	5 Year Totals £m
Internal Investment	3,030	6,320	8,820	5,310	5,660	29,140
External Improvements	9,100	10,100	12,100	11,100	13,225	55,625
Multi Storey Flats Improvements	1,260	2,500	6,500	8,500	10,500	29,260
Sheltered Housing Improvements	100	600	725	500	500	2,425
Professional Fees	1,865	1,900	1,925	1,950	1,975	9,615
Others e.g. Adapts, Rotworks & Asbestos	1,815	2,215	2,215	2,115	1,815	10,175
Regeneration and Renewal Investment Programme	10,151	16,499	23,884	34,965	15,183	100,682
New Supply Programme Excluding Regeneration Projects	2,357	8,490	12,858	7,213	3,000	33,918
Capital Expenditure Total	**29,678**	**48,624**	**69,027**	**71,653**	**51,858**	**270,840**
Government Funding	-1,786	-8,024	-4,575	-8,420	-3,790	-26,595
Net Housing Investment Expenditure	**27,892**	**40,600**	**64,452**	**63,233**	**48,068**	**244,245**

Renfrewshire Council

To: **Council**

On: **2 March 2023**

Report by: **Director of Environment & Infrastructure**

Heading: **Council Motion – Street Furniture, Towns and Villages**

1. Summary

1.1 At the Council meeting of 24 June 2021, the following motion was agreed; ***Council acknowledges the difficulties encountered by blind, visually impaired and disabled people resulting from the proliferation of street furniture in Renfrewshire towns and villages. Council recognises that street furniture plays a large role in public life, which when well designed and appropriately placed can assist blind, visually impaired and disabled people to navigate pavements and pedestrian areas safely. Accordingly, council will work with the Health and Social Care Partnership, the Visual impairment Unit, local business organisations, and other partners including local community groups who work with the blind, visually impaired and disabled people, to assess what works best and what improvements can be made to current practice, with a report being brought to the December 2021 council meeting.***

1.2 As a result of the motion, officers from a range of Council Services including Environment & Infrastructure, Chief Executives Service and the Health & Social Care Partnership have worked together to attempt to identify areas of particular concern and more importantly focus on what options exist for improvements to how we engage with the blind, visually impaired and disabled community organisations better going forward.

1.3 It was agreed that the Health & Social Care Partnership would issue a survey to their regular identified forums to gauge the issues which are being experienced by these communities in relation to street furniture in our towns and villages. The summary of the survey and outcomes received are detailed in section 3 of the report.

1.4 The respondents to the survey provided feedback on street furniture, they also brought forward matters in relation to infrastructure across Renfrewshire and whilst the survey did not outline any single particular area within our town or village centres, it did highlight the need for focused engagement with people with physical disabilities and sensory impairments on street furniture and public realm improvements, to provide a route to discuss matters within their community and across Renfrewshire.

1.5 It is proposed to create a strategic forum that brings together communities and existing forums to create a Strategic Town and Village Accessibility forum. The group would consist of officers from Environment & Infrastructure, the Health & Social Care Partnership, Chief Executives Service, Paisley First, Shopmobility, Renfrewshire Access Panel and Renfrewshire visual and hearing-impaired forums.

1.6 It is proposed that initially this group would meet three times a year to discuss any community infrastructure matters as well as any upcoming infrastructure or public realm projects across Renfrewshire with the ongoing frequency of engagement and representation being agreed by the group going forward. The first meeting of the group is proposed for arrangement in Spring 2023

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2. Recommendations

It is recommended that the Infrastructure, Land and Environment Policy Board:

2.1 Approves the creation of the Strategic Town and Village Centre Accessibility Forum and notes that updates to the Infrastructure Land and Environment Policy Board through operational reports.

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3. Background

3.1 Although the original motion called for a report to be submitted to the December 2021 Council meeting, Council services required to gather additional information to allow appropriate follow up actions to be taken to address the concerns highlighted in the motion.

3.2 The result was the development of a survey by the Renfrewshire Health & Social Care Partnership to engage with these community groups to try and gather as much information as possible to allow targeted interventions to be identified.

4. Engagement Survey

4.1 The Health & Social Care Partnership published a survey in January 2022 which remained open until the end of February 2022. The survey was sent to members of Renfrewshire Access Panel, Renfrewshire Visually Impaired Forum, Paisley Shopmobility, and visually impaired clients of the HSCP's Sensory Impairment Team. A summary of the survey results are detailed in Appendix 1 to this report.

4.2 There were 45 responses to the survey. 87% of respondents considered themselves to have a disability, 70% of those with a physical or visual impairment disability. The overwhelming majority of responses came from people who frequented Paisley Town Centre

4.3 As Council will know there was an increased volume of external street furniture to create outdoor social spaces during the pandemic. 57% of respondents said they had found pavements more difficult to navigate in the last 18 months or so since the pandemic began, with 24% of those responding stating they had suffered injury or harm as a result of street furniture, although this was not necessarily relating to during the pandemic.

4.4 The majority of respondents highlighted that occasionally pavements can be problematic. Respondents were asked, if anything, would help to make pavements in our towns and villages more accessible for people with visual impairments, disabilities, or mobility issues. The key issues brought from this question were, the placement of advertising signs on pavements, parking in particular, cars parked on pavements and uneven pavements, particularly for those in mobility scooters.

4.5 There were also some positive comments that the respondents appreciated this engagement as a step in the right direction and looked forward to more engagement. It is intended that these topics would be picked up and discussed in detail with the proposed forum at the inaugural meeting.

4.6 Lastly, the survey asked if there was anything, businesses could do to make sure pavements outside their premises are fully accessible.

4.7 There were a broad range of issues highlighted by this question with many of the respondents not actually sure what role local businesses could play in this with regard to placement of refuse bins, outside table and chairs etc. The one key issue highlighted is that representation from the businesses as part of the proposed forum will be critical stakeholder.

5. <u>Proposed Follow Up Action</u>

5.1 From the feedback to the survey, in addition to matters regarding street furniture, there were wider matters raised around infrastructure across Renfrewshire that respondents would like to engage on. It is therefore proposed to create a strategic accessibility forum that will cover street furniture and wider infrastructure development across Renfrewshire's communities.

5.2 The proposed forum would develop a strategic plan and it would be viewed as a continuing body of work not a one-off action plan.

5.3 The forum will also look at emerging issues such as the upcoming pavement parking ban and discuss how these issues will be implemented across Renfrewshire.

5.4 The Town Centre taskforce being established by the economic development service will also provide support the proposed forum.

5.5 The Health & Social Care Partnership also has an Independent Living Care Planning Group made up of people working in the fields of, or with living experience of, the likes of visual impairments, hearing impairments, physical disabilities and head injuries. The HSCP have invited officers from the Council to attend the forum and hear and contribute to discussions and plans around independent living and this can only improve collaborative working opportunities going forward.

Implications of the Report

1. **Financial** – There are no financial implications with this report

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

3. **Community & Council Planning**

   Our Renfrewshire is thriving / Reshaping our place, our economy and our future – making our town and village centres more accessible for all can only help to support economic growth ambitions for Renfrewshire.

4. **Legal** – None

5. **Property/Assets** – The Council's roads infrastructure is maintained and enhanced.

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** – None

9. **Procurement** – None

10. **Risk** – None.

11. **Privacy Impact** – None

12. **CoSLA Policy Position** – None

13. **Climate Risk –** None.

List of Background Papers: none

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Appendix 1 – Engagement Survey

The Health & Social Care Partnership published a survey in January 2022 which remained open until the end of February 2022. The survey was sent to members of Renfrewshire Access Panel, Renfrewshire Visually Impaired Forum, Paisley Shopmobility and visually impaired clients of the HSCP's Sensory Impairment Team.

The survey asked 4 questions that were yes/no answers and another 4 which were free text responses and there were 45 responses to the survey in total. The summary of responses to the questions are outlined in the sections below.

Closed Questions

Q1: Do you consider yourself to have a disability?
Yes 87%, No 9%, No response 4%

Q2: If yes, is it:
Physical disability or mobility issue 52%, Visual impairment 20%, Other 11%, No response 17%

Q4: Have you found pavements more difficult to navigate in the last 18 months or so since the pandemic began?
Yes 57%, No 33%, No response 10%

Q6: Have you suffered any injury or harm as a result of street furniture?
Yes 24%, No 63%, No response 13%

Open Questions

Q3: Please tell us where you normally spend time walking, shopping or socialising. Include any town / village in Renfrewshire.

The overwhelming majority of responses came from people who frequented Paisley Town Centre

Q5: Please tell us a little more as to why you have found pavements more difficult to navigate over the last 18months (up to January 2022)?

The question was specifically asked to identify whether the rise in outdoor socializing in cafes or restaurants had an impact on these groups in that time.

The majority of respondents highlighted that occasionally pavements can be problematic, however they did not provide any examples of locations that were causing concern.

The placement of advertising signs on pavements was highlighted as an issue and this is something we would like to pick up with the group going forward.

Q7: What, if anything, would help to make pavements in our towns and villages more accessible for people with visual impairments, disabilities or mobility issues?

A few different suggestions were raised here, particularly around the use of mobility scooters is impacted by uneven pavements. This is something we will review with the group and identify problematic locations.

A couple of respondents highlighted careless parking by drivers in the town centre created issues for access when they park on pavements, and others highlighted the placement of litter bins as being an issue.

There were also some positive comments that the respondents appreciated this engagement as a step in the right direction and looked forward to more of this.

Q8: What, do you think if anything, businesses could do to make sure pavements outside their premises are fully accessible?

There were a broad range of issues highlighted by this question with many of the respondents not actually sure what role local businesses could play in this with regard to placement of refuse bins, outside table and chairs etc. The one key issue highlighted is that engagement of businesses as part of this processes will be critical to ensure all key stakeholders are represented on the proposed group.