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Renfrewshire Council

Notice of Special Meeting and Agenda
Council

Date	Time	Venue
Thursday, 12 February 2015	09:30	Council Chambers (Renfrewshire), Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Legal & Democratic Services

Board Membership

Councillor Derek Bibby: Councillor Maria Brown: Councillor Bill Brown: Councillor Lorraine Cameron: Councillor Stuart Clark: Councillor Eddie Devine: Councillor Margaret Devine: Councillor Andy Doig: Councillor Audrey Doig: Councillor Christopher Gilmour: Councillor Roy Glen: Councillor Eddie Grady: Councillor Jim Harte: Councillor Jacqueline Henry: Councillor Michael Holmes: Councillor John Hood: Councillor Terry Kelly: Councillor Brian Lawson: Councillor Paul Mack: Councillor James MacLaren: Councillor Kenny MacLaren: Councillor Mags MacLaren: Councillor Mark Macmillan: Councillor Eileen McCartin: Councillor Cathy McEwan: Councillor Stephen McGee: Councillor Marie McGurk: Councillor Iain McMillan: Councillor James McQuade: Councillor Sam Mullin: Councillor Alexander Murrin: Councillor Will Mylet: Councillor Iain Nicolson: Councillor Allan Noon: Councillor Bill Perrie: Councillor Jim Sharkey: Councillor Maureen Sharkey: Councillor Tommy Williams:

Provost Anne Hall (Convener): Councillor John Caldwell (Depute Convener)

Members of the Press and Public

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

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Section 112 statement

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

Procedures

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

Items of business

During consideration of the following items of business, the meeting will be open to the press and public.

Apologies

Apologies received from members of the Board.

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.

PROCEDURE TO BE FOLLOWED AT THE MEETING OF RENFREWSHIRE COUNCIL TO BE HELD ON 12th FEBRUARY, 2015 DURING CONSIDERATION OF ITEM 1 CONCERNING REVENUE ESTIMATES AND COUNCIL TAX FOR THE FINANCIAL YEAR 2015/2016

The purpose of this note is to give Members advance notice of the procedure which Provost Hall has agreed should be followed at the Meeting of the Council on 12th February, 2015.

1. The Leader of the Council will make his budget statement for financial year 2015/16 and move as appropriate. He will then speak to the principal points of his proposals. The motion will require to be seconded.

2. The Depute 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 Leader of the Council'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 2015/16).

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.

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

7. Provost Hall 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 Hall giving the Leader of the Council an opportunity to reply.

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

Item 1

To:	**Council**
On:	**12 February 2015**
Report by:	**Director of Finance & Resources**
Heading:	**Revenue Budget and Council Tax 2015/16**

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 2015/16. Members are expected to bring forward proposals to secure a balanced budget, and to assist in this, Directors have been providing details of the financial, service and equality implications of any changes to current service levels, as requested by members.

1.2. In setting the 2015/16 budget, members will wish to consider the medium and longer term financial context for the Council and the ongoing financial pressures and challenges facing the public sector more generally as set out originally in the Financial Outlook report to the Leadership Board on 4th December 2013 and as updated in the Scottish Government Draft Budget 2015/16 report to the Leadership Board on 3rd December 2014. These reports outlined in detail the scale of financial challenges facing the Council and the underlying need to continue to secure significant budget savings over the medium term period through to 2017/18.

1.3. It was originally projected in the Financial Outlook presented to the Leadership Board on the 4th December 2013, that over the medium term through to 2017/18 the Council had an underlying budget saving requirement estimated at between £20 million to £30 million. As reported to the Leadership Board on the 3rd December 2014, the medium term position remains consistent in nature with that previously reported but with areas of increasing uncertainty and risk, principally around future grant levels and pay pressures, along with significant and growing demand pressures on key service areas principally in relation to Social Work. There remains an anticipated underlying requirement for budget savings over the medium term to 2017/18, however it is expected that there is an increasing risk that this is more likely to be at the top end of previous projections in the region of £30 million. It is recognised that the Council has in the intervening period taken decisions, as part of setting the 2014/15 budget and as part of the Better Council Change Programme, that will support the delivery of savings over the period 2014/15 – 2016/17 and which have started to address this medium term financial saving requirement.

1.4. Members should also note that as reported to Council on 18th December 2014, the Council's provisional financial settlement for 2015/16 is conditional upon the package of measures linked to the local government finance settlement. Following consideration and approval of the Council's budget for 2015/16, the Leader is required to confirm to the Scottish Government by 10 March 2015 if the Council does not intend to meet the conditions, as detailed at paragraph 3.3 of this report.

1.5. The Council, in setting its 2014/15 budget, continued to take a medium term view of the Council's finances, agreeing a package of savings measures, which has supported investment in priority areas, principally covering economic regeneration, jobs, schools, community facilities and tackling poverty. Since setting the budget, a number of the assumptions contained in the draft 2015/16 figures have been updated and in some cases confirmed, including most notably government grant, the impact of new statutory obligations arising from the Children & Young People's Act and the impact of increasing demographic and demand pressures, experienced principally in Social Work Services. In addition and as referred to at paragraph 1.3 above, the Council has taken a number of decisions as part of the Better Council Change Programme that support the release of savings over the period 2015/16 – 2016/17. Taking these updated factors into account, and as outlined in Table 6 of this report, there is a projected temporary revenue budget surplus for 2015/16 of £9.646 million subject to decisions by members in setting the final budget for 2015/16. It should be noted by Members, that as this surplus is anticipated to be temporary in nature (taking account of the Council's anticipated financial position over the medium term) it is recommended by the Director that reinvestment of the surplus should be focused on a one-off or temporary basis.

1.6. The Council's financial projections beyond 2015/16 include, by necessity, a range of key assumptions and there remains significant and in some cases increasing uncertainty in relation to key elements of the Council's future financial position. Most notably the areas of key uncertainty are focused upon:

- *Future grant settlement* - looking beyond the 2015/16 spending review period, whilst no specific grant figures are available for Scotland and consequently for Renfrewshire, external economic commentators continue to forecast ongoing pressure on public expenditure at a UK level at least through to 2018, with a second wave of significant cuts still expected to emerge in 2016/17 and 2017/18. In addition, it is also suggested that the level of cuts that emerge over this period are likely to be at the higher end of previous projections. It is difficult to predict with any significant degree of certainty what the Council's actual grant settlement will be in each of these years and it will ultimately be influenced by a wide range of variables including the impact of what can be quickly changing global economic conditions and the subsequent influence on the UK economy, the underlying performance of the UK economy and its impact on public finances and a range of political decisions taken at both UK and Scottish Parliament level.

- *Future Pay Settlements* - at present no national agreement has been reached on a pay settlement for 2015/16 for any of the Council's employee groups. Negotiations remain ongoing at a national level and whilst no agreement has been reached it would appear increasingly unlikely that maintaining pay restraint to a 1% increase in line with 2014/15 will be achievable. At present trade unions have submitted pay claims for 2015/16 of £1 per hour increase for non teaching staff, equivalent to approximately £9.3 million (7%) of the pay bill, with the teaching unions submitting a 5% pay claim, amounting to approximately £4 million. In addition, a recent agreement has been reached in England between the Local Government Association and trade unions which overall, is equivalent to a 2.2% pay award for the 15 month period 1st January 2015 to 31st March 2016. The nationally agreed position that emerges for 2015/16 and the influence this may have over future settlements will have a significant bearing on the Council's medium term financial position and level of savings that it will be required to secure.

- *Demand led Pressures* – demographic and socio-economic demand led cost pressures, in particular on Social Work Services, continue to be one of the Council's key financial risks moving forward. In response, the Council has been progressing a wide range of key demand and cost management actions which have sought to mitigate the financial impact of this cost pressure whilst seeking to achieve better outcomes for clients and their families. However, despite such actions, the level of pressure being experienced in the current 2014/15 financial year has been significant and beyond what was previously projected. Despite mitigating action applied during the year, which has included the use of £1.2 million of non-recurring flexibility resources, a service overspend of £0.4 million (0.4%) is forecast. Although the medium term forecasts have been adapted to take account of the growing pressures currently being experienced, the scale of such demand led pressures and the ability of the Council to mitigate and dampen them over the medium term will be a key determinant on the Council's medium term financial position.

1.7. The nature of the Council's medium term financial outlook, both in scale and potential for movement, means that the Council needs to continue to adopt a strategic and sustainable plan linked to the delivery of priorities approved in the Council Plan and agreed with partners in the Community Plan. These strategic priorities will continue to provide a focus in future budget decisions, where the delivery of core services must be balanced with the resources that will be available to the Council. It is also important that the Council's underlying financial strategy maintains a medium term perspective, recognising the uncertainty around key elements and the increasing risk that they may over time move negatively against the Council, increasing the potential medium term saving requirement.

1.8. In addition, members should continue to be alert to the timing of the next UK Government Spending Review and the subsequent results for Scotland which are unlikely to become available until autumn of 2015 for the 2016/17 financial year. This would mean that results for individual Councils are not likely to be known until December 2015, two months before the Council would normally look to set the 2016/17 budget. In addition, at this stage there is no certainty that the draft 2017/18 position and beyond will be confirmed and the cycle of uncertainty in relation to future grant levels may continue into autumn 2016. The Council will therefore be required to plan for the possibility that over future financial years there may be limited time to respond to the confirmed grant settlement. Consequently it is important that the Council continues to pro-actively progress financial planning work for 2016/17 and beyond through the Better Council Change Programme and to prepare for what is anticipated to be a further difficult and uncertain financial period for the Council.

1.9. In setting the 2015/16 budget, members should remain aware that any commitments to additional recurring expenditure will increase the projected medium term deficit in future years unless they are offset by sustainable savings. 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 and attention is drawn to capital resources available to the Council of £1.094 million, as detailed at Item 2 of this agenda.

2. RECOMMENDATIONS

Members are asked to:-

2.1 Submit for approval proposals for any savings and/or investments and any service changes as part of delivering a balanced budget for 2015/16, and in doing so, to consider the equality impact of any proposed service changes as referred to at paragraph 8.5 and also to assess whether adequate provision is being made in the 2015/16 budget to deliver against the specified commitments linked to the Council's grant settlement for 2015/16, as detailed at paragraph 3.3.

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

2.3 Approve the detailed revenue estimates for all services for 2015/16 subject to adjustment for the allocation of central support costs, central repairs costs, capital charges, specific grants, inflationary allowances and any proposals for service changes approved by Council.

2.4 Submit for approval the council tax banding levels A to H inclusive to apply for 2015/16.

3. GRANT SETTLEMENT

3.1 On the 11th December 2014, the Cabinet Secretary for Finance, Constitution and Economy announced the provisional local government finance settlement and this was reported to the Council on 18th December 2014. The settlement provides grant figures for one year only covering 2015/16. The 2015/16 financial settlement confirmed headline grant funding allocated to Renfrewshire Council of £300.079 million. Of this allocated grant figure, £2.254 million represents a pass through grant from the Scottish Government to COSLA for the Business Gateway. Adjusting for this provides grant available to fund Council services of £297.825 million. The settlement figure also includes a number of planned adjustments by the Scottish Government and which predominantly relate to new statutory responsibilities arising from the Children and Young People Act, extension of free school meal provision to all Primary 1 to 3 pupils and the Scottish Welfare Fund. These adjustments to the grant settlement are linked to associated budgeted adjustments that are included in Table 2.

3.2 After adjusting for these areas, the provisional grant level for the Council is in line with the 2015/16 planning figure published by the Scottish Government in July 2014 and reflects the assumptions incorporated into the Council's financial planning for 2015/16. The Council's 2015/16 grant figure has, on a like for like basis, increased by £0.2 million (0.07%) from 2014/15, with the Council's share of the overall local government revenue funding settlement remaining effectively static at 3.14%.

3.3 At present the published grant figures do not include funding releases for the contribution from the Scottish Government for the continuation of the Council Tax Reduction (CTR) scheme in 2015/16 or funding to support the top up of Discretionary Housing Payment funds to assist in mitigating the impact of the under occupancy deduction or "bedroom tax". These funding streams have yet to be distributed by the Scottish Government, and no assumptions have been made in relation to anticipated shares for Renfrewshire Council. Once confirmed, appropriate adjustments will be made to the budget to recognise the Council's specific funding share with corresponding adjustments made to appropriate expenditure budgets, providing a cost neutral position. The published grant settlement figures include the Council's share of sums in the Scottish Government's budget with associated grant conditions. If the Council does not agree to the specified set of commitments as part of agreeing the 2015/16 budget and formally confirms this position to the Scottish Government, a grant reduction of £2.327 million will be applied to the Council's published grant figure.

The package of measures includes:

(i) Delivery of a Council Tax Freeze for 2015/16.

(ii) Securing places for all probationers who require one under the teacher induction scheme.

In addition, the commitment to maintain teacher numbers in line with pupil numbers, along with associated sanctions remains in place for 2014-15 but has been suspended for 2015/16 whilst an in-principle agreement is reached on an outcomes based approach to education. This will be subject to the completion of work which is satisfactory to both the Scottish Government and Local Government and it is expected that progress in relation to this negotiation will be reviewed over the coming months.

Table 1 – Grant Settlement 2015/16

	2015/16 £000
Allocated Government Grant Funding	
Specific Grants	33
Non Domestic Rate Income	103,321
Revenue Support Grant	194,398
TOTAL CONFIRMED ALLOCATED GOVERNMENT GRANT FUNDING	**297,752**
Less: Business Gateway Grant Pass through to COSLA	2,254
Total Confirmed Government Grant available to Support Council Services	295,498
Grant Conditional on Agreement to Specified Commitments	2,327
TOTAL CONFIRMED GOVERNMENT GRANT	**297,825**

3.4 As detailed above, beyond 2015/16, although no specific grant figures are available for Scotland and consequently for Renfrewshire, it is widely expected that there will continue to be downward pressure on public expenditure at a UK level. This is expected to continue at least through to 2018 with a second wave of significant cuts expected to emerge in 2016/17 and 2017/18. The underlying condition of the UK economy, although not the only factor, will be a major determinant of the scale of these future cuts and despite UK economic conditions being more positive over the course of 2014, there remains a range of potential downside risks to the underlying sustainability of the return to positive UK economic growth. This includes the impact on the UK of wider global economic conditions which remain challenging with uncertainty, particularly in the context of the ongoing conditions in Europe which remain fragile and typified by low or stagnant economic growth and deflation risks, concerns in relation to future economic growth prospects in China and the emerging economies, and most recently the developing economic situation within Russia and the major downward movement on oil prices.

3.5 In the current climate therefore, there remains downside risk to the sustainability of the current economic recovery in the UK which could lead to further negative implications for the level of savings required from public expenditure at a UK level. This would inevitably have implications for the Scottish Government's budget and ultimately the Council's grant. Moving forward members will be kept appropriately briefed and informed of any significant developments in the wider economy which are likely to materially change the future financial outlook for the Council.

4. SPENDING PRESSURES, MANAGING DEMAND, AND AGREED SAVINGS

4.1 An analysis has been enclosed with this report detailing, for each service, the proposed budget changes between 2014/15 and 2015/16. The budget has been adjusted to reflect:-

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

(ii) the financial impact of any decisions already taken by the Council or its Policy Boards; and

(iii) the implementation of the approved medium term debt smoothing strategy which will support the delivery of budget savings on financing charges in 2015/16 – 2017/18.

4.2 Demographic and socio-economic factors continue to play a major role in driving spending pressures for the Council, specifically in relation to Social Work Services and relating mainly to:-

- older people's services linked to the shift in the balance of care, supporting older people to live safely at home for as long as possible, and facilitating prompt discharge from hospital;
- the increasing number and complexity of care packages required to support adult clients to live as independently as possible in the community; and
- the continued commitment to protecting vulnerable children and young people, and supporting them into independent adulthood.

4.3 It is estimated that in the absence of any further action by the Council to manage these pressures and rising demands the Council's budget would have to increase by £4.452 million in 2015/16. As referred to in paragraph 1.6 above, during the course of 2014/15 the impact of demand led pressures has increased significantly. The Council continues however to be pro-active in progressing a range of demand and cost management workstreams. These mitigation measures continue to assist in reducing the demand led cost pressures and help to maintain and protect core frontline Social Work Services. The Director of Social Work assessed that the required budget adjustment in 2015/16 for demographic and socio-economic pressures could be contained to £2.952 million after taking account of the anticipated impact of demand and cost management measures.

4.4 Table 2 below reflects the recommended base budget adjustments to reflect the pressures facing the Council in 2015/16, offset by the net financial impact of decisions already made by the Council and adjustments to reflect the non recurring nature of commitments made in prior year budgets. Also included is a reduction of £2.9 million arising from the ongoing implementation of the Council's medium term debt smoothing strategy which will continue to support the delivery of budget savings on financing charges over the period 2015 - 2018. As part of maximising the delivery of revenue savings arising from the strategy over this period, the strategy will utilise existing capital fund (CFCR) resources over the medium term to offset annual debt costs, replacing these resources with planned borrowing to maintain the delivery of the planned investment programme.

Table 2 - Summary of Recommended Base Budget Adjustments 2015/16

	2015/16	
	£ms	£ms
Net impact of previous Council and Board Decisions	(3.533)	
Net Adjustment for non Recurring Budget Decisions in Prior Years	(13.964)	
Debt Smoothing Reduction in Financing Costs	(2.900)	
Total (Net Reductions)		**(20.397)**
Add:		
Demographic and Socio-Economic Pressures (net of demand management)	2.952	
Extension to Free School Meal Provision	1.809	
Scottish Welfare Fund	1.365	
Children & Young People Act	1.214	
Contract Payment Adjustments	1.292	
Pension and Other Provision	2.340	
Landfill Tax	0.456	
Ending of Transitional Scottish Government Support for HRA Debt Transfer	1.000	
Increase in Non Domestic Rates costs	0.350	
Other Unavoidable Pressures	0.088	
Total Increases		**12.866**
Net Base Budget (Reduction)/Increase		**(7.531)**

5. PAY AND PRICE PRESSURES

5.1 The 2015/16 budget position detailed in Table 3 at paragraph 8.1, includes provision for pay inflation at £3.102 million for 2015/16 across all pay groups. As referred to earlier in this report, negotiations for all pay groups remain ongoing through the national arrangements with agreements having not yet been secured. Members should note therefore that this remains an area of financial risk depending on the progress achieved on national level negotiations for all pay groups, with the funding of any subsequent agreement above this provision requiring to be addressed from in year resources.

5.2 In setting its 2014/15 budget, the Council decided not to apply any general inflationary uplift to non-pay budgets. For financial planning purposes, a 2.5% non pay inflation provision would add approximately £3.5 million each year. However, given the expected stabilisation in the underlying inflation levels moving into next year and beyond and in view of the medium term pressures facing the Council, it is recommended that, in line with historic practice general non pay inflation is not provided for in the 2015/16 budget.

5.3 The Financial Regulations require charges for services to be reviewed at least annually. The Council has, on the 18th December 2014, already taken a decision to freeze at 2014/15 levels charges for pitch hire and community halls. Taking this prior decision into account a 2.5% increase in charges would generate additional income of £0.390 million. The overview of the Council's spending in Table 3 at paragraph 8.1 makes provision for an inflation adjustment to charges at 2.5%.

6. FINANCING COSTS

6.1 The provision for financing costs includes both debt charges payable as a result of the Council's capital investment programme and the interest gained on temporary investment of cash. In assessing financing cost requirements, an assumed average interest rate of 4.48% has been applied. No adjustment has been made to the temporary interest income budget reflecting existing cash management approaches, the anticipated temporary cash deposits levels over the course of 2015/16 and an expectation that interest rate levels are unlikely to materially increase over the course of the year.

6.2 As previously reported to members, a strategy of debt smoothing, with the intention of releasing budget savings over the medium term, is incorporated into the Council's medium term financial planning assumptions. As part of the debt smoothing exercise the financing cost budget includes provision to support planned debt repayment as part of the strategy with an anticipated reduction in recurring annual financing costs of £2.9 million being released in 2015/16 with further savings of approximately £15 million over the period 2016 – 2018. As referred to at paragraph 4.4, to assist in maximising the delivery of revenue savings arising from the strategy over this period, the strategy will utilise existing capital fund resources over the medium term to offset annual debt costs, replacing these resources with planned borrowing to maintain the delivery of the planned investment programme.

7. TRADING ORGANISATIONS

7.1 The detailed revenue estimates include within Miscellaneous Services the projected surpluses to be earned by the Council's Trading Operations in 2015/16. The current policy is for any surpluses and deficits to return to the General Fund. The exception to this policy is Building Services where a proportionate element of any trading surplus/deficit is currently transferred in to the Housing Revenue Account based on the level of Housing related turnover.

8. SPENDING OVERVIEW

8.1 The Council approved spending for 2014/15 at the meeting on 13th February 2014 of £370.933 million. It is estimated that £366.114 million (as detailed in Table 3) is needed to fund the costs of maintaining present service levels, and addressing known pressures and demands in 2015/16.

Table 3 – Estimated Spending Need 2015/16

	£000
Spending approved 2014/15 budget	**370,933**
Add:	
Recommended Budget Adjustments (per Table 2)	(7,531)
Revised budget per Appendix 1	363,402
Provision for inflationary pressures (see paragraph 5.1 – 5.3)	2,712
Estimated spending need for 2015/16	**366,114**

8.2 Significant cost pressures are anticipated to persist beyond 2015/16 for the Council. Some cost pressures, such as those related to contractual commitments and cost increases linked to landfill taxation are easier to predict for future years. Others such as future pay increases, the impact of legislative changes, movement on key commodity prices and increasingly demand led pressures are more difficult to estimate and are not necessarily within the direct control of the Council. In addition, although there is widespread consensus that 2016 – 2018 will see a significant reduction in Government Grant levels available to local government in Scotland, as referred to in paragraph 3.4 – 3.5 above, there is significant uncertainty in respect to how much of a reduction is likely to be experienced. However, for financial planning purposes, it is projected that over the two year period 2016/17 – 2017/18, the Council may experience a reduction in Government Grant of between 3% – 6%.

8.3 In addition, members should be alert to the timing of the next UK Government Spending Review and the subsequent results for Scotland which are likely to become available in autumn of 2015 for the 2016/17 financial year. This would mean that results for individual councils are not likely to be known until December 2015, two months before the Council would normally look to set the 2016/17 budget. In addition, at this stage there is no certainty that in autumn 2015 confirmation of draft figures for 2017/18 and beyond will be visible, potentially extending the cycle of uncertainty until autumn 2016. Consequently, the nature of the Council's medium term financial outlook, both in scale and potential for variability, requires that the Council continues to adopt a flexible medium term perspective to the delivery of savings, maintaining a strategic and sustainable focus linked to the delivery of priorities approved in the Council Plan and agreed with partners in the Community Plan. The Council will be required to plan for the possibility that over the future financial years, there may be limited time to respond to confirmed grant settlement and manage both unexpected and higher levels of cost pressures than is currently being forecast. Consequently, it is important that the Council continues to pro-actively progress financial planning work for 2016/17 and beyond through the Better Council Change Programme to prepare for what is anticipated to be a further difficult and uncertain financial period for the Council.

8.4 Members will continue to be updated on developments for future years, but should be aware that in setting the 2015/16 budget any commitments to additional recurring expenditure will increase the projected deficit in future years unless they are offset by recurring savings. Similarly, any decisions taken now to address the future year budget deficits provides greater certainty for service planning and the workforce, and also supports the future financial stability of the Council.

8.5 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.

8.6 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. RESOURCE ALLOCATIONS

9.1 Appendix 1 attached summarises the provisional resource allocation for each service in terms of the detailed revenue estimates which accompany this report. 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.

10. PROBABLE OUTTURN 2014/15, BALANCES AND RESERVES

10.1 The summary booklet attached to this report includes at Page 8 an overview of the Probable Outturn for 2014/15.

10.2 The Council's general fund balances as at 1st April 2014 were £52.925 million, and as outlined in Table 4 below, the majority of this was earmarked for specific purposes. The Council in setting the budget for 2014/15 planned to draw, on a one off basis, £1.9 million from available unallocated reserves, planning for £7.299 million of general working balances to be available by 31st March 2015. As reported to members during the course of 2014/15, a relatively minor year-end under-spend of £0.150 million (0.03%) is projected whilst approvals for the drawing from unallocated reserves, principally to fund the financial impact in 2014/15 of changes in holiday pay legislation, have been approved during the course of the year. Taken together, it is anticipated that unallocated reserves on the closure of the 2014/15 is projected to be £7.192 million. This projected year end position is after accounting for planned debt repayment as part of the Council's ongoing debt repayment strategy.

10.3 It is important that the Council maintains sufficient reserves to protect it during the course of the financial year. The planned level of year end unallocated general working balances of £7.192 million represents approximately 1.9% of the Council's net expenditure. Audit Scotland will continue to closely monitor the Council's position to ensure unallocated general working balances remain at an appropriately prudent level and it is recommended that in the context of the Council's risk profile moving into 2015/16, unallocated reserves are maintained at least at £7.0 million, approximately 1.9% of the Council's net expenditure.

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

Table 4 – General Fund Balances 2014/15

	Balance as at 1/4/2014 £000s	**Forecast In Year Change and Year End Transfers £000s**	**Forecast Closing Position as at 31/3/2015 £000s**
PPP Reserve	12,670	0	12,670
M74 Contribution	571	0	571
Waste Management Strategy	9,505	(1,251)	8,254
Land Decontamination	271	(25)	246
Town Centre	107	(107)	0
Development Contribution – Paisley Town Centre	1,300	(164)	1,136
Early Years Strategy	2,019	1,000	3,019
Invest in Renfrewshire	3,397	3,970	7,367
Community Safety	1,612	(1,093)	519
Tackling Poverty	500	1,486	1,986
Service Year-end flexibility	2,477	(1,020)	1,457
Private Sector Housing Grant	1,589	0	1,589
Service Modernisation and Reform Fund	7,708	(150)	7,558
Heritage and City Deal Regeneration	0	3,360	3,360
Unallocated General Working Balances	9,199	(2,007)	7,192
Total General Fund Balances	**52,925**	**3,999**	**56,924**

10.5 As previously reported to Council in its consideration of the 2013/14 accounts, and as detailed in Table 5 below, other specific reserves continue to be maintained.

Table 5 – Specific Reserves 2014/15

	Balance as at 1/4/2014	Forecast in year movement	Forecast Balance as at 31/3/2015
	£000s	£000s	£000
Insurance Fund	2,543	0	2,543
Education Capital Items Fund	735	0	735
Reservoir Repair Fund	313	3	316
Capital Fund – General Fund	19,681	0	19,681
Capital Fund - Housing	2,127	0	2,127
Total Specific Reserves	**25,399**	**3**	**25,402**

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

10.7 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.

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

10.9 The Capital Funds are used as part of the wider debt smoothing strategies operating across both the General Fund and Housing Revenue Account to manage both the debt levels linked with the respective investment programmes and the associated debt servicing costs charged to the revenue accounts.

11. <u>COUNCIL TAX</u>

11.1 Our council tax (Band D) for 2014/2015 is £1,164.69 and is £16 (1.39%) above the Scottish average. It is estimated that in 2015/16 each £1 of council tax will yield £66,485 which is higher than 2014/15. The increase in the yield is principally linked to anticipated growth in the council tax base in the context of the modest recovery being experienced in the housing development market. A maximum net yield of £77.435 million can therefore be anticipated from present council tax levels.

11.2 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.

11.3 Members are required to determine the level of council tax for Bands A to H inclusive which should apply for 2015/16, and in doing so, are reminded of the grant conditions detailed at paragraph 3.3.

12. BUDGET OVERVIEW – 2015/16

12.1 The overview budget position for the Council for 2015/16, prior to any changes in service levels, is outlined in Table 6 below. This overview position confirms a cash surplus for 2015/16, subject to decisions by members in setting the final budget for 2015/16. Members should be reminded that this surplus position is anticipated to be temporary in nature with the Council expected to face a significant budget deficit over the medium term. Therefore, any decisions taken in setting the 2015/16 budget which commit resources on a recurring basis will increase further this forecast deficit position unless decisions are also taken to deliver corresponding savings.

Table 6 – Budget Overview 2015/16

	£000s
Income:	
Confirmed Government Grant (per table 1)	297,825
Council Tax Income, at present levels (para 11.1)	77,435
Council Tax Arrears Recovery (para 11.2)	500
Total Income	**375,760**
Less: Estimated Spending Need (Table 3)	366,114
Estimated Funding Surplus 2015/16	**9,646**

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.

14. FURTHER ACTION

14.1 Members wishing clarification of the details of this report or the enclosed Revenue Estimates pack should contact Alan Russell (extension 7364) 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 this Report

Financial – The report and enclosures provide the background information on the 2015/16 budget, identifying a funding surplus of £9.646 million. As detailed in the report, if the Council does not formally agree to the specified set of commitments as part of agreeing the 2015/16 budget, a further grant reduction estimated at £2.327 million will be applied by the Scottish Government, which would create a funding surplus in the report of £7.319 million.

HR & Organisational Development - Employee numbers will be subject to any budget proposals agreed.

Community Planning

Children and Young People – implications will be subject to any budget proposals agreed.

Community Care, Health & Well-being - implications will be subject to any budget proposals agreed.

Empowering our Communities - implications will be subject to any budget proposals agreed.

Greener - implications will be subject to any budget proposals agreed.

Jobs and the Economy - implications will be subject to any budget proposals agreed.

Safer and Stronger - implications will be subject to any budget proposals agreed.

Legal - The Council is required to set a balanced budget for 2015/16.

Property/Assets – implications will be subject to any budget proposals agreed.

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

Equality & Human Rights - in considering the budget proposals, the Council must have due regard to any impact on equalities and human rights and complying with the public sector equality duty.

Health & Safety - implications will be subject to any budget proposals agreed.

Procurement – implications will be subject to any budget proposals agreed.

Risk - As outlined in sections 8 and 10 of the report, the Council continues to be faced with risk and uncertainty in setting its 2015/16 budget and future financial outlook over the medium term, principally in relation to factors outwith its direct control. In addition the scope of ongoing change underway within the Council and scale of ongoing budget reduction necessary to realign Council spending with available resources over the medium term brings with it additional risk for the Council. In recognition of this it is important that the Council's unallocated balances remain at an appropriately prudent level and that decisions taken by the Council pay due regard to the medium term financial outlook.

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

List of Background Papers

(a) Background Papers - none

Author – Alan Russell, Director of Finance & Resources

APPENDIX 1

RENFREWSHIRE COUNCIL

REVENUE ESTIMATES 2015/16

PROVISIONAL RESOURCE ALLOCATION STATEMENT

(subject to amendment for any budget proposals approved by Council)

Service	**Resource Allocation £000**
Chief Executives	2,172
Education and Leisure (Education)	138,454
Education and Leisure (Leisure)	7,755
Community Resources	43,272
Finance and Corporate Services	27,499
Joint Valuation Board	1,278
Development & Housing	11,305
SPTA/Regional Transport Partnership	3,355
Social Work	85,407
Miscellaneous Services	44,875
NET EXPENDITURE PER SUMMARY BOOKLET (Page 3)	**365,372**
Less: Recoveries from accounts outwith service resource allocations	£1,970
Total per Table 3	**363,402**

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

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : EDUCATION SERVICES

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			167,197,673
Adjustments for items outwith Resource Allocation			
Less: capital charges	(15,038,040)		
		(15,038,040)	
Central support costs	(10,152,529)		
Central support recoveries			
Corporate and Democratic core costs	235,270		
		(9,917,259)	
			(24,955,299)
Adjusted 2014-2015 Estimates			142,242,374
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(3,533,012)	
Transfers (PAPER 3)		(255,522)	
			(3,788,534)
2015-2016 Estimates			**138,453,840**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : EDUCATION SERVICES

ED		£
1	Planned adjustment to Capital Financed from Current Revenue	(4,803,000)
2	Adjustment for budgeted staff turnover	(226,757)
3	Impact of Better Council Change Programme	(66,000)
4	Increased SEEMIS subscription	26,000
5	Adjustments to reflect new national copyright arrangements	48,000
6	Increase in Disclosure Scotland payments due to PVG.	52,000
7	Annual contractual PPP Contract Indexation Adjustment	240,300
8	Additional transport costs for pupils with Additional Support Needs	250,000
9	Adjustment for new statutory responsibilities in Early Learning & Childcare	946,445
	Total Increase (Decrease) to Budget	**(3,533,012)**

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : EDUCATION SERVICES

ED		£
1	Transfer of Bus Routes budget to Community Resources	(575,000)
2	Realignment of prior year savings	(244,735)
3	Transfer of Janitorial Staff to Commuity Resources	(15,494)
4	Transfer of budget provision for 2014-15 Living Wage Inflation	2,966
5	Realignment of Non Domestic Rates Budgets	59,600
6	Realignment of budgets between Education and Leisure	87,441
7	Realignment of Energy Budgets	429,700
	Total Increase (Decrease) to Budget	**(255,522)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : LEISURE SERVICES

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			14,410,704
Adjustments for items outwith Resource Allocation			
Less: capital charges	(3,311,620)		
		(3,311,620)	
Adjustments for Central Support			
Central support costs	(1,246,573)		
Corporate and Democratic core costs	46,160		
		(1,200,413)	
			(4,512,033)
Adjusted 2014-2015 Estimates			9,898,671
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(423,000)	
Transfers (PAPER 3)		(1,720,299)	
			(2,143,299)
2015-2016 Estimates			**7,755,372**
(Before budget decisions)			

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : LEISURE SERVICES

LS		£
1	Impact of approved transfer to Culture and Leisure Trust arangment	(426,000)
2	Impact of Better Council Change Programme	(87,000)
3	Renfrewshire Leisure Contract Payment Increase	90,000
	Total Increase (Decrease) to Budget	**(423,000)**

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : LEISURE SERVICES

LS		£
1	Transfer of Community Halls to Community Resources	(1,500,000)
2	Realignment between Education and Leisure	(87,441)
3	Transfer of Lettings Team to Community Resources	(78,086)
4	Realignment of Energy Budgets	(23,200)
5	Realignment of Non Domestic Rates Budgets	(22,200)
6	Realignment of prior year savings	(12,745)
7	Transfer of budget provision for 2014-15 Living Wage Inflation	3,373
	Total Increase (Decrease) to Budget	**(1,720,299)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : COMMUNITY RESOURCES

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			**47,239,546**
Adjustments for items outwith Resource Allocation			
less: capital charges	(6,541,680)		
		(6,541,680)	
Adjustments for Central Support			
Central support costs	(3,732,417)		
Central support recoveries	238,860		
Corporate and Democratic core costs	209,110		
		(3,284,447)	
			(9,826,127)
Adjusted 2013-2014 Estimates			37,413,419
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		1,793,490	
Transfers (PAPER 3)		4,065,112	
			5,858,602
2014-2015 Estimates			**43,272,021**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : COMMUNITY RESOURCES

CR		£
1	Impact of Better Council Change Programme	(906,000)
2	Adjustment for budgeted staff turnover	(304,310)
3	Impact of Prior Year Budget Decisions	(222,500)
4	Contract Variations and Adjustments	792,600
5	Increase In Landfill Tax	456,000
6	Extension of Free School Meal Entitlement to all Children in P1- P3	1,809,000
	Payments to Trading Operations	
7	Contract Payment - Catering Trading	52,100
8	Contract Payment - Vehicle Maintenance Trading	36,600
9	Contract Payment - Roads Trading	80,000
	Total Increase (Decrease) to Budget	**1,793,490**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : COMMUNITY RESOURCES

CR		£
1	Realignment of prior year savings	(37,080)
2	Realignment of Non Domestic Rates Budgets	2,900
3	Transfer of Janitorial Staff from Education	15,494
4	Transfer of budget provision for 2014-15 Living Wage Inflation	57,300
5	Transfer of Lettings Team from Leisure Services	78,086
6	Transfer Civil Contingencies from Chief Executive's	111,290
7	Realignment of Energy Budgets	524,500
8	Transfer of Bus Routes budget from Education	575,000
9	Transfer of Bus Routes budget from Social Work	1,237,622
10	Transfer of Community Halls from Leisure Services	1,500,000
	Total Increase (Decrease) to Budget	**4,065,112**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : FINANCE AND CORPORATE SERVICES

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			3,198,273
Adjustments for items outwith Resource Allocation			
capital charges	(1,922,100)		
		(1,922,100)	
Adjustments for Central Support			
Central support costs	(9,707,251)		
Central Support recoveries	37,243,320		
		27,536,069	
			25,613,969
Adjusted 2014-2015 Estimates			28,812,242
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(1,530,724)	
Transfers (PAPER 3)		217,314	
			(1,313,410)
2015-2016 Estimates			**27,498,832**
(Before budget decisions)			

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : FINANCE AND CORPORATE SERVICES

FIT		£
1	Impact of Better Council Change Programme	(1,802,000)
2	Adjustment for budgeted staff turnover	(292,817)
3	Adjustment to DWP funding for Single Fraud Investigation Service	8,000
4	Webcasting of Council Meetings	16,500
5	Increased Members' Salaries Costs	36,000
6	Adjustment to available car parking income at HQ complex	38,000
7	Loss of DWP Housing Benefit Administration Subsidy	60,000
8	Increase in ICT Software and Hardware Maintenance Contracts	159,593
9	Adjustment for funding transfer for Council Tax Replacement Service Administration	246,000
	Total Increase (Decrease) to Budget	**(1,530,724)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : FINANCE AND CORPORATE SERVICES

FIT		£
1	Transfer of Staffing Resources	(107,404)
2	Realignment of Non Domestic Rates Budgets	1,500
3	Realignment of Energy Budgets	4,100
4	Transfer of budget provision for 2014-15 Living Wage Inflation	15,564
5	Realignment of Property Maintenance Budgets	18,800
6	Realignment of prior year savings	98,530
7	Realignment of Welfare Reform Allocations	186,224
	Total Increase (Decrease) to Budget	**217,314**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			1,277,780
Adjustments for items outwith Resource Allocation			
less: capital charges	-		
		-	
Adjustments for Central Support			
Central support costs	-		
Corporate and Democratic core costs	-		
		-	
			-
Adjusted 2014-2015 Estimates			1,277,780
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		-	
Transfers (PAPER 3)		-	
			-
2015-2016 Estimates			**1,277,780**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
		-

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PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
		-

PAPER 1

RENFREWSHIRE COUNCIL

SUMMARY OF 2015-2016 REVENUE ESTIMATES

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - OTHER HOUSING

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			5,100,319
Adjustments for items outwith Resource Allocation			
less: capital charges	-		
		-	
Adjustments for Central Support			
Central support costs	(225,171)		
Corporate and Democratic core costs	68,280		
		(156,891)	
			(156,891)
Adjusted 2014-2015 Estimates			4,943,428
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(156,000)	
Transfers (PAPER 3)		(664,148)	
			(820,148)
2015-2016 Estimates			**4,123,280**
(Before budget decisions)			

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - OTHER HOUSING

OH		£
1	Impact of Better Council Change Programme	(136,000)
2	Adjustment for budgeted staff turnover	(20,000)
	Total Increase (Decrease) to Budget	**(156,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - OTHER HOUSING

OH		£
1	Realignment of prior year savings	(8,900)
2	Realignment of Non Domestic Rates budgets	(7,200)
3	Transfer of budget provision for 2014-15 Living Wage Inflation	1,752
4	Realignment of Energy budgets	200
5	Realignment of Welfare Reform allocations	(650,000)
	Total Increase (Decrease) to Budget	**(664,148)**

PAPER 1

RENFREWSHIRE COUNCIL

SUMMARY OF 2015-2016 REVENUE ESTIMATES

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PLANNING AND ECONOMIC DEVELOPMENT

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			5,701,904
Adjustments for items outwith Resource Allocation			
less: capital charges	(587,750)		
		(587,750)	
Adjustments for Central Support			
Central support costs	(1,116,761)		
Corporate and Democratic core costs	54,650		
		(1,062,111)	
			(1,649,861)
Adjusted 2014-2015 Estimates			4,052,043
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(431,094)	
Transfers (PAPER 3)		1,278	
			(429,816)
2015-2016 Estimates			**3,622,227**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PLANNING AND ECONOMIC DEVELOPMENT

PED		£
1	Impact of Prior Year Budget Decisions	(250,000)
2	Impact of Better Council Change Programme	(142,000)
3	Adjustment for budgeted staff turnover	(39,094)
	Total Increase (Decrease) to Budget	**(431,094)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PLANNING AND ECONOMIC DEVELOPMENT

PED		£
1	Realignment of prior year savings	(1,600)
2	Transfer of budget provision for 2014-15 Living Wage Inflation	178
3	Realignment of Energy Budgets	2,700
	Total Increase (Decrease) to Budget	**1,278**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			3,354,700
Adjustments for items outwith Resource Allocation			
less: capital charges	-		
		-	
Adjustments for Central Support			
Central support costs	-		
Corporate and Democratic core costs	-		
		-	
			-
Adjusted 2014-2015 Estimates			3,354,700
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		-	
Transfers (PAPER 3)		-	
			-
2015-2016 Estimates			**3,354,700**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

SPT		£
	Total Increase (Decrease) to Budget	**-**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

SPT		£
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PROPERTY AND CONSTRUCTION SERVICES

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			2,726,203
Adjustments for items outwith Resource Allocation			
Less: capital charges	(988,230)		
		(988,230)	
Adjustments for Central Support			
Central support costs	(1,160,902)		
Central support recovery	3,633,879		
		2,472,977	
			1,484,747
Adjusted 2014-2015 Estimates			4,210,950
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(674,000)	
Transfers (PAPER 3)		22,140	
			(651,860)
2015-2016 Estimates			**3,559,090**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PROPERTY AND CONSTRUCTION SERVICES

PCS		£
1	Impact of Prior Year Budget Decisions	(250,000)
2	Impact of Better Council Change Programme	(394,000)
3	Adjustment for budgeted staff turnover	(30,000)
	Total Increase (Decrease) to Budget	**(674,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PROPERTY AND CONSTRUCTION SERVICES

PCS		£
1	Transfer of budget provision for 2014-15 Living Wage Inflation	188
2	Realignment of prior year savings	(48,848)
3	Realignment of Property Maintenance Budgets	(18,800)
4	Realignment of Energy Budgets	89,600
	Total Increase (Decrease) to Budget	**22,140**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : CHIEF EXECUTIVE

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			**831,477**
Adjustments for items outwith Resource Allocation			
less: capital charges	-		
		-	
Central support costs	(365,485)		
Central support recoveries	1,967,101		
Corporate and Democratic core costs	-		
		1,601,616	
			1,601,616
Adjusted 2014-2015 Estimates			2,433,093
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(26,444)	
Transfers (PAPER 3)		(234,953)	
			(261,397)
2015-2016 Estimates			**2,171,696**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : CHIEF EXECUTIVE

CE		£
1	Impact of Better Council Change Programme	(10,000)
2	Adjustment for budgeted staff turnover	(16,444)
	Total Increase (Decrease) to Budget	**(26,444)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : CHIEF EXECUTIVE

CE		£
1	Realignment of Prior Year Savings	(6,001)
2	Transfer of Staffing Resources	101,338
3	Realignment of Welfare Reform Resources	(219,000)
4	Transfer Civil Contingencies to Community Resources	(111,290)
	Total Increase (Decrease) to Budget	**(234,953)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : MISCELLANEOUS

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			28,198,782
Adjustments for items outwith Resource Allocation			
Less: capital charges	29,976,700		
		29,976,700	
Adjustments for Central Support			
Central support costs	(6,892,111)		
Corporate and Democratic core costs	(747,360)		
		(7,639,471)	
			22,337,229
Adjusted 2014-2015 Estimates			50,536,011
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(5,605,500)	
Transfers (PAPER 3)		(55,034)	
			(5,660,534)
2015-2016 Estimates			**44,875,477**
(Before budget decisions)			

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PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : MISCELLANEOUS

MS		£
1	Impact of Previous Council and Board Decisions	(10,041,000)
2	Debt Smoothing Adjustment	(2,900,000)
3	Impact of Better Council Change Programme	(663,500)
4	Adjustment arising from financial settlement	(36,000)
5	Increase in Insurance Costs	100,000
6	Increased Non Domestic Rates poundage	350,000
7	Provision for superannuation and other pay pressures	2,340,000
8	Adjustment for planned Cessation of Housing Business Transformation Grant Funding	1,000,000
9	Adjustment for Scottish Welfare Fund Grant Funding	1,365,000
10	Approved Schools Estate Management Plan Funding	1,380,000
11	Approved Community Halls Funding	1,500,000
	Total Increase (Decrease) to Budget	**(5,605,500)**

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : MISCELLANEOUS

MS		£
1	Transfer of budget provision for 2014-15 Living Wage Inflation	(85,576)
2	Transfer of Transforming Renfrewshire Resources to Chief Executive's	(3,500)
3	Realignment of prior year savings	401,000
4	Realignment of Welfare Reform Allocations	682,776
5	Transfer of Staffing Resources	9,566
6	Realignment of Non Domestic Rates Budgets	(24,100)
7	Realignment of Energy Budgets	(1,012,200)
8	Realignment of Blue Badge Mobility Assessment Funding	(23,000)
	Total Increase (Decrease) to Budget	**(55,034)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
DEPARTMENT : SOCIAL WORK

Analysis of Change between 2014-2015 and 2015-2016

	£	£	£
2014-2015 Estimates			91,694,378
Adjustments for items outwith Resource Allocation			
Less: capital charges	(1,587,280)		
		(1,587,280)	
Adjustments for Central Support			
Central support costs	(6,514,045)		
Corporate and Democratic core costs	133,890		
		(6,380,155)	
			(7,967,435)
Adjusted 2014-2015 Estimates			83,726,943
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		3,055,496	
Transfers (PAPER 3)		(1,375,888)	
			1,679,608
2015-2016 Estimates **(Before budget decisions)**			**85,406,551**

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : SOCIAL WORK

SW		£
1	Demographic and Socio-Economic Factors	2,952,074
2	Impact of Better Council Change Programme	(73,000)
3	Adjustment for budgeted staff turnover	(408,578)
4	Financial Settlement Adjustments including impact of Children & Young People Act	585,000
	Total Increase (Decrease) to Budget	**3,055,496**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2015-2016 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : SOCIAL WORK

SW		£
1	Transfer of budget provision for 2014-15 Living Wage Inflation	4,255
2	Realignment of prior year savings	(139,621)
3	Transfer of Bus Routes budget to Community Resources	(1,237,622)
4	Realignment of Non Domestic Rates Budgets	(10,500)
5	Realignment of Energy Budgets	(15,400)
6	Realignment of Blue Badge Mobility Assessment Funding	23,000
	Total Increase (Decrease) to Budget	**(1,375,888)**

RENFREWSHIRE

REVENUE ESTIMATES

BASE BUDGET

2015-2016

Renfrewshire Council

REVENUE ESTIMATES 2015-16

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Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2016
General Fund Summary
Objective Summary

Line No	Expenditure	2014/15 Estimates £	2015/16 Estimates £
1	Education	157,036,599	153,230,577
2	Leisure Services	12,063,948	9,622,589
3	Community Resources	55,686,558	61,672,510
4	Finance and Corporate Services	34,292,613	32,881,203
5	Valuation Joint Board	1,277,780	1,277,780
6	Other Housing	52,327,184	52,007,036
7	Planning and Ecomonic Development	7,271,243	6,841,427
8	SPT	3,354,700	3,354,700
9	Property and Construction Services	7,821,702	7,169,842
10	Chief Executives	2,548,883	2,176,196
11	Miscellaneous	54,131,682	48,471,148
12	Social Work	111,491,475	113,171,083
13	Total Expenditure	499,304,367	491,876,091

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2016
General Fund Summary
Objective Summary

Line No	Income	2014/15 Estimates £	2015/16 Estimates £
1	Education	14,794,225	14,776,737
2	Leisure Services	2,165,277	1,867,217
3	Community Resources	18,273,139	18,400,489
4	Finance and Corporate Services	5,480,371	5,382,371
5	Valuation Joint Board	0	0
6	Other Housing	47,383,756	47,883,756
7	Planning and Ecomonic Development	3,219,200	3,219,200
8	SPT	0	0
9	Property and Construction Services	3,610,752	3,610,752
10	Chief Executives	115,790	4,500
11	Miscellaneous	3,595,671	3,595,671
12	Social Work	27,764,532	27,764,532
13	Total Income	126,402,713	126,505,225

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2016
General Fund Summary
Objective Summary

Line No	Net Expenditure	2014/15 Estimates £	2015/16 Estimates £
1	Education	142,242,374	138,453,840
2	Leisure Services	9,898,671	7,755,372
3	Community Resources	37,413,419	43,272,021
4	Finance and Corporate Services	28,812,242	27,498,832
5	Valuation Joint Board	1,277,780	1,277,780
6	Other Housing	4,943,428	4,123,280
7	Planning and Ecomonic Development	4,052,043	3,622,227
8	SPT	3,354,700	3,354,700
9	Property and Construction Services	4,210,950	3,559,090
10	Chief Executives	2,433,093	2,171,696
11	Miscellaneous	50,536,011	44,875,477
12	Social Work	83,726,943	85,406,551
13	Net Expenditure	372,901,654	365,370,866

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2016
General Fund Summary

Line No	Expenditure	2014/15 Estimates £	2015/16 Estimates £
1	**Employee Costs**	**212,031,698**	**211,307,551**
2	Salaries - Teachers	43,427,837	41,420,081
3	Salaries - Admin	78,670,258	75,942,547
4	Salaries - Manual Workers	25,104,231	24,613,991
5	Superannuation - Teachers	5,999,052	6,144,777
6	Superannuation - Admin	15,612,739	15,257,196
7	Pension Increases	4,656,391	4,656,391
8	National Insurance - Teachers	3,637,021	3,400,123
9	National Insurance - Admin	6,487,376	6,397,024
10	In Service Training	348,971	348,971
11	Supported Study	3,000	3,000
12	Other Employee Costs - Others	1,737,809	5,323,566
13	Other Employee Costs - Teachers	22,762,442	24,156,296
14	Teachers Absence Cover - HQ	1,492,905	1,492,905
15	Teachers Absence Cover - Schools	715,689	715,789
16	Training Costs	561,333	631,333
17	Travel and Subsistence - Others	690,251	679,168
18	Travel and Subsistence - Teachers	124,393	124,393
19	**Property Costs**	**65,951,476**	**64,936,326**
20	Rates	6,480,642	6,404,642
21	Rents and Leases	1,255,394	1,255,394
22	Factoring	21,060	21,060
23	Accommodation Charges to Users	33,260	33,260
24	Property Insurance	59,915	37,365
25	Furniture and Fittings	217,278	217,278
26	Electricity	2,677,960	3,123,560
27	Gas	2,996,342	1,984,142
28	Heating Oil	301,885	301,885
29	Cleaning Materials	239,954	239,954
30	Contract Trading Service - Cleaning	117,537	117,537
31	Contract Trading Service - Janitorial	168,621	168,621
32	Contract Trading Service - Steward	13,900	13,900
33	Central Repairs	2,661,577	2,442,777
34	Repairs Direct	343,290	343,290
35	Adaptations	177,872	177,872
36	Grounds Maintenance	15,200	15,200
37	Apportionment of Office Accommodation	0	0
38	Contract Trading Service - Grounds Maintenance	124,780	124,780
39	Security (Schools and Other)	3,398	3,398
40	Capital Minor Works	135,552	135,552
41	Rent Allowances	19,770,100	19,770,100
42	Rent Rebates	26,094,100	25,944,100
43	Other Property Costs	984,410	1,003,210
44	Water Charges	1,057,449	1,057,449
45	**Supplies and Services**	**10,785,442**	**12,091,158**
46	Electrical Power	1,167,080	1,733,680
47	Provisions	1,405,475	1,405,475
48	Other Equipment (incl Maintenance)	63,754	63,754
49	Office Equipment	120,237	120,237
50	Computer Equipment, Maintenance, Software etc.	435,527	439,017
51	Tools and Equipment	515,139	515,139
52	Other Supplies and Services	1,275,896	2,039,164
53	Clothing/Uniforms	201,626	201,626
54	Publicity and Promotion (incl Renfrewshire Newsletter)	193,100	193,100
55	Analytic Bacteriological Fees	155,000	155,000
56	Fees for Coaching/Instruction	133,903	133,903
57	Educational Supplies	1,049,148	861,913
58	Library Books/Periodicals/Specimen Art Collection (incl Display Cases)	376,044	376,044
59	Road Supplies (incl Street Lighting Equipment)	196,700	196,700
60	Winter Maintenance	210,000	210,000
61	Client Expenditure (clothing/treatment/telephones/outings)	222,378	222,378
62	Aids (Disabled People)	738,225	738,225
63	Festive Lighting/Community Fireworks	22,500	22,500
64	Ground Maintenance Supplies (Seeds, Plants, Fertiliser etc.)	121,054	121,054
65	Supply of Bins (incl Dog Waste Bins)	168,607	168,607
66	ICT Equipment	1,934,049	2,093,642
67	Hotel etc. Charges	80,000	80,000
68	**carried forward**	**288,768,616**	**288,335,035**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2016
General Fund Summary

Line No	Expenditure	2014/15 Estimates £	2015/16 Estimates £
68	**brought forward**	**288,768,616**	**288,335,035**
69	**Contractors**	**92,171,029**	**87,697,017**
70	Childrens Development Monies	240,106	240,106
71	Consultants	771,343	771,343
72	Contract Speech Therapy	337,700	337,700
73	Flexibility	21,267,398	22,438,034
74	Other Accounts of the Authority (incl Internal Consultants)	25,727,140	17,843,440
75	Other Local Authorities Use of PE Facilities	64,958	64,958
76	Payments to Careleavers	112,285	112,285
77	Payments to Foster Parents	9,876,760	10,200,390
78	Payments to Other Agencies and Bodies	4,136,997	4,136,997
79	Payments to Other Local Authorities	1,382,989	1,438,689
80	Payments to Voluntary Organisations	2,190,913	2,190,913
81	Short Term Respite	1,421,510	1,421,510
82	Supplementation Payments	22,322,841	24,182,563
83	Work by Contractors	1,917,319	1,917,319
84	General Payments (including agency and other fees)	400,770	400,770
85	**Transport**	**11,912,606**	**12,151,206**
86	Transport charges - fleet hire	1,134,098	1,134,098
87	Transport charges - drivers	1,358,521	1,358,521
88	Transport charges - fuel	1,255,574	1,255,574
89	Transport charges - maintenance	1,359,427	1,359,427
90	Transport charges - garaging	83,370	83,370
91	Transport charges - leasing	16,983	16,983
92	External Fuel	1,622,300	1,622,300
93	External Hires	623,325	623,325
94	Mower/Plant Maintenance	231,600	231,600
95	Pupil Transport - Consortium	83,000	83,000
96	Pupil Transport - Private Contractors	1,418,700	1,668,700
97	Pupil Transport - SPT	2,430,683	2,430,683
98	Vehicle Insurance	105,815	105,815
99	Vehicle/Plant Purchase	30,976	30,976
100	Other Transport Costs	158,234	146,834
101	**Administration Costs**	**26,971,175**	**27,244,198**
102	Advertising	180,819	180,819
103	Apportionment of Central Administration	0	0
104	Apportionment of Management Support Costs	19,360,901	19,360,901
105	Bank Charges	78,580	78,580
106	Books and Publications	31,194	31,194
107	Conference/Course Expenses	111,847	111,847
108	Insurance	355,018	355,018
109	Legal Expenses (incl JP Court Expenses)	206,107	206,107
110	Members - Basic Pay	768,400	804,400
111	Members - Superannuation	65,080	65,080
112	Members - NI	69,280	69,280
113	Members - Responsibility Pay	0	0
114	Members - Surgeries (Rent and Advertising)	15,100	15,100
115	Members - Travel and Subsistance	30,030	30,030
116	Membership Fees and Subscriptions	59,719	59,719
117	Postages	374,086	381,086
118	Printing and Stationery	716,807	952,042
119	Recharges from HRA	1,415,300	1,415,300
120	Recharges to Other Accounts	1,969,000	1,969,000
121	Registration Fees	78,502	78,502
122	Staff Life Assurance	7,550	7,550
123	Telephones	786,989	787,137
124	Other Administration Costs	250,791	245,431
125	Promotional Events	40,075	40,075
126	**carried forward**	**419,823,426**	**415,427,456**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2016
General Fund Summary

Line No	Expenditure	2014/15 Estimates £	2015/16 Estimates £
126	**brought forward**	**419,823,426**	**415,427,456**
127	**Payments to Other Bodies**	**42,215,141**	**43,005,835**
128	Access/Contact Payments	38,381	38,381
129	Amenity Lighting	33,399	33,399
130	Audit Fees	332,500	332,500
131	Children's Panel	49,700	49,700
132	Clothing Grants	366,100	366,100
133	Contract Trading Services	14,585	14,585
134	Contribution to COSLA	103,499	103,499
135	Cost of Elections	122,000	122,000
136	Grants to Voluntary Organisations	2,909,718	2,909,718
137	Independent Living Fund	1,448,164	1,560,164
138	Management Savings	14,735	14,735
139	National Priorities Action Fund	16,000	16,000
140	Payments to Health Board	545,471	545,471
141	Provision for Best Value	22,640	22,640
142	Provosts Community Scheme	4,980	4,980
143	Requisitions	1,665,330	1,665,330
144	School Boards	27,103	27,103
145	Section Payments	59,019	59,019
146	Commercial Voids	7,656	7,656
147	Special Functions/Hospitality	226,467	226,467
148	SQA Presentations	867,070	867,070
149	Transport Subsidy - SPT	3,066,900	3,066,900
150	Payments to Other Bodies/Agencies	14,017,153	14,455,547
151	Payments to PPP Provider	16,256,571	16,496,871
152	**Capital Financed from Current Revenue**	**4,803,000**	**2,880,000**
153	CFCR	4,803,000	2,880,000
154	**Capital Charges**	**0**	**0**
155	Capital Charges	0	0
156	**Loan Charges**	**32,462,800**	**30,562,800**
157	Loan Charges - Principal	23,685,900	21,785,900
158	Loan Charges - Interest	8,685,100	8,685,100
159	Loan Charges - Expenses	91,800	91,800
160	**Total Expenditure**	**499,304,367**	**491,876,091**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2016
General Fund Summary

Line No	Income	2014/15 Estimates £	2015/16 Estimates £
169	**Grant Income**	**52,549,731**	**53,049,731**
170	Other Government Grants	50,881,050	51,381,050
171	Other Grants General	1,600,481	1,600,481
172	School Milk Subsidy	68,200	68,200
173	**Other Income**	**73,852,982**	**73,455,494**
174	Accommodation Income from Users	4,884,615	4,884,615
175	Community Care	200,563	200,563
176	Income from Other Bodies	1,630,112	1,630,112
177	Licensing and Fine Income	570,180	570,180
178	Miscellaneous Income	2,246,688	1,964,688
179	Off Street Parking	351,870	351,870
180	On Street Parking	404,100	404,100
181	Other Accounts of the Authority	13,621,762	13,574,974
182	Other Local Authorities	915,180	884,480
183	Property Enquiry Fees	25,620	25,620
184	Recovery of Central Support Expenses	0	0
185	Recovery of Corporate and Democratic Core	0	0
186	Recovery of Departmental Management Support	20,726,171	20,726,171
187	Registration Fees	185,250	185,250
188	Rental Income	1,237,195	1,237,195
189	Resource Transfer	16,170,460	16,170,460
190	Sales, Fees and Charges	6,063,645	6,025,645
191	Statutory Additions	483,900	483,900
192	Temporary Interest	1,412,400	1,412,400
193	Trading Account - Net Surplus : Building and Works	711,000	711,000
194	Trading Account - Net Surplus : Catering	502,507	502,507
195	Trading Account - Net Surplus : Roads Direct	417,875	417,875
196	Trading Account - Net Surplus : Transport Workshop	551,889	551,889
197	Transfer to Water Services	540,000	540,000
198	Catering/school meals	0	0
199	**Total Income**	**126,402,713**	**126,505,225**
200	**Total Income**	**126,402,713**	**126,505,225**
201	**Total Expenditure**	**499,304,367**	**491,876,091**
202	**Net Expenditure**	**372,901,654**	**365,370,866**

Renfrewshire Council

General Fund Probale Outturn for 2014-15

Line No	Net Expenditure	2014/15 Revised Estimates £000	2014/15 Probable Outturn £000
1	Education	167,193	167,193
2	Leisure Services	14,238	14,238
3	Community Resources	48,076	48,076
4	Finance and Corporate Services	3,543	3,443
5	Valuation Joint Board	1,278	1,278
6	Other Housing	5,647	5,297
7	Planning and Ecomonic Development	8,952	8,952
8	SPT	3,355	3,355
9	Property and Construction Services	2,724	2,724
10	Chief Executives	668	668
11	Miscellaneous	26,836	26,736
12	Social Work	92,822	93,222
13	Net Expenditure	375,332	375,182

Renfrewshire Council

To:	**Council**
On:	**12 February 2015**
Report by:	**Director of Finance & Resources**
Heading:	**Revenue Budget and Council Tax 2015/16 Addendum - Grant Settlement Update**

1. SUMMARY

1.1. This report is provided as an addendum to Agenda item 1, Revenue Budget and Council Tax 2015/16, and following the issuing of a letter by the Cabinet Minister for Finance, Constitution and Economy on the 5th February 2015 and the subsequent release of finance circular 1/2015, updating the local government finance settlement for 2015/16.

1.2. The letter, a copy of which is attached for reference, has in effect withdrawn the previously offered terms of the Local Government finance settlement and introduced new terms, the most significant change of which relates to the introduction of additional conditions associated with the grant offer and increased financial penalties for failing to meet the conditions.

1.3. The remainder of this report outlines in detail the specific changes that have been introduced by the Scottish Government and the implications for the Council's 2015/16 budget position as previously outlined in the report detailed at item 1 of the agenda

2. RECOMMENDATIONS

It is recommended that:-

2.1 Member note the Scottish Government revised terms of the local government finance settlement offer as detailed in the body of the report.

2.2 In considering the setting of the 2015/16 budget, that members recognise the consequential uncertainty now associated with an estimated £1.281 million of the Council's government grant levels in 2015/16 and that an equivalent amount of the indicated cash surplus of £9.646 million is earmarked in reserves as uncommitted pending final clarification of the Council's grant position.

2.3 Members note that the Council's share of the indicated additional £10 million of government revenue grant, should this be confirmed in December 2015 would be estimated at £0.310 million.

3. REVISED GRANT SETTLEMENT OFFER

3.1 As outlined in the report Revenue Budget and Council Tax 2015/16 at agenda item 1, on the 11th December 2014, the Cabinet Secretary for Finance, Constitution and Economy announced the provisional local government finance settlement and this was reported to the Council on 18th December 2014. The 2015/16 financial settlement confirmed revenue grant available to fund Council services of £297.825 million.

3.2 As reported to members, the published provisional grant settlement figures included the Council's share of sums in the Scottish Government's budget with associated grant conditions. A letter was however issued by the Cabinet Secretary on the 5th February 2015 to the President of COSLA, elements of which have subsequently been formally confirmed in a revised local government Finance Circular 1/2015 issued on the 6th February 2015 which confirms the local government finance settlement approved by the Scottish Parliament. This now approved and confirmed local government settlement has significantly altered the terms of the offer made to local government for 2015/16 in terms of the conditionality factors and the associated financial sanctions.

3.3 As outlined previously, the requirement to commit to a Council Tax freeze in 2015/16 remains in place with the level of conditional grant associated with this commitment being £2.327 million. As outlined previously, there is a requirement if a Council is not intending to meet this condition, for the Leader of the Council to formally confirm this in writing to the Cabinet Secretary by the 10th March 2015.

3.4 The revised grant offer has decoupled, from the Council Tax freeze commitment, the commitment in relation to securing places for all probationers who require one under the teacher induction scheme. This commitment remains in place, and in addition, the following commitments have also been added:

- The maintenance, as a minimum, of the total number of teachers employed by individual local authorities at the 2014-15 level; and

- The maintenance, as a maximum, of pupil teacher ratio within their authority at the 2014/15 levels

In respect to these teacher number and pupil teacher ratio requirements, the meeting of the commitment would be confirmed in the publication of the annual Pupil Teacher Census statistics published in December 2015.

3.5 It is a requirement for local authorities to formally confirm in writing to the Cabinet Secretary, by the 20th February, that they agree to meet the conditions outlined in 3.4. If a Council does not meet this requirement, the Cabinet Secretary has confirmed the intention to remove from the grant settlement figure, the individual councils' share of £41 million of resources included in the grant figures associated with supporting resources for teachers. For Renfrewshire Council, the associated share of this £41 million represents £1.281 million (which is included in the £297.825 million government grant figure for the Council referred to in paragraph 3.1 above).

3.6 In addition, if in December 2015, the published annual statistics confirm that the commitment has not been met, the Scottish Government intend to clawback a similar amount from the grant resources distributed during the course of 2015/16. Conversely, if the published statistics in December confirm that the conditions have been met, the Scottish Government will distribute a share of an additional £10 million. At present there is no detail in respect to how this distribution will be applied. However, if it were distributed on the same basis to the £41 million, Renfrewshire Council share is estimated at £0.310 million.

3.7 At present, the Director of Children's Services has confirmed that subject to decisions taken at the Council budget meeting, there is sufficient teaching resources identified in his 2015/16 service budget to meet this commitment. However, the wording detailed in Finance Circular 1/2015 does not at this stage provide formal clarity over how the Scottish Government intend to apply sanctions and whether the position at a national level will have any bearing on how sanctions may or may not apply at individual council level.

3.8 In addition, it is not clear at this stage what the response across all local authorities will be to the revised terms of the offer by the 20th February. Some councils have already set their budgets or are imminently preparing to consider their budget for 2015/16. It should be recognised that this late change has introduced an added degree of uncertainty in respect to the level of revenue grant that will be received by the Council in 2015/16 and that the actual position may not become clear until December 2015. In this context in considering the setting of the 2015/16 budget, it is recommended that members recognise the consequential uncertainty now associated with an estimated £1.281 million of the Council's government grant levels in 2015/16 and that an equivalent amount of the indicated cash surplus of £9.646 million is earmarked in reserves as uncommitted pending final clarification of the Council's grant position.

Implications of this Report

Financial – The report provides an update on the Council's 2015/16 government grant offer to compliment the full information provided in the Revenue Budget and Council Tax 2015/16 report at agenda item 1.

HR & Organisational Development - Employee numbers will be subject to any budget proposals agreed.

Community Planning

Children and Young People – implications will be subject to any budget proposals agreed.

Community Care, Health & Well-being - implications will be subject to any budget proposals agreed.

Empowering our Communities - implications will be subject to any budget proposals agreed.

Greener - implications will be subject to any budget proposals agreed.

Jobs and the Economy - implications will be subject to any budget proposals agreed.

Safer and Stronger - implications will be subject to any budget proposals agreed.

Legal - The Council is required to set a balanced budget for 2015/16.

Property/Assets – implications will be subject to any budget proposals agreed.

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

Equality & Human Rights - in considering the budget proposals, the Council must have due regard to any impact on equalities and human rights and complying with the public sector equality duty.

Health & Safety - implications will be subject to any budget proposals agreed.

Procurement – implications will be subject to any budget proposals agreed.

Risk - As outlined in the report, the revised grant offer from the Scottish Government has introduced an additional degree of uncertainty to an element of the Council's grant settlement and recommendations are provided to members in respect to managing this additional risk.

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

List of Background Papers

(a) Background Papers - none

Author – Alan Russell, Director of Finance & Resources

Deputy First Minister
and Cabinet Secretary for Finance, Constitution and Economy
John Swinney MSP

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The Scottish Government
Riaghaltas na h-Alba

Councillor David O'Neill
President
COSLA
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

LEGACY 2014
XX COMMONWEALTH GAMES
SCOTLAND

YEAR OF FOOD & DRINK SCOTLAND 2015

Copy to: The Leaders of all Scottish local authorities

5 February 2015

Dear David,

TEACHER NUMBERS 2015-16

Further to my letter of 9 October 2014 setting out the terms of the local government finance settlement for 2015-16, I write now to confirm the terms of a revised offer and commitment with regard to teacher numbers.

The Scottish Government has been consistent in our commitment to maintain teacher numbers in line with pupil numbers as a central part of our priority to raise attainment and we have provided significant additional funding through the settlement specifically to support that commitment.

As part of this year's budget process we agreed to enter discussions with COSLA on moving towards an outcomes based approach to educational including teacher numbers. However, as a result of the disappointing results of the Pupil and Teacher census published in December, which saw the number of teachers decline last year and the ratio of pupils to teachers rise, the Scottish Government advised COSLA that we had cause to review our approach.

As I was at pains to stress in my statement to Parliament yesterday in the debate on the Budget Bill, we have worked successfully in partnership with local authorities through COSLA and the Government remains fully committed to that partnership.

In recent discussion with COSLA, and in line with our objective to maintain teacher numbers, I have offered to suspend the penalty for 2014-15 that the Government would otherwise have been entitled to apply as a result of the rise in Pupil – Teacher Ratio (PTR) shown in the Pupil Teacher Census published in December 2014. I also offered to provide a further £10 million, the amount requested by COSLA, in 2015-16 on top of the £41 million already included in the settlement allocation to support the employment of teachers.

However, so far, COSLA Leaders have collectively been unable to agree what I consider to be a fair and generous offer of funding support from the Government to maintain teacher numbers.

Given that I was addressing the final stage of the Budget Bill in Parliament yesterday, I therefore had no alternative, in order to protect teacher numbers and deliver the educational standards we want to see, but to make that funding available on a council by council basis to those who are prepared to sign up to a clear commitment to protect teacher numbers.

Specifically, individual local authorities are invited to agree formally for 2015-16 to protect the number of teachers within their authority in order to secure:

- The maintenance as a minimum of the total number of teachers employed by individual local authorities at 2014-15 levels and also the maintenance, as a maximum, of Pupil Teacher Ratio for schools within their authority at the 2014-15 levels, for each individual local authority both as reported in the Pupil and Teacher Census published in December 2014; and

- Places for all probationers who require one under the teacher induction scheme.

In return, provided local authorities sign up to the terms of the offer the £41 million already included in the settlement will continue to be available from the start of the new financial year as planned. Provided the commitment is met, as confirmed in the publication of the annual Pupil Teacher Census statistics in December 2015, the Scottish Government will make available a share of an additional £10 million for 2015-16 to those authorities in recognition of the general budget pressures authorities are facing to help ensure the delivery of the teacher numbers commitment. A failure to deliver will also result in a further clawback in relation to the £41 million funding currently included in the settlement.

Delivery of this commitment will be monitored and the Scottish Government will gather updated information on teacher numbers at an individual local authority level in March, June and August 2015. This may be subject to review if this information identifies a potential failure to deliver.

However, any council which does not formally make that commitment and demonstrate that it can be achieved will have their share of the £41 million removed from their settlement allocation before the start of the new financial year.

I will require all Council Leaders to write to me confirming that they intend to take up the terms of this revised offer and agree to deliver the revised teachers commitment set out above by no later than 20 February in order to enable appropriate funding to be available.

Looking ahead, work on an educational outcome based approach which we have embarked on jointly to consider a broader range of indicators of improvement, and which would also include teacher numbers as an important contributory factor, will continue over the course of 2015-16 and continue to engage other parties, in particular trade unions, parent bodies and others with an interest in educational outcomes.

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All other terms of the local government finance settlement offer for 2015-16, including the commitment to deliver a council tax freeze, as set out in my letter of 9 October 2014 remain unchanged.

Yours ever

John

JOHN SWINNEY

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Renfrewshire Council

Item 2

To: **Council**

On: **12 February 2015**

Report by: **Director of Finance & Resources**

Heading: **Non Housing Capital Investment Programme 2015/16 – 2017/18**

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1. Summary

1.1 This report details the planned capital investment for non housing services which covers education, social work, leisure, community resources, planning, roads and a range of corporate projects. The resources available to support investment include, prudential borrowing and capital grants as well as contributions from revenue, partners and external funding bodies.

1.2 On the 8 October 2014 the Scottish Government published the draft Scottish Government budget for 2015/16 which is subject to parliamentary approval in February 2015. On the 11th December 2014, the Cabinet Secretary for Finance, Constitution and Economy announced the provisional local government finance settlement which was reported to Council on 18th December and which confirmed total capital grant the Council in 2015/16 of £19.448 million of which £0.262 million is specific grant relating to cycling and walking safer streets. This revised grant award for 2015/16 includes £2.083 million to provide support for investment requirements associated with new statutory responsibilities arising from the Children and Young People Act and early year requirements.

1.3 At present there is no Scottish Government budget figures published beyond 2015/16. It is probable that the timing of the next Spending Review and the subsequent results for Scotland are unlikely to become available until autumn of 2015 for the 2016/17 financial year. This would mean that the confirmed results for individual councils are likely to emerge in December 2015, approximately two months before the 2016/17 budget would normally be set.

1.4 The medium term outlook beyond the 2015/16 spending review period, continues to be characterised by uncertainty with external economic commentators continuing to forecast ongoing pressure on public expenditure at a UK level at least through to 2018, with a second wave of significant cuts emerging in 2016/17 and 2017/18. Although positive signs are emerging of the beginning of a sustained economic recovery in the UK, global and national economic conditions remain challenging and the UK economy continues to be subject to a wide range of downside risks. The outlook for the level of capital grant resources for 2016/17 and beyond are therefore

subject to significant uncertainty at this stage and will also be influenced by specific decisions taken by both the UK and Scottish Governments as part of their own budget considerations. What is clear at this stage however is that there remains significant risk that the capital grant provision available to the Council in 2016/17 and beyond will be subject to reductions from current levels.

1.5 In this context, it is proposed that the Council restricts making any further new capital investment commitments funded by capital grant beyond 2015/16. It should be noted that the capital investment programme extends beyond this timeframe reflecting approved programmes already in place which have other associated funding arrangements, such as prudential borrowing. In addition, it should be noted that this approach does not preclude any new investment decisions being taken by the Council as part of the budget considerations where separate funding arrangements outwith capital grant are being established.

2. Recommendations

2.1 It is recommended that the Council:

2.1.1 Approves the investment programme covering the period up to 2017/18 as summarised in Table 2 of the report, and detailed in Appendices 1-5 attached.

2.1.2 Notes that, subject to the approval of the proposed investment programme, there are uncommitted resources of £1.094 million held in the Strategic Asset Management Fund, available for allocation to new investment priorities for the Council.

2.1.3 Notes the ongoing uncertainty in relation to the Council's capital grant funding position beyond 2015/16 and that no assumptions are included within the planned programme beyond this financial year in respect to future grant levels.

2.1.4 Delegates to the Head of Property Services, in consultation with the Director of Finance and Resources, authority to adjust where appropriate resources across individual components of the lifecycle maintenance programme.

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

2.1.6 Approve the treasury management strategy for 2015/16, including the treasury management indicators, set out in Appendix 6 of this report.

2.1.7 Consider the equality impact of any decisions being taken by members relating to the recommendations outlined in 2.1.1 to 2.1.6 above.

3. Overview of Capital Resources and Current Programme

3.1 Given there is no visibility of capital grant funding for local government beyond 2015/16, the updating of the capital programme outlined in this report focuses on the period 2015/16**.** It is against this background that this report is presented and which includes:

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

- In line with the Council's agreed medium term financial planning principles and as agreed at the February 2014 budget meeting, general capital grant for 2015/16 is directed in the first instance to maintain the delivery of the Council's rolling lifecycle maintenance programmes across the Council's key asset classes as follows:

    - the life cycle maintenance programme for the Council's property portfolio (£4 million in addition to the £1 million supported through prudential borrowing);

    - maintaining the annual replacement programme for the Council's vehicle fleet (£1.5 million);

    - maintenance programmes for the Council's transport infrastructure covering roads & footpaths (£2.6 million), bridges (£0.9 million) and lighting (£0.750 million). It should be noted that the roads programme would support a steady state and would not deliver any material improvement in the overall measured condition of the roads infrastructure.

    - provision of £1 million of resources in 2015/16 to support maintenance and refresh requirement within the Council's ICT infrastructure; and

    - maintaining delivery of the private sector housing programme (£0.9 million).

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

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

Table 1: Resource Availability 2015/16 - 2017/18

	Programme 2015/16	Programme 2016/17	Programme 2017/18
Prudential Borrowing	12,348	24,669	17,993
Specific Grant	262	0	0
General Capital Grant	19,186	0	0
Useable Capital Receipts	13,591	0	0
CFCR	6,752	1,800	0
TOTAL	**52,139**	**26,469**	**17,993**

Table 2: Programme 2015/16 - 2017/18

Project Title	Programme 2015/16 £000s	Programme 2016/17 £000s	Programme 2017/18 £000s
Major Programmes			
Education Programme*	23,846	14,956	16,193
Leisure Estate	2,650	5,250	0
Town Halls	288	0	0
Russell Institute**	2,269	0	0
North Renfrew Flood Prevention	2,645	0	0
ICT Corporate Change Programme	1,250	2,799	0
Private Sector Housing Programme	2,766	300	0
Asset Lifecycle Maintenance Programmes			
Vehicle Replacement	1,500	0	0
Roads & Footpaths***	3,262	400	400
Bridges	1,735	0	0
Lighting Columns	750	0	0
Buildings Capital Lifecycle	4,830	1,000	1,000
ICT Infrastructure Maintenance & Renewal Programme	1,601	400	400
Other Programmes			
Tackling Poverty	0	1,364	0
Strategic Asset Management Fund	1,094	0	0
Other Projects	1,654	0	0
Total	**52,139**	**26,469**	**17,993**

* Indicative phasing subject to detailed development of investment programme.
** Indicative budget subject to full development of project business case
*** Includes £0.400 million switch from revenue maintenance as agreed by Council on 9th October 2014

3.3 Strategic Asset Management Fund

As detailed in table 2 above, there is £1.094 million of unallocated resources currently held in the Strategic Asset Management Fund (SAMF). These available resources are linked to:

- £0.604 million of 2015/16 capital grant which would remain unallocated after taking account of the proposed programme;

- £0.490 million of new capital receipts from asset disposals secured during 2014/15

4. Lifecycle Maintenance of Existing Assets

4.1 As indicated earlier in this report, the Council has committed to a financial planning principle that capital grant resources would be directed in the first instance to supporting appropriate lifecycle maintenance programmes to protect the Council's existing assets and infrastructure. Annual lifecycle investment across the Council's key asset classes during 2015/16 is included within the capital programme detailed in Appendix 3.

<u>Property Lifecycle Maintenance</u>

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

4.3 It is recognised that a sufficient degree of flexibility in the management of the lifecycle maintenance fund is required to allow resources to be directed in a timely and appropriate manner to address changing priorities that may emerge. It is therefore proposed that as in previous years, the Head of Property Services, in consultation with the Director of Finance and Resources, is delegated authority to adjust the allocation of resources within this proposed programme, with appropriate reporting to the Finance and Resources Policy Board.

Roads & Footpaths

4.4 For 2014/15, the Council approved a programme totalling £3.8 million which will support a degree of improvement in measured condition across the existing network. The proposed investment level detailed in this report for 2015/16 will provide a broadly standstill level of condition across the network. However, members should note that as has been previously recognised, the Council's road network, as is common across Scotland, has a significant level of backlog maintenance requirements. Appendix 5 provides a breakdown of the proposed use of the resources across key programmes for 2015/16.

Lighting Columns and Bridges & Other Road Structures

4.5 Over recent years the Council has supported a regular annual lifecycle maintenance programme across lighting columns and other road structures in recognition of the need to continually invest in lifecycle maintenance in order to maintain condition across the stock.

4.5 Officers are actively progressing a business case to explore options which could lead to the development of a large scale medium term renewal programme, underpinned by self funded prudential borrowing arising from recent significant improvements in the cost and effectiveness of new lighting technology which would support lower operating and maintenance costs. It is however recognised that there remains a requirement to provide an appropriate level of ongoing maintenance investment and £0.750 million per annum is earmarked to support this need.

4.6 Similar to the Council's property portfolio, a maintenance backlog has historically existed across the bridges structures portfolio. Progress has however been made over recent years with a range of significant bridge improvement projects and the existing programme commits a further £0.9 million in 2015/16 to support an ongoing maintenance regime. Moving into 2016/17, and taking account of the lifecycle maintenance delivered over recent years, a reassessment of the funding required for a future rolling maintenance scheme will be undertaken to inform future investment programmes.

Vehicle & Plant Replacement Strategy

4.7 The Council has invested approximately £1.5 million per annum over recent years to support a vehicle replacement strategy. Continued investment at this level is required in order to sustain planned vehicle replacement cycles and maintain the ability of the existing vehicle & plant fleet to meet the needs of services and mitigate against increased revenue pressures arising from additional maintenance and temporary hire costs due to increased vehicle failure rates.

Private Sector Housing Grant (PSHG)

4.8 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 as part of the housing business case investment programme. Following completion of the SHQS programme there will be a requirement to reassess the ongoing future need of this programme in the context of the anticipated investment programme underpinning the future housing business case plans.

5. Prudential Framework for Capital Finance and Treasury Management Strategy 2015/16

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

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

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

5.3 Their key objectives are to ensure that:

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

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

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

5.6 Attached at Appendix 6 to this report are full details of the Council's prudential indicators for 2015/16 and treasury management strategy for 2015/16 based upon the details outlined in this report.

6. Equalities

6.1 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.

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

2015/16 – 2017/18 Capital Investment Programme Resources

	Programme 2015/16	Programme 2016/17	Programme 2017/18
Prudential Borrowing	12,348	24,669	17,993
Specific Grant	262	0	0
General Capital Grant	19,186	0	0
Useable Capital Receipts	13,591	0	0
CFCR	6,752	1,800	0
TOTAL	**52,139**	**26,469**	**17,993**

2015/16 – 2017/18 Capital Investment Programme Summary

Department	Programme 2015/16	Programme 2016/17	Programme 2017/18
Education Services	23,846	14,956	16,193
Leisure Services	2,938	5,250	0
Community Resources	10,142	400	400
Housing & Development Services	3,672	0	0
Corporate Projects	8,775	5,563	1,400
Private Sector Housing Grant	2,766	300	0
TOTAL GENERAL SERVICES PROGRAMME	**52,139**	**26,469**	**17,993**

2015/16 – 2017/18 Capital Programme

Project Title	Programme 2015/16	Programme 2016/17	Programme 2017/18
St James Primary School - New Build	1,075	0	0
Schools Investment Programme Sub-Total	**1,075**	**0**	**0**
Early Years Programme	3,983	0	0
Primary School Estate (SEMP 2014)			
Phase 1a			
Mossvale/St James PS Refurb and Extension	1,600	2,000	0
East Fulton PS Adaptation	100	0	0
Phase 1b			
St Fergus PS - New Build	1,737	3,000	350
Provision	946	5,000	5,000
St Paul's PS/Foxlea Nursery Co-location/Refurb	0	1,500	4,500
St Anthony's PS/Spateson Pre 5 Co-location/ Refurb	0	0	5,943
Total Early Years, Primary School Estate	**8,366**	**11,500**	**15,793**
Other Investment Programmes			
New Linwood School	13,705	3,056	0
Castlehead HS - New 3G Pitch	300	0	0
TOTAL SCHOOLS INVESTMENT PROGRAMME	**23,446**	**14,556**	**15,793**
OTHER PROGRAMMES			
Technology Replacement Strategy ICT	400	400	400
TOTAL EDUCATION SERVICES PROGRAMME	**23,846**	**14,956**	**16,193**

SERVICE : LEISURE SERVICES

Project Title	Programme 2015/16	Programme 2016/17	Programme 2017/18
LEISURE INVESTMENT PROGRAMME			
Johnstone Town Hall	288	0	0
TOTAL LEISURE INVESTMENT PROGRAMME	**288**	**0**	**0**
OTHER PROGRAMMES			
Grass Pitches & Changing Facilities	2,650	2,250	0
Community Halls & Facilities Improvement Programme	0	3,000	0
TOTAL LEISURE SERVICES PROGRAMME	**2,938**	**5,250**	**0**

Appendix 3

2015/16 – 2017/18 Capital Programme

SERVICE : COMMUNITY RESOURCES

Project Title	Programme 2015/16	Programme 2016/17	Programme 2017/18
PROGRAMME FUNDED BY SPECIFIC CONSENT			
Cycling, Walking & Safer Streets	262	0	0
Total Programme Funded By Specific Consent	**262**	**0**	**0**
ASSET LIFECYCLE MAINTENANCE PROGRAMMES			
Vehicle Replacement Programme	1,500	0	0
Bridge Assessment/Strengthening	1,735	0	0
Roads/Footways Upgrade Programme	3,000	400	400
Lighting Columns Replacement	750	0	0
OTHER MAJOR PROGRAMMES			
Improving Community Safety (CCTV)	250	0	0
North Renfrew Flood Prevention Scheme	2,645	0	0
TOTAL COMMUNITY RESOURCES PROGRAMME	**10,142**	**400**	**400**

SERVICE : HOUSING & DEVELOPMENT SERVICES

Project Title	Programme 2015/16	Programme 2016/17	Programme 2017/18
PAISLEY TOWN CENTRE REGENERATION			
Major Projects	204	0	0
Total Paisley Town Centre Regeneration	**204**	**0**	**0**
OTHER PROGRAMMES			
Townscape Heritage Initiative	307	0	0
Local Green Area Networks Projects	522	0	0
Re-provision of Shop Units at Hallhill Road, Johnstone	370	0	0
Russell Institute	2,269	0	0
TOTAL HOUSING & DEVELOPMENT PROGRAMME	**3,672**	**0**	**0**

Appendix 3

2015/16 – 2017/18 Capital Programme

Project Title	Programme 2015/16	Programme 2016/17	Programme 2017/18
ICT PROGRAMME			
ICT Infrastructure Maintenance & Renewal Programme	1,601	400	400
ICT Corporate Change Programme	1,000	2,799	0
Total ICT Programme	**2,601**	**3,199**	**400**
OTHER CORPORATE COMMITTMENTS			
Strategic Asset Management Fund	1,094	0	0
Lifecycle Capital Maintenance (LCM) Fund	4,830	1,000	1,000
New Non Domestic Rates System	250	0	0
Tackling Poverty	0	1,364	0
TOTAL CORPORATE PROJECTS PROGRAMME	**8,775**	**5,563**	**1,400**

SERVICE : PRIVATE SECTOR HOUSING GRANT

Project Title	Programme 2015/16	Programme 2016/17	Programme 2017/18
PRIVATE SECTOR HOUSING PROGRAMME			
General PSHG Programme	741	300	0
Orchard Street HAA	45		
Owners In Council House Schemes	1,980	0	0
TOTAL PSHG PROGRAMME	**2,766**	**300**	**0**

APPENDIX 4

Property Lifecycle Maintenance Programme 2015 - 16

	2015/16
	£ms
Minor Works & Roofing Programme	1.500
Energy Programme	1.830
Disability Discrimination Works –compliance with Disability Discrimination legislation following inspections	0.120
Fire Risk Works – compliance with Fire Safety legislation following inspections	0.060
Asbestos Works – compliance with Asbestos legislation following inspections	0.030
Electrical Installations Works – compliance with Electrical testing inspections	0.600
Gas Installations Works – compliance with Gas testing inspections	0.450
Water Installations Works – compliance with Water Quality testing inspections	0.060
Demolitions – Various locations	0.060
Office Accommodation	0.060
Design and Pre Contract Works Allocation	0.060
TOTAL*	**4.830**

*Note that £0.170m of the original £5m programme has been accelerated into 2014/15

APPENDIX 5

Roads & Footpaths Lifecycle Maintenance Programme 2015 - 16

	2015/16 £ms
Surface Dressing Programme to rural roads	0.150
Patching programme in advance of future surface dressing programmes	0.250
Urban Area Treatments	0.250
Footway Resurfacing	0.340
Carriageway Resurfacing	1.610
Drainage Improvements	0.100
Defect Patching	0.300
Walking, Cycling and Safer Streets	0.262
Total	**3.262**

Appendix 6

Prudential Framework for Capital Finance 2015/16 – 2017/18 and Treasury Management Strategy 2015/16

Prudential Framework for Capital Finance 2015-2018 (estimates) and Treasury Management Strategy Statement 2015-2016

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 revised 2009 edition of the Treasury Management Code was adopted by the General Management and Finance Policy Board of 3 March 2010.

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

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

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

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

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

- the capital investment plans are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with good professional practice and support affordability, prudence and sustainability;

- capital investment decisions are consistent with, and support, local strategic planning, local asset management planning and proper option appraisal.

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

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

2.5 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This will be done by the same body that takes the decisions for the Council's budget, that is, the full Council. The 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 will be taken directly from information in the Council's Statement of Accounts. If any item within the Accounts that is relied upon for a prudential indicator is the subject of audit qualification, this must be highlighted when the prudential indicators are set out or revised.

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

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

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

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

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

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

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

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

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

3.1 **Capital expenditure**

Capital expenditure is defined in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* and must be consistent with financial reporting standards for accounting purposes. In addition, under the Local Government in Scotland Act 2003, local authorities have a duty to observe proper accounting practices.

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

3.3 The Council is required to make estimates of the capital expenditure it plans to incur for the forthcoming financial year and at least the following two years, and to keep these estimates under review. Separate estimates should be made for the Housing Revenue Account ("housing") and for General Fund ("non-housing") services. Details in relation to the planned investment programmes for housing and non-housing services are presented on the agenda to this Council meeting, and take account of the capital resources that, at this stage, are known will be made available to the Council from the Scottish Government over the spending review period 2015-2016 through

2017-2018 and the updated long term housing business case in relation to housing services.

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

Capital expenditure	**2015-2016 estimate £m**	**2016-2017 estimate £m**	**2017-2018 estimate £m**
Non-housing	49.373	26.169	17.993
Housing	13.682	11.843	18.295
Total	**63.055**	**38.012**	**36.288**

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

3.6 After the year-end, the actual capital expenditure incurred during the financial year will be recorded for housing and for non-housing. These figures will be included in the Council's Statement of Accounts, with explanations of significant variations from expectations. The actual capital expenditure incurred in 2013-2014 was £71.768million.

3.7 **Capital financing requirement**

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

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

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

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

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

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

Capital financing requirement	**31 March 2016 estimate £m**	**31 March 2017 estimate £m**	**31 March 2018 estimate £m**
Non-housing	210	217	225
Housing	158	155	158
Total	**368**	**372**	**383**

3.12 After the year-end, the actual capital financing requirement as at the year-end will be calculated for housing, for non-housing and the total of the two. These figures will be included in the Council's Statement of Accounts, with explanations for significant variations from expectations. At 31 March 2014 the capital financing requirement was £370.730million.

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

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

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

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

4.4 The Council is required to set for the forthcoming financial year and the following two years an operational boundary for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the operational boundary over the three-year period 2015-2016 through 2017-2018:

Operational boundary for external debt	**2015-2016 £m**	**2016-2017 £m**	**2017-2018 £m**
Borrowing	286	293	307
Other long-term liabilities	82	79	76
Total	**368**	**372**	**383**

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

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

4.7 The Council is required to set for the forthcoming financial year and the following two years an authorised limit for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the authorised limit over the three-year period 2015-2016 through 2017-2018:

Authorised limit for external debt	**2015-2016 £m**	**2016-2017 £m**	**2017-2018 £m**
Borrowing	301	309	321
Other long-term liabilities	82	79	76
Total	**383**	**388**	**397**

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

4.9 The Council's actual external debt at 31 March 2014 was £361.558million of which £240.769million related to borrowing and £87.638million to outstanding obligations on finance leases.

4.10 The actual external debt is not directly comparable to the authorised limit nor to the operational boundary, since the actual external debt reflects the position at one point in time. In addition, the external debt indicators are set based on the Council's potential external borrowing requirements for capital investment purposes. However, as part of the ongoing treasury management strategy the Council may utilise internal borrowing where it is deemed appropriate to avoid unnecessary exposure to interest rate risk. The adoption of this strategy results in the Council's net external borrowing being lower than the capital financing requirement. The projected external debt compared to the estimated capital financing requirement for the three-year period 2015-2016 through 2017-2018 is detailed at section 10.3.

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

5.1 The prudential indicator in respect of treasury management is that the Council has adopted the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management

Code"). Indeed, the revised 2009 edition of the Treasury Management Code was adopted by the General Management and Finance Policy Board of 3 March 2010. This requires that the annual treasury management strategy statement is approved by Council, along with treasury limits for the three-year period 2015-2016 through 2017-2018.

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

5.3 The Treasury Management Code requires, amongst other things, that the Council approves, annually in advance, a strategy for its treasury management activities. The treasury management strategy for 2015-2016 is set out at sections 8 to 12 of this report.

6. Prudential framework for capital finance: prudential indicators for <u>prudence</u>

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

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

6.3 The projected capital financing requirement at 31 March 2018 is £383million (section 3.11). Net external borrowing should not exceed this level and, indeed, the projected operational boundary at 31 March 2018 is £383million (section 4.4). The Council had no difficulty in meeting this requirement at 31 March 2014 and no difficulties are anticipated in meeting this requirement in the future.

6.4 In addition, ensuring that treasury management is carried out in accordance with good professional practice is an essential feature of prudence. The treasury management indicators required by the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code") are designed to help demonstrate prudence. The prudential indicator is that the Council has adopted CIPFA's Treasury Management Code. Indeed, the revised 2009 edition of the Treasury Management Code was adopted by the General Management and Finance Policy Board of 3 March 2010.

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

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

Ratio of financing costs to net revenue stream	2015-2016 estimate	† 2016-2017 estimate	† 2017-2018 estimate
Non-housing	10.39%	8.36%	6.36%
Housing	48.83%	51.61%	53.31%

† 2016-2018 estimates are currently based on the 2015-2016 settlement figures because the current spending review does not extend past 2015-2016.

7.2 The estimates of financing costs include current commitments and the proposals set out within the *Revenue Budget and Council Tax* report, including the impact of the ongoing debt smoothing exercise referred to in that report. The key objective of this strategy is to support a managed reduction in the Council's non-housing financing costs in recognition of the reduction, over the medium term, in the resources that will be available to the Council to deliver services. The reduction in this ratio for non-housing services over the period 2015-2016 through 2017-2018 reflects, and is consistent with, the anticipated outcome of implementation of the debt smoothing strategy. In relation to housing, the ratios detailed above are consistent with the updated *Housing Business Case* presented to Council.

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

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

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

Impact of capital investment decisions…	2015-2016 estimate	2016-2017 estimate	2017-2018 estimate
…on Band D council tax	£0	£0	£0
…on weekly housing rents	£1.16	£2.59	£4.94

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

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

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

8.2 The revised 2009 edition of the Treasury Management Code was adopted by the General Management and Finance Policy Board of 3 March 2010.

8.3 The Council's **treasury management strategy statement** for 2015-2016 is set out here at sections 8 through 12, and constitutes the Council's annual strategy and plan in relation to its treasury management activities as defined by the Treasury Management Code.

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

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

for **borrowings**:

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

for **temporary investments**:

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

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

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

9.3 The suggested treasury management strategy for 2015-2016 is based upon the views on interest rates, supplemented with market forecasts provided by Capita, and covers the following aspects of the treasury management function:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- prudential and treasury management indicators;
- the current treasury position;
- the identified borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy;
- policy on use of external service providers.

10. Treasury management strategy statement: borrowing strategy

10.1 **Current external borrowing position**
The Council's external borrowing position as at 26 December 2014 was as follows:

External borrowing position	borrowing position as at 31.03.2014		borrowing position as at 26.12.2014		change in the year
	£m	average interest rate	£m	average interest rate	£m
Long-term borrowings:					
PWLB: fixed rate	187.853	5.39%	176.159	5.50%	– 11.694
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	**240.769**	**5.24%**	**229.075**	**5.32%**	**– 11.694**
Short-term borrowings:					
Temporary loans	0.000	0.00%	0.000	0.00%	0.000
Renfrewshire Leisure deposit	0.244	0.91%	0.257	0.65%	+ 0.013
Total short-term borrowings	**0.244**	**0.91%**	**0.257**	**0.65%**	**+ 0.013**
Total of all external borrowings	**241.013**	**5.24%**	**229.332**	**5.31%**	**– 11.681**

10.2 The decrease in Public Works Loan Board (PWLB) borrowing represents the repayment of seven loans that matured during the period 1 April to 26 December 2014. The Council is due to repay a further £3.5million of PWLB loans during the period 27 December 2014 to 31 March 2015. It is planned to make these loan repayments from existing investment balances. The Renfrewshire Leisure deposit represents funds which are invested temporarily in the Council's loans fund as part of Renfrewshire Leisure's short-term cash flow management arrangements.

10.3 **Projected borrowing position**

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

Borrowing position	31 March 2016 estimate £m	31 March 2017 estimate £m	31 March 2018 estimate £m
Borrowing	225.557	231.699	245.621
Other long-term liabilities	82.487	79.883	77.178
Total external debt	**308.044**	**311.582**	**322.799**
Capital financing requirement	368.000	372.000	383.000
Under-borrowing	**59.956**	**60.418**	**60.201**

10.4 A number of the prudential indicators are designed to ensure that the Council carries out its treasury management activities within well-defined limits. One of these indicators is that gross external debt does not, except in the short term, exceed the total of the capital financing requirement in 2014-2015 plus the estimates of any additional capital financing requirement for 2015-2016 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken in order to fund revenue expenditure.

10.5 The Council has complied with this prudential indicator during 2014-2015 and it is envisaged this will remain the position moving forward over the forthcoming three-year period. As detailed in the table above, it is anticipated that the borrowing strategy will continue to progress on the basis of utilising internal borrowing 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. It would be intended that the external debt position would be reassessed following any subsequent approval of businesses cases arising from the ongoing City Deal project by the Council and the wider City Deal governance arrangements. Any associated implications for the Council's borrowing strategy would be appropriately reported to members and also incorporated into the mid-year update report to Council in December 2015.

10.6 **Interest rate forecast**

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

Interest rate forecast: Bank Rate	March 2015	June 2015	Sep 2015	Dec 2015	March 2016	March 2017	March 2018
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.25%	2.00%

Interest rate forecast: PWLB borrowings	March 2015	June 2015	Sep 2015	Dec 2015	March 2016	March 2017	March 2018
5-year loans	2.20%	2.20%	2.30%	2.50%	2.60%	3.20%	3.60%
10-year loans	2.80%	2.80%	3.00%	3.20%	3.30%	3.80%	4.20%
25-year loans	3.40%	3.50%	3.70%	3.80%	4.00%	4.50%	4.80%
50-year loans	3.40%	3.50%	3.70%	3.80%	4.00%	4.50%	4.80%

10.7 **Borrowing decisions**

The main borrowing decisions to be made for 2015-2016 are:

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

10.8 Based on the capital investment programme, it is anticipated that the Council will not require to borrow to fund new capital expenditure during 2015-2016, but will require to borrow £6.709million of funds to replace loans due to mature that year.

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

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

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

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

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

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

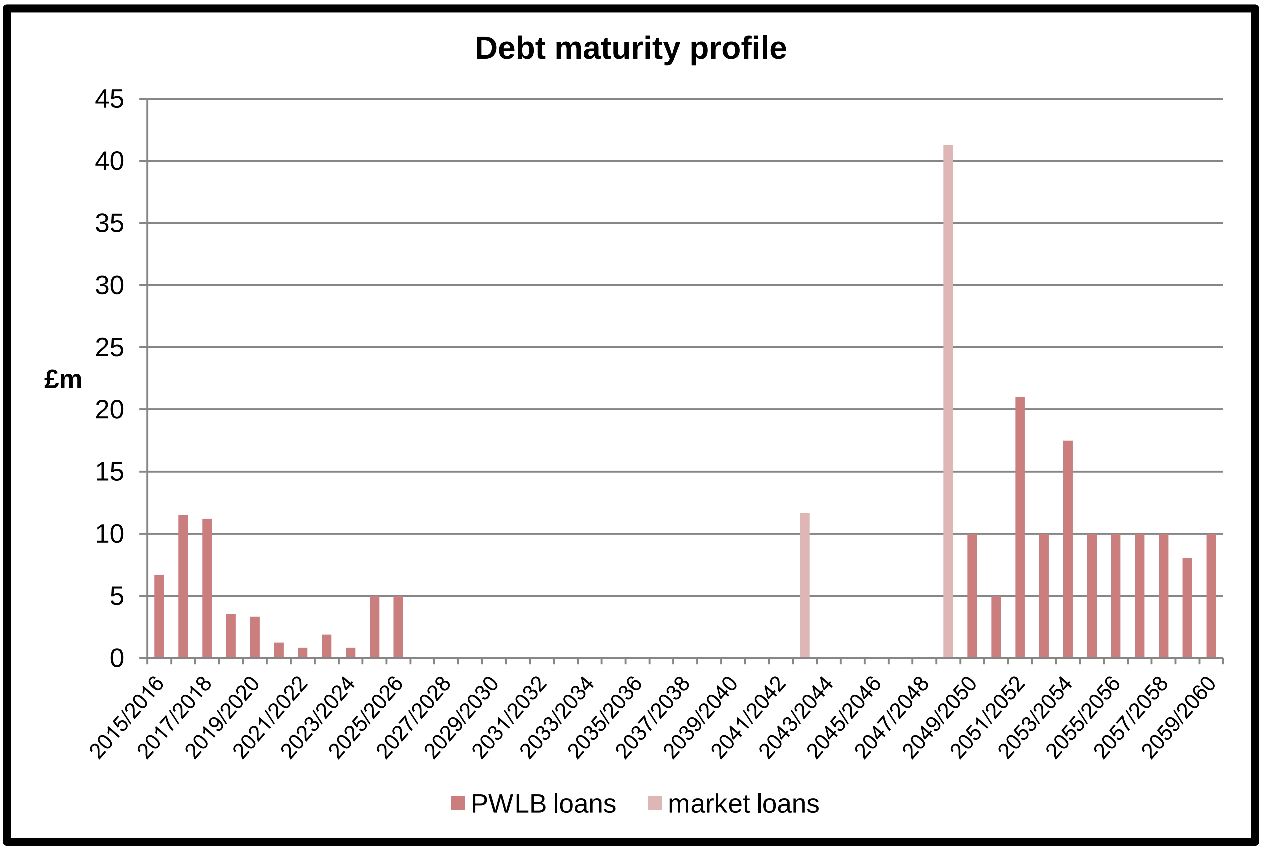
10.10 **Sensitivity of the interest rate forecast**

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

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

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

10.11 The forecast debt maturity profile at 31 March 2015 per the graph below highlights that the Council has less than 15% of its total borrowings redeeming in any one of the next 5 to 10 years. This is well within the Council's treasury indicators for debt maturity, and therefore provides the Council with the flexibility needed to structure new borrowing over this period in a manner that minimises debt interest costs.



10.12 Since the Council has a capital investment plan covering the period to 2017-2018 and detailed investment/borrowing analyses, advantage can be taken of opportunities that may arise to achieve beneficial borrowing rates over the same period, minimising interest rate risk. The Council will not borrow more than, or earlier than, required with the primary intention to profit from the investment return of the extra sums borrowed. Pre-borrowing of this nature will only be taken for risk management reasons and subject to sound justification. The timing of any new borrowing of this nature will take into account the management of liquidity and counterparty risk, and also the projected movement in interest rates.

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

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

10.15 As short-term borrowing rates will be considerably cheaper than longer-term rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, such potential savings will be considered in the light of their short-term nature and risks associated with potential longer-term costs of refinancing those short-term loans, once they mature.

10.16 Consideration will also be given to the potential for making savings by running down investment balances to repay debt prematurely, as short-term rates on investments are likely to be lower than rates paid on current debt.

11. Treasury management strategy statement: investment strategy

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

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

11.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the Council is low-to-medium, with absolute priority given to the security of its investments.

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

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

11.5 **External investment position**
The Council's external investment position as at 26 December 2014 was as follows:

External investment position	investment position as at 31.03.2014		investment position as at 26.12.2014		change in the year
	£m	average interest rate	£m	average interest rate	£m
Short-term investments	62.290	0.71%	46.370	0.62%	– 15.920

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

- the short-term cash flow position of the Council in the period leading up to Christmas;
- the decision taken not to take any new borrowing to (i) finance this year's capital investment plans nor (ii) to replace the maturing loan principal which has been repaid during the year.

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

11.8 **Creditworthiness policy**
In order to maintain an approved list of counterparties (institutions with which the Council will invest funds), the Council uses the creditworthiness methodology provided by Capita Asset Services ("Capita"). This methodology is based upon a modelling approach which uses, as its core element, credit ratings from the three major credit rating agencies: Fitch, Moody's and Standard & Poor's. The use of credit ratings is enhanced further by the use of specific overlays, encompassing:

- credit watch status and credit outlook from credit rating agencies;
- credit default swap (CDS) spreads, to give early warning of likely changes in credit ratings;
- sovereign ratings, to select counterparties from only the most creditworthy countries.

11.9 This process produces a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour code bands are used by the Council to determine the duration for investments and are therefore referred to as "durational bands". The Director of Finance and Resources is satisfied that this service provides the Council with the facility to appropriately manage the risk relating to the security of the Council's investments.

11.10 The maximum deposit period for each of the durational bands is as follows:

Durational band colour	Capita's recommended maximum deposit duration	Renfrewshire Council maximum deposit duration
yellow	5 years	1 year
purple	2 years	1 year
blue †	1 year	1 year
orange	1 year	6 months
red	6 months	3 months
green	100 days	35 days
no colour	not to be used	not to be used

† The blue durational band applies only to nationalised or part-nationalised UK banks.

11.11 The approved list of counterparties 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. Currently the counterparty limit for each bank has been set at 15% (with the exception of the nationalised/part-nationalised UK banks, for which the counterparty limit for each bank has been set at 30%), 10% for building societies and 5% for money market funds, of the total cash balances held by the Council at the time the investment is made, and taking into account the relevant investment period. These 15%, 30%, 10% and 5% limits are applied subject to a maximum total exposure of £15million, £30million, £10million and £5million respectively. This approach allows the Council to meet its cash flow management objectives whilst appropriately spreading investments over a range of counterparties.

11.12 All credit ratings are monitored daily. The Council is alerted to rating changes notified by all three rating agencies through its use of the Capita creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

11.13 Sole reliance is not placed on the use of this external service: in addition the Council will also use market data and market information, the quality financial press, information on government support for banks and the credit ratings of that government support.

11.14 **Investment decisions**
The Bank Rate has remained unchanged at 0.50% since March 2009. Current market forecasts indicate that the Bank Rate is not expected to rise until the final quarter of 2015, and then to rise gradually thereafter. Bank Rate forecasts are outlined at section 10.6 above.

11.15 The Council's investment strategy will therefore continue to include the avoidance of locking into longer-term deals whilst investment rates remain at historically low levels. However if attractive rates become available with counterparties of particularly high creditworthiness, thus making longer-term deals worthwhile and within the risk parameters set by the Council, then longer-term investments will be considered.

12. Treasury management strategy statement: treasury management indicators

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

12.2 The *Guidance Notes for Local Authorities* which accompany the Treasury Management Code specify a further two treasury management indicators which are covered by the Treasury Management Code itself: (i) interest rate exposures and (ii) maturity structure of borrowing.

12.3 **Interest rate exposures**
The Council is required to set for the forthcoming financial year, and the following two financial years, upper limits to its exposures to the effects of changes in interest rates. These indicators are required to relate both to fixed interest rates and to variable interest rates. The effect of setting these upper limits is to provide ranges within which the Council will manage its exposures to fixed and variable rates of interest. It is recommended that the Council approves the following as the indicator for interest rate exposures for each of the next three financial years:

Interest rate exposures	2015-2016	2016-2017	2017-2018
Upper limit on fixed interest rate exposures	100%	100%	100%
Upper limit on variable interest rate exposures	25%	25%	25%

12.4 Maturity structure of borrowing

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

Maturity structure of borrowing	2015-2016	
	lower limit	upper limit
under 12 months	0%	15%
12 months or above and within 24 months	0%	15%
24 months or above and within 5 years	0%	45%
5 years or above and within 10 years	0%	50%
10 years or above	0%	100%

Annex A: Permitted investments

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

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

Permitted investments table 1: cash-type instruments arranged in-house	minimum credit criteria	liquidity risk	market risk	maximum share of total invest-ments	maximum maturity period
Debt Management Account Deposit Facility (DMADF)	not applicable	term	no	100%	2 years
Term deposits with local authorities	not applicable	term	no	75%	2 years
Call accounts and notice accounts with banks and building societies	per approved counter-party list	instant / notice period	no	100%	up to 95 days
Term deposits with banks and building societies	per approved counter-party list	term	no	75%	per approved counter-party list
Money market funds	long-term AAA vol-atility rating	instant	no†	75%	not applicable

† An objective of money market funds is to maintain the net asset value of unit shares in the fund, although such funds hold assets which can in fact vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

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

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

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

A.3 **Treasury risks**

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

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

(ii) *Liquidity risk:* This is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument.

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

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

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

A.4 **Controls on treasury risks**

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

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

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

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

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

A.5 **Objectives of each type of investment instrument**

The objectives of the investment instruments listed in table 1 above are outlined below.

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

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

The Council will ensure diversification of its portfolio of deposits ensuring that no more than 15%† (30% for nationalised/part-nationalised UK banks) of the total portfolio can be placed with any one institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking into relatively high interest rates ahead of an expected fall in interest rates. At other times, longer-term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases.

This form of investing, therefore, offers flexibility and a higher level of earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is ‘locked in’ and cannot be accessed until the maturity date. This type of deposit includes callable deposits, whereby the principal deposited is protected and earns a fixed rate of interest but can be terminated early at the bank’s discretion.

† In recognition of the restricted number of approved counterparties that now meet our more stringent lending criteria, there is an added degree of flexibility introduced to the maximum deposit level. The deposit level with any one institution can now extend to a maximum of £15million, where the element which exceeds the 15% threshold is deposited on the basis of a call account deposit with the institution.

(iii) *Call accounts and notice accounts with high credit worthiness banks and building societies:* The objectives are as for (ii) above, but there is access to recalling cash deposited over short call periods (call account periods vary from short-term such as 7 days, but can extend to 35- and 95-day notice periods). This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. However, call accounts can offer interest rates two to three times more than term deposits in the DMADF. A certain level of call account use is highly desirable to ensure that the Council has ready access to cash when required.

(iv) *Money market funds:* By definition, money market funds (MMFs) are AAA-rated (the highest security rating available) and are widely diversified, using many forms of money market securities including types which this Council does not currently have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the significant amounts of funds invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities.

They are particularly advantageous in a falling interest rate environment as their 60-day WAM means they have locked-in investments earning higher rates of interest than are currently available in the market. MMFs also help an organisation to diversify its own portfolio, for example a £2million investment placed directly with a specific bank is a 100% risk exposure to that specific bank, whereas £2million invested in an MMF may result in only 1% being invested with that specific bank through the MMF. MMFs offer an effective way of minimising risk exposure while still getting better rates of return than available through the DMADF.

The Council will only invest in MMFs where the principal sum invested has the highest security, that is, funds which offer a constant net asset value (CNAV) and have the highest volatility rating of MR1+. The Council, along with its treasury advisers, will regularly monitor all the MMFs it invests in. The Council will:

- carry out periodic monitoring of fund portfolios, examine credit quality and review the market value of the portfolio holdings and the capabilities and resources of the fund managers;
- review, weekly, information on the credit quality and diversification of the portfolio holdings, redemption/subscription activity and the key performance indicators of the fund (net asset values, weighted average maturity and weighted average final maturity indicators);
- in periods of market stress, monitor the daily position of all funds.

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

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

Implications of the Report

Financial – the report proposes a £96.602 million investment programme over the period 2015/16 to 2017/18.

HR & Organisational Development - The Capital Investment Plan contains a range of proposals which will continue to drive forward the modernisation and development of the organisation through delivering joined up services, improved customer responsiveness, providing one stop access and delivering higher quality and more efficient services.

Community Planning

Children and Young People *– The Capital Investment Programme contains a range of proposals that will support the development of education throughout Renfrewshire.*

Community Care, Health & Well-being *- The Capital Investment Plan contains a range of proposals that will support the Council in taking forward its key objective of improving the health of the people of Renfrewshire.*

Empowering our Communities *- None*

Greener *- The Capital Investment Plan contains a range of proposals that support the Council in advancing environmentally sustainable improvements.*

Jobs and the Economy *- the capital investment programme represents a significant level of construction and investment activity within the Renfrewshire area which will support ongoing economic activity.*

Safer and Stronger *- The Capital Investment Plan contains a range of proposals that directly contribute to the objective of making Renfrewshire a safer place to live, work and visit.*

Legal - *none*

Property/Assets – if approved there are a range of investment projects which will improve the Council's property and wider asset portfolio.

Information Technology - if approved there are a range of investment projects which will improve the Council's ICT infrastructure and systems to support the better delivery of services to our customers.

Equality & Human Rights - in considering the capital investment proposals, the Council must have due regard to any impact on human rights and complying with the public sector equality duty.

Health & Safety – the property lifecycle maintenance programme will improve health and safety standards across public buildings.

Procurement - none

Risk – the proposals outlined in the report assist in managing key financial risks for the Council including ensuring future investment and borrowing levels are financially sustainable over the long term.

Privacy Impact - none

List of Background Papers

None

Author: Alan Russell Director of Finance & Resources

PROCEDURE TO BE FOLLOWED AT THE MEETING OF RENFREWSHIRE COUNCIL TO BE HELD ON 12th FEBRUARY, 2015 DURING CONSIDERATION OF ITEM 3 CONCERNING THE HOUSING REVENUE ACOUNT BUDGET, RENT LEVELS 2015/2016 AND HOUSING CAPITAL INVESTMENT PLAN 2015/2016-2017/2018

The purpose of this note is to give Members advance notice of the procedure which Provost Hall has agreed should be followed at the Meeting of the Council on 12th February, 2015 viz:

1. The Convener of the Housing & Community Safety Policy Board will make his budget statement for financial year 2015/2016 and move as appropriate. He will then speak to the principal points of his 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.

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

6. Provost Hall will then invite other Members to take part in the debate.

7. The debate will conclude with Provost Hall 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

Item 3

To: Council

On: 12 February 2015

Report by: Director of Development & Housing Services and Director of Finance & Resources

Heading: Housing Revenue Account Budget & Rent Levels 2015/16 and Housing Capital Investment Plan 2015/16 to 2017/18

1. Summary

1.1 The Council has an obligation to bring all of its housing stock up to Scottish Housing Quality Standard (SHQS) by 2015. In 2009 the Council approved a delivery plan to achieve the SHQS by 2015, established on the basis of a strategy of rent increases of 4.5% up to 2015 to provide certainty of funding for the extensive investment programme required and to reflect the risks and uncertainties over cost pressures going forward over the period of the plan. Subsequently and as part of the regular annual review of the long term business plan, the Council agreed to a reduced rent increase of 3.5% for 2014/15, 1% lower than originally planned in 2009.

1.2 The Council is now in the final year of the SHQS investment programme and is on track to meet the standard, with allowable exemptions and abeyances. Following completion of the SHQS programme, the Capital Plan will enter a period of Lifecycle Maintenance and reinvestment to maintain the Standard on an ongoing basis.

1.3 The UK Government's Welfare Reform policy changes have created additional financial stress on families, pressure on Council services and have introduced a significant financial risk to the HRA. This includes increasing risks associated with bad debt levels, significant costs associated with rent collection and the costs associated with advice and support for tenants.

1.4 The Council has made a clear commitment to support its tenants by setting aside HRA balances of £5m for measures to mitigate the impact of welfare reform over the medium term. This included additional staffing to deal with the increased contact needed with tenants, support for the development of initiatives for unemployed Council tenants and the establishment of a Council Tenant Assistance Fund (CTAF). Changes to the funding arrangements associated with Discretionary

Housing Payment (DHP) arrangements in 2014/15 have removed the need for the CTAF in financial year 2014/15.

1.5 The HRA Business Plan is regularly reviewed to take account of changes in key assumptions, which informs the annual budget setting process and allows consideration of the planned rent increase for 2015/16.

1.6 This report details the proposed Housing Revenue Account budget for financial year 2015/16 and the Housing Capital Investment Plan for the three year period 2015/16 to 2017/18.

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2. Recommendations

2.1 It is recommended that the Council:

a) Considers the contents of this report and approves an average weekly rent increase of 3.5% for 2015/16,
b) Notes the findings of the recent Tenant Consultation exercise,
c) Approves the Housing Revenue Account Budget for financial year 2015/16 as detailed in Appendix 2,
d) Notes the Council's continued commitment to mitigate the impacts of welfare reform on Council tenants through the earmarked HRA resources over the period to 2017/18 to deliver a programme of measures intended to support tenants to manage the negative impacts of welfare reform,
e) Approves the Housing Capital Investment Plan 2015/16 to 2017/18 as detailed in Appendix 3 of the report, and
f) Notes the continuing risks to the Housing Revenue Account including the uncertainty associated with the impact of the rollout of welfare reform changes, particularly in relation to Universal Credit and direct payments.

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3. Background

3.1. On the 21 May 2009, Council approved the Standard Delivery Plan to upgrade all housing stock to the SHQS by 2015. The funding package to deliver the plan required rent increases of 4.5% in each of the 5 years to 2015. Rent increases of 4.5% were implemented during financial years 2010/11 to 2013/14. Subsequently and as part of the regular annual review of the long term business plan, the Council agreed to a reduced rent increase of 3.5% for 2014/15, 1% lower than originally planned. 2014/15 is the final year of investment and the Council is on track to comply with the Standard, taking account of allowable abeyances and exemptions. Progress towards the delivery of the standard continues to be reviewed by the Scottish Housing Regulator.

3.2. The HRA operates on the basis of a 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, which will be required following the completion of the 5 year investment programme. The model ensures that rental income is sufficient over the term of the plan to cover the costs of servicing capital expenditure, the costs of maintaining the housing stock and staffing costs.

3.3. The Business Plan model is reviewed annually to take account of the adjusted base budget position over the previous year and to update any key assumptions (see paragraphs 4 and 5). This review process allows consideration to be given to the setting of rent levels for the next and future financial years.

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4. Key Changes to HRA Business Plan Assumptions

4.1. Welfare Reform

4.1.1. The UK Government's welfare reform policy changes have created additional financial stress on families, pressure on Council services and have introduced a significant financial risk to the HRA, including increased bad debt levels, costs associated with rent collection and costs associated with advice and support for tenants.

4.1.2. The Council made a clear commitment to support its tenants through the transitional period by earmarking HRA balances of up to £5m to put in place a sustained programme of measures over 5 years to support tenants to manage the negative impacts of welfare reform and to protect as far as possible the sustainability of the HRA Business Plan.

4.1.3. The initial measures included additional staffing to cope with the vastly increased contacts needed with tenants, the development of an employment initiative for unemployed Council tenants and the establishment of a Council Tenant Assistance Fund (CTAF). The CTAF was to be targeted at providing a scheme of financial support for tenants experiencing hardship. Given the close links with the Discretionary Housing Payment (DHP) scheme approved in March 2013, the disbursement of the CTAF took account of the circumstances and outcomes of applications made by Council tenants for DHP.

4.1.4. At the Finance and Resources Policy Board meeting on 27 August 2014, the Board approved a revised policy for Discretionary Housing Payments and agreed to introduce a streamlined application process for applicants affected by the under occupancy reduction. The revised policy approved for Discretionary Housing Payments and the resources made available to implement the objective of fully mitigating the effects of the under occupancy deduction across Renfrewshire, will result in the CTAF not being needed for financial year 2014/15. The resources set aside for the CTAF will be carried forward at the year end and will continue to be set aside for Welfare Reform use in future years.

4.1.5. The Council has been advised that the phased rollout of Universal Credit will go live in Renfrewshire on the 1 June 2015 for single persons who have made a new application for and are entitled to Job Seeker's Allowance (Income Based).

4.1.6. Due to the slower than expected roll out of Universal Credit, it is appropriate that the planned increase in the HRA Business Plan bad debt provision can be reduced to 2.5% for 2015/16, in lieu of the previously planned increase to 5%.

4.2. **Housing Regeneration and Renewal**

4.2.1. The Capital Investment Plan includes provision for 224 new build properties – 24 at Seedhill Road in Paisley with plans being developed for a further 100 new houses in Bishopton and 100 in the Johnstone area as part of the regeneration initiative. These projects are included in the Strategic Housing Investment Plan (SHIP) 2015/16 to 2019/20. As with the Council's first new build development at Blackhall in Paisley, it is intended to secure funding support from the Scottish Government Affordable Housing Programme. It is anticipated that the Council could receive grant funding of £46,000 per unit with the remainder funded through the HRA and this has been reflected in the HRA Business Plan. The Council's planned new build along with the other RSL new affordable housing included in the SHIP, will see a substantial number of new high quality affordable homes being built in the next 5 years.

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5. **HRA Budget 2015/16 and HRA Business Plan Assumptions**

5.1. The 30 year Business Plan has been reviewed to reflect the proposed HRA revenue budget for 2015/16 and the Housing Capital Investment Plan for 2015/16 to 2017/18. It also takes into account the key assumptions and risks to the HRA going forward.

5.2. There are a range of ongoing and future risks which could impact on the sustainability of the Council's housing provision in Renfrewshire. These include:

- The roll out of welfare reform changes, particularly in relation to Universal Credit (see paragraph 4.1.5),
- The cap on overall welfare spending which would include Housing Benefit from 2015 which could restrict the ability to raise rents, however the detail remains to be confirmed, and
- EESSH and the requirement to ensure that all stock achieves the relevant minimum energy rating by the first milestone of 31 December 2020 and that the availability of future funding through Government and other external sources such as ECO is accessed to ensure EESSH can be achieved through the Council's own capital funding plans for lifecycle replacement. At this stage the HRA Business Plan assumes that EESSH will achieved through the Council's own capital funding plans for lifecycle replacement, along with Government sourced supplementary funding (e.g. HEEPS:ABS) and other external sources such as ECO.

5.3. The Scottish Housing Charter established the need to consult with tenants on key aspects of service, including rent charges. A consultation with tenants on proposed changes to rents for 2015/16 was conducted through the Peoples News. The consultation ran from week commencing 15 December 2014 to 16 January 2015 and sought tenants' views on a proposed weekly increase of 3.5%. The Council has around 12,000 tenants but only 67 responses (less than a 0.5% response rate) were received of which 45 tenants disagreed with the proposal and 19 agreed.

5.4. The proposed changes to the HRA budget for Financial Year 2015/16 are detailed in Appendix 1 and the proposed HRA budget for 2015/16 is detailed in Appendix 2.

5.5. The key assumptions for the 2015/16 HRA budget and the HRA Business Plan are outlined below:

- The average rent increases by 3.5% in line with the Business Plan assumptions and by 3.5% thereafter,
- The estimated housing stock for 2015 is 12,110,
- The provision for bad debt will be 2.5% in 2015/16 due to the slowdown of the roll out of Universal Credit,
- The level of void properties is maintained at 3%,
- Savings of £305,000 will be achieved across several workstreams by realigning budgets to meet current service requirements,
- Investment of £500,000 to improve decoration for some lower demand empty homes,
- The strategy of using HRA surpluses and Capital Financed from Current Revenue (CFCR) to reduce new debt and smooth debt repayments will continue to be used to support the sustainable delivery of the business plan,
- £5 million of HRA resources earmarked over 5 years to mitigate the impact of welfare reform on tenants (see paragraph 4.1.2) of which £4.4m remained at 31 March 2014,
- The number of Right to Buy sales is forecast at 100 per annum for 2015/16 to reflect an expected increase in numbers due to the end of the Right to Buy Scheme on 1 August 2016,
- Provision for 224 new build homes (see paragraph 4.2),
- The first milestone of EESSH will be achieved through the Council's own capital plans for lifecycle replacement along with Government sourced supplementary funding and other external sources, and
- The profiling of debt repayments in line with the Council treasury management forecasts.

5.6. Implementation of the 2015/16 rent increase will be aligned to the rent charging structure previously agreed by the Council and introduced from April 2011. The revised rent charging redistributes the overall rent income required (including the rent increase agreed for 2015/16) across the stock in a fairer and more consistent way. The revised system is being implemented in phases with a transitional premium cap of £1.50 per week for any rent which requires to be increased. Consequently, the increase will exceed the rent increase agreed for 2015/16 for some tenants and for others will be less as rents move towards the target level. By the end of financial year 2015/16 it is anticipated that approximately 90% of tenants will have reached the target rent for their property.

5.7. The approved rent restructure revised the methodology for charging District Heating and Launderette Services. The actual costs of the service are charged to users and the charge is reviewed annually considering both prior years actual costs and future year cost projections.

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6. **Housing Revenue Account Financial Position**

6.1. Reserves are essential to cover any future risks to the delivery of the HRA Business Plan. These risks include the uncertainty over the impact of welfare reform on arrears and rental collection.

6.2. £4.4m of resources represents the remaining balance of the £5m which was earmarked for welfare reform support and to protect as far as possible the financial sustainability of the HRA Business Plan.

6.3. £6.8m of resources represent unallocated balances and this will be kept under review to ensure that there is adequate protection for the HRA should any of the business case assumptions change significantly.

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7. **Housing Capital Investment Plan**

7.1. **Housing Capital Investment Plan 2015/16 to 2017/18**

7.1.1. The proposed Housing Capital investment Plan for the 3 year period from 2015/16 to 2017/18 is attached at Appendix 3. The total value of the plan is £45.0m. Whilst the bulk of expenditure on the Scottish Housing Quality Standard (SHQS) programme will be complete by 31 March 2015, the plan reflects some carry forward expenditure in the early months of 2015/16 to allow for the completion of some of the external works programmes in blocks where the Council is not the majority owner, as well as allowances for the conclusion of final account payments. Members should also note that there is a requirement to maintain the stock at the SHQS beyond 2015 which will result in programmes continuing as properties which had been assessed as complying prior to 2015 subsequently drop below the standard.

7.1.2. A summary of the main areas within the proposed plan are detailed in the sections below. The main categories of programme expenditure are:

- Kitchens, bathrooms and rewiring
- Heating
- External improvements
- Energy Efficiency and Carbon Reduction Programmes
- Regeneration including demolition and new build
- Other priorities such as Disabled Adaptations

7.1.3. The value of this programme and consequential programmes will be significantly lower than the levels invested to achieve the SHQS by 2015. The Plan for the first year, 2015/16, will include the following improvements for tenants as well as a provision for new build :

2015/16 Planned Improvements	
Kitchen, Bathroom and Rewire Combinations	300
Heating Upgrades	250
District Heating Upgrades	135
External Fabric Upgrading to blocks in mixed council/private ownership	50 common blocks (benefitting 98 tenants)

7.1.4. The planned capital investment in 2015/16 will be £14.4m, followed by £12.9m in 2016/17 and £17.7m in 2017/18, including allowances for new build. The plan will be reviewed on an annual basis against the HRA Business Plan incorporating an ongoing assessment of risk.

7.1.5. The table below sets out the proposed composition of the plan for 2015/16 and how it will be funded.

2015/16 Programme		**Funding**	
Existing Stock	£12.4m	Prudential Borrowing	£9.4m
New Build	£2.0m	Receipts from House Sales	£3.1m
		Capital from Current Revenue	£1.9m
Total	**£14.4m**	**Total**	**£14.4m**

7.1.6. A full report will be presented to the HACS Policy Board on the conclusion of the 2010 – 2015 SHQS programme setting out the final financial position, compliance figures and local benefits. In summary it is expected that the Council will have invested a total of £142m in the stock (including new build) over this 5 year period, which has delivered significant improvements to tenants' homes.

7.1.7. There are 55 individual SHQS compliance criteria which are compressed into 5 key assessment areas. In terms of the headline compliance rate, the position to 31 March 2014 (the most recent annual reporting period) is set out below:

SHQS Compliance – Years 1 to 4 of the 5 year programme

Period (Year to):	**31 March 2011**	**31 March 2012**	**31 March 2013**	**31 March 2014**
Healthy, safe and secure	60.70%	89.03%	90.87%	95.72%
Modern facilities	18.65%	51.02%	67.95%	76.41%
Energy efficient	45.35%	60.70%	72.86%	91.09%
Secondary repair elements	33.91%	44.60%	65.12%	91.69%
Tolerable standard	100%	100%	100%	100%
Overall compliance:	2.9%	15.1%	32.30%	62.10%

By 31 March 2015 the Council expects to achieve 100% compliance on all properties on which we have secured access to carry out internal works or where we have managed to secure the cooperation of owners. The Scottish Government has recognised these issues and has introduced an 'abeyance' category which allows the Council to revisit the SHQS requirement post April 2015 when internal access has been agreed (or for example when the property is void) or where agreement is reached on common works with existing or new owners. Exemptions are also allowed where it has not been technically feasible to carry out the work. The net figure is therefore likely to be in excess of 80%.

7.1.8. Provision has been made within this programme, and within the Business Plan, to allow abeyances and exemptions to be introduced into work phases when resources permit. Depending on the volume of post 2015 responses there may be some delay to allow programming of previous refusals into manageable works contracts.

7.1.9. In approving programme elements and expenditure targets for the delivery of the HRA capital programme over the five financial years to 31 March 2015 the Housing and Community Safety Policy Board, at its meeting on 2 March 2010, recognised that the scale of expenditure envisaged would require careful monitoring, and that adjustments would be required from time to time within and between financial years to reflect the practicalities of delivering the planned programme. Reference is made in the paragraphs which follow to the continuing need to maintain the stock at the SHQS levels beyond the initial SHQS compliance date, as well as the implications of the introduction of a number of new energy related requirements from the Scottish Government which will have investment implications for both Council stock and blocks in shared ownership in the years ahead.

7.1.10 At the Council meeting on 13 February 2014 authority was granted to continue this flexibility to allow the re phasing of the 3 year programme from 2014/15 to 2016/17 as necessary to ensure optimum use of resources within the corporate limits of prudential borrowing. It is proposed that this facility remains in place over the life of the new three year plan detailed in appendix 3.

7.2. **Capital Programme Elements**

The following paragraphs describe the main categories of work which are included in the proposed programme set out within appendix 3:

7.2.1. Kitchens, Bathrooms, Rewiring

The Council must maintain the housing stock at the level required by SHQS, and accordingly there will be a need to carry out combinations of kitchen, bathroom and rewiring on properties which will fall below the standard over the course of the plan. Numbers of planned replacements will reduce significantly from pre 2015 levels given the volumes that were completed over the last 5 years. However there will also be a need to tackle properties where the pre 2015 work has been refused and the tenant is now allowing access or where the property is void, and the SHQS upgrading can be accommodated with any general repairs prior to relet.

7.2.2. Heating

Heating will be treated in the same manner as described in paragraph 7.2.1 above. Allowances have been included for planned replacements for full systems or boiler only upgrades, as well as similar specifications for void houses. Again the budget for these targets will be kept under review to account for actual levels of access achieved, and the phasing of work adjusted accordingly.

George Street District Heating Replacement

Plans are being developed in consultation with the Scottish Government, for the replacement of the district heating system in the George Street area which serves 137 Council houses and 181 private houses. The existing single pipe system operates from 7 individual gas boilers and no longer meets current requirements in terms of energy efficiency, cost to run and user control. It is proposed to replace the system with individual fuel efficient gas boilers in each flat, linked to new radiators in each room. Because of the number of owners involved and the need to provide a funding solution which allows the existing system to be switched off and decommissioned across the entire site, it has not been possible to identify a suitable replacement district heating solution within the cost parameters imposed for such systems. Instead support is being sought for owners through the Scottish Government Home Energy Efficiency area based grants programme and the outcome of this should be known shortly. Supplementary provisions against owners' costs will also be included, if required, within the Private Sector Housing Grants programme which will be submitted to the HACS Board in March. On this basis an allowance of £411,000 has been included within the HRA capital programme to cover the installation costs for the Council owned properties based on the work commencing over the summer of 2015 and taking approximately 12 -15 months to complete, following which the existing system will be switched off and decommissioned. Further reports will be presented to the HACS Board as the project develops.

7.2.3. External improvements

The programme includes allowances for residual SHQS works in later phases of the common blocks programme where the Council is the minority owner and the delivery programme has been adapted to ensure as many blocks as possible will be upgraded. The SHQS works are all committed for compliance purposes and the programme should conclude within the 1st quarter of financial year 2015/16. Thereafter allowances are included for programmes to address post 2015 SHQS requirements and for blocks where work proposed pre 2015 may now be feasible as a consequence of increased owner consents. Dependant on demand within this latter category it may still be necessary to defer works until such time as sufficient resources can be found within this and future capital plans.

7.2.4. Energy Programme

A small allowance is included to cover ad hoc costs associated with the delivery of energy efficiency programmes addressing fuel poverty and carbon reduction. Core expenditure on energy efficiency projects is either incorporated within lines elsewhere within the programme (e.g. the likes of external wall insulation is included within common block and external envelope upgrading) or will be provided through external funding sources such as the Energy Company Obligation (ECO) which is also supporting external wall insulation as well as loft insulation and cavity fill, in many cases at no cost to the Council or to participating owners.

7.2.5. Multi Storey Flats

Expenditure on over cladding 9 blocks was carried out within SHQS phases either with HRA support or through externally funded ECO programmes. The programme contains allowances for general mechanical and electrical replacements as well as health and safety issues over all 14 blocks.

7.2.6. Common and Environmental Works

All blocks which did not have existing door entry systems were offered installations as part of the SHQS programme. A small allowance for new door entry systems is included towards the end of the programme to allow for new consents on previously refused work.

7.2.7. Other Council Priorities

As in previous years the programme includes provisional recurring allowances for disabled adaptations, the treatment of asbestos and wood rot, and for unforeseen essential property improvements.

7.2.8. Other Assets

Provisional Allowances are included for necessary improvements to garages and shops, as well as the replacement of equipment in common launderettes.

7.2.9. Initiatives

An annual allowance is included for properties acquired under the ‘Mortgage to Rent’ initiative. This allowance is kept under review and may require revision based on the actual qualifying demand which is primarily owner driven.

A balancing allowance is included for survey, advertising and sales fees under the strategy approved by the HACS Board on 13 May 2014 to dispose of single remaining Council houses in larger common blocks. Following the abolition of the ‘right to buy’, receipts generated will be used to acquire properties which will bring majority ownership to the Council.

An allowance is included for capital improvements to sheltered housing blocks. In the first year of the programme it is expected to include the replacement of common heating boilers in up to 3 locations, although it is hoped that a proportion of the costs will be met through external grant support.

7.2.10. Non Property Expenditure

The provision for fees associated with the sale of Council houses is included for the first two years of the programme only, based on the abolition of the ‘right to buy’ on 1 August 2016.

7.2.11. Non Physical Investment

A small annual allowance is included for ad hoc scoping surveys associated with management and investment of housing assets.

7.2.12. Regeneration

The programme includes allowances for the acquisition of privately owned houses, and the demolition of vacant blocks associated with the regeneration of the Johnstone Castle area following the report approved by the HACS Board on 26 August 2014. Provision is also made within 2015/2016 for the demolition of the shops and maisonettes at Hallhill Road in Johnstone.

An allowance is also made within years 2 and 3 of the programme for similar categories of work within any further regeneration programmes identified by the Council.

7.2.13. New Build

The Capital Investment Plan includes provision for 24 new build properties at Seedhill in Paisley as well around 200 additional new build Council houses at Johnstone and Bishopton. These projects are included in the Strategic Housing Investment Plan (SHIP) 2015/16 to 2019/20 and it is intended to secure Scottish Government grant funding to help deliver these new homes. The current grant benchmark for Council new build is £46,000 per unit; the remainder of the development cost would be funded through the HRA. The Council will continue to work in partnership with RSLs to take forward other projects to deliver affordable housing in Renfrewshire as set out in the SHIP.

Implications of the Report

1. **Financial** – The report and appendices detail the proposed HRA budget and average weekly rent increase for 2015/16 and the Housing Capital Investment Plan for 2015/16 to 2017/18.

2. **HR & Organisational Development** – The proposed review of staffing structures and responsibilities to reflect current service requirements (including SHQS) as detailed in major changes to Employee Costs in Appendix 1 can be delivered by through appropriate application of the Councils existing VR/VER process and the status of temporary contracts.

3. **Community Planning**
   Community Care, Health & Well-being - Improving and maintaining housing conditions for the benefit of tenants.
   Empowering our Communities – Tenants were consulted on the proposed changes to rents for 2015/16 and tenant representatives are involved in the specification and monitoring of the investment programme.
   Greener – Protecting, caring for and enhancing the natural and built environment.
   Jobs and the Economy – Construction firms employ local staff.
   Safer and Stronger – Ensuring the long term stability of the housing stock.

4. **Legal** – The council is required to set an HRA budget for 2015/16 and agree rent changes for notification to tenants.

5. **Property/Assets** – The report proposes the Housing Capital Investment Plan for 2015/16 to 2017/18.

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 2015/16 to 2017/18 will include procurement of contracts.

10. **Risk** – The HRA Business Plan remains subject to a number of risks including the impact of welfare reform and cost pressures such as wage and general inflation.

11. **Privacy Impact** – None.

List of Background Papers

None.

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Appendix 1

Housing Revenue Account – Budget Changes for 2015/16

Expenditure					
Subjective Heading	**2014/15 Budget**	**Change**	**2015/16 Budget**	**Major Changes**	**Change**
	£000	**£000**	**£000**		**£000**
Employee Costs	8,400	-849	7,551	Transfer of Short Stay (homelessness) staff to General Fund (Other Housing)	-551
				Impact of temporary staff contracts ending in the SHQS Delivery Team, offset by reduced fees	-450
				Customer Services Officers transferred from Contact Centre (see Admin Costs)	155
				1% pay award for APT&C and manual staff.	72
				Review of staffing structures and responsibilities to reflect current service requirements	-75
				Total Movement in Employee Costs	-849
Property Costs	16,937	-933	16,004	Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-1,066
				Reduction in repairs and maintenance costs as a result of Building Services Service review.	-100
				Increase in decoration allowance for lower demand properties	500
				Realignment of budgetary requirements to reflect prior years running costs of service provision	-80
				Increase in utility costs.	25
				Net movement in CFCR	-212
				Total Movement in Property Costs	-933
Supplies & Services	384	-40	344	Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-40
Contractors	23	0	23		
Transport	35	-18	17	Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-18
Administration Costs	3,239	-160	3,079	Customer Services Officers transferred from Contact Centre (see Employee Costs)	-155
				Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-5
				Total Movement in Admin Costs	**-160**
Payments to Other Bodies	5,562	-1,454	4,108	Removal of the Council Tenant Assistance Fund to reflect additional DHP funding being made available and the streamlined DHP application process	-600
				Reduction in irrecoverable rent to reflect the slower roll out of Universal Credit	-454
				Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-371
				Reduction in the allocation to Neighbourhood Forums	-50
				Reduction in voids to reflect use and number of properties	-29
				Reduction in commissioned costs for Customer Support	-30
				Increase in voids and irrecoverable debt relating to the rent increase.	80
				Total Movement in Payments to Other Bodies	-1,454
Loan Charges	19,720	1,237	20,957	Increased repayment of principal debt	1,684
				Reduction in interest and expenses payable on outstanding capital debt	-160
				Reduction in leasing costs.	-287
				Total Movement in Loan Charges	1,237
Total Expenditure	**54,300**	**-2,217**	**52,083**		

Housing Revenue Account – Budget Changes for 2015/16 (cont'd)

Income					
Subjective Heading	**2014/15 Budget £000**	**Change £000**	**2015/16 Budget £000**	**Major Changes**	**Change £000**
House Rents	45,596	795	46,391	Rent increase @ 3.5%	1,569
				Reduction in income to reflect RTBs and other stock movements.	-774
Short Stay Rents	1,300	-1,300	0	Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-1,300
Transfer from balances to fund Welfare Reform activity	1,181	-600	581	Removal of the Council Tenant Assistance Fund to reflect additional DHP funding being made available and the streamlined DHP application process	-600
Supporting People Income	1,177	-230	947	Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-200
				Reduction in commissioned costs for Customer Support	-30
Commercial Rents	1,131	0	1,131		
SHQS Professional Fees	1,440	-450	990	Reduction to reflect the temporary staff leaving now that the Programme is nearing completion	-450
Service Charges	892	35	927	To reflect the increase agreed from 1/4/15	35
Building Services Rebate	443	-46	397	To reflect the percentage of surplus returned to the HRA based on programme ratios	-46
Grants	377	-377	0	Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-377
Temporary Interest	131	0	131		
Lock Up Rents	285	9	294	Increased lockup income, after updating stock numbers.	9
Other Income	347	-53	294	Transfer of Short Stay (homelessness) budgets to General Fund (Other Housing)	-53
				Total Movement in Income	**-2,217**
Total Income	**54,300**	**-2,217**	**52,083**		
HRA surplus transferred to balances	**0**	**0**	**0**		

Appendix 2

1
Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2016
Housing Revenue Account
Subjective Summary

Line No	Expenditure	2014/15 Estimates £	Tsfrs, Savings & Unavoidables £	2015/16 Estimates £	Rent Increase/ Inflation, etc £	2015/16 Estimate £
1	**Employee Costs**	**8,399,370**	**(920,450)**	**7,478,920**	**72,300**	**7,551,220**
2	Salaries - APT&C	5,670,050	(611,990)	5,058,060	50,600	5,108,660
3	Superannuation - APT&C	1,119,240	(115,090)	1,004,150	10,000	1,014,150
4	National Insurance - APT&C	497,020	(57,000)	440,020	4,400	444,420
5	Overtime - APT&C	53,000	(52,000)	1,000	0	1,000
6	Salaries - manual workers	486,650	(65,110)	421,540	4,200	425,740
7	Superannuation - manual workers	85,900	(13,220)	72,680	700	73,380
8	National Insurance - manual workers	55,800	(5,340)	50,460	500	50,960
9	Overtime - manual workers	193,810	0	193,810	1,900	195,710
10	Travel and Subsistence	87,400	(700)	86,700	0	86,700
11	Pension Increases	103,000	0	103,000	0	103,000
12	Training Costs	47,500	0	47,500	0	47,500
13	**Property Costs**	**16,937,080**	**(635,590)**	**16,301,490**	**(297,960)**	**16,003,530**
14	Community alarm maintenance	55,000	0	55,000	0	55,000
15	Contract trading service - cleaning	137,000	(3,600)	133,400	0	133,400
16	Valeting	62,000	(62,000)	0	0	0
17	Electricity	572,910	(59,790)	513,120	10,260	523,380
18	Factoring & common charges	39,000	0	39,000	0	39,000
19	Furniture & fittings	122,700	(122,700)	0	0	0
20	Garden assistance scheme	396,200	0	396,200	0	396,200
21	Gas	821,670	(77,000)	744,670	14,890	759,560
22	Improve garden / close cleaning	494,400	0	494,400	0	494,400
23	Maintenance of Gardens and Open Spaces	203,800	0	203,800	0	203,800
24	Maintenance of houses	10,367,600	400,000	10,767,600	0	10,767,600
25	CFCR Contribution to SHQS Investment Programme	2,084,290	110,480	2,194,770	(323,110)	1,871,660
26	Property insurance	363,200	(29,000)	334,200	0	334,200
27	Rates	105,700	(1,000)	104,700	0	104,700
28	Water metered charges	19,400	(3,400)	16,000	0	16,000
29	Rates re empty commercial properties	0	0	0	0	0
30	Rents - short stay accommodation	638,130	(638,130)	0	0	0
31	Council tax payments - short stay accommodation	84,800	(84,800)	0	0	0
32	Repairs direct	64,480	(16,650)	47,830	0	47,830
33	Special uplift service	248,900	(50,000)	198,900	0	198,900
34	Commercial Refuse	3,200	0	3,200	0	3,200
35	Supply of bins	11,700	0	11,700	0	11,700
36	Running costs of Home Exchange shop	0	35,000	35,000	0	35,000
37	Other Property Costs	41,000	(33,000)	8,000	0	8,000
38	**Supplies and Services**	**383,700**	**(40,000)**	**343,700**	**0**	**343,700**
39	Clothing/Uniforms	25,700	0	25,700	0	25,700
40	Computer software & licenses	146,600	0	146,600	0	146,600
41	Equipment maintenance & replacement	43,400	0	43,400	0	43,400
42	Publicity	26,000	0	26,000	0	26,000
43	Removal costs	69,300	(30,000)	39,300	0	39,300
44	Temporary Accommodation	11,500	0	11,500	0	11,500
45	Other supplies & services	61,200	(10,000)	51,200	0	51,200
46	**Contractors**	**23,300**	**0**	**23,300**	**0**	**23,300**
47	Customer research	23,300	0	23,300	0	23,300
48	**Transport**	**35,400**	**(18,450)**	**16,950**	**0**	**16,950**
49	Internal Transport - Hire	16,400	(6,550)	9,850	0	9,850
50	Internal Transport - Maintenance	5,000	(2,500)	2,500	0	2,500
51	Internal Transport - Garaging	5,400	(3,400)	2,000	0	2,000
52	Vehicle Licenses	100	0	100	0	100
53	Internal transport - Fuel	8,500	(6,000)	2,500	0	2,500
54	**Carried Forward**	**25,778,850**	**(1,614,490)**	**24,164,360**	**(225,660)**	**23,938,700**

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Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2016

Housing Revenue Account

Subjective Summary

Line No	Income	2014/15 Estimates £	Tsfrs, Savings & Unavoidables £	2015/16 Estimates £	Rent Increase/ Inflation, etc £	2015/16 Estimate £
1	**Grant Income**	**376,860**	**(376,860)**	**0**	**0**	**0**
2	Specific grant - housing support	376,860	(376,860)	0	0	0
3	**Other Income**	**53,923,170**	**(3,454,430)**	**50,468,740**	**1,613,700**	**52,082,440**
4	Accommodation income from users - short stay	1,300,070	(1,300,070)	0	0	0
5	District heating income - Tenants	329,700	0	329,700	30,000	359,700
6	District heating income - Owner Occupiers	340,100	0	340,100	0	340,100
7	Launderette income - Tenants	60,000	0	60,000	5,000	65,000
8	Launderette income - Owner Occupiers	161,900	0	161,900	0	161,900
9	Other charges to Owners	20,000	0	20,000	0	20,000
10	Supporting People - Sheltered	150,000	0	150,000	0	150,000
11	Supporting People - Hostel	200,000	(200,000)	0	0	0
12	Supporting People - Customer Support Team	826,990	(30,000)	796,990	0	796,990
13	Rental income - commercial properties	1,131,000	0	1,131,000	0	1,131,000
14	Rental income - houses	45,596,070	(773,580)	44,822,490	1,568,800	46,391,290
15	Rental income - lock ups	285,100	(1,010)	284,090	9,900	293,990
16	Rechargeable Repairs Income (net of write offs)	50,000	0	50,000	0	50,000
17	Temporary interest	131,500	0	131,500	0	131,500
18	SHQS Professional Fees	1,440,000	(450,000)	990,000	0	990,000
19	Admin Recoveries	30,000	0	30,000	0	30,000
20	Building Services Rebate	443,000	(46,630)	396,370	0	396,370
21	Commission on Insurance	8,000	0	8,000	0	8,000
22	Recharge of Capital costs to Building Services	145,000	0	145,000	0	145,000
23	Other Accounts of the Authority	53,140	(53,140)	0	0	0
24	Other income	40,600	0	40,600	0	40,600
25	Transfer from balances to fund Welfare Reform Activity	1,181,000	(600,000)	581,000	0	581,000
26	**Carried Forward**	**54,300,030**	**(3,831,290)**	**50,468,740**	**1,613,700**	**52,082,440**

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Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2016

Housing Revenue Account

Subjective Summary

Line No	Expenditure	2014/15 Estimates £	Tsfrs, Savings & Unavoidables £	2015/16 Estimates £	Rent Increase/ Inflation, etc £	2015/16 Estimate £
55	**Expenditure Brought Forward**	**25,778,850**	**-1,614,490**	**24,164,360**	**-225,660**	**23,938,700**
56	**Administration Costs**	**3,239,210**	**(160,300)**	**3,078,910**	**0**	**3,078,910**
57	Advertising	21,600	0	21,600	0	21,600
58	Apportionment of Central Administration	1,512,000	(155,300)	1,356,700	0	1,356,700
59	Apportionment of Central Administration Business Support	394,110	0	394,110	0	394,110
60	Apportionment of mgt support costs - property services	507,300	0	507,300	0	507,300
61	ASIST & Mediation recharge from Environmental Services	245,250	0	245,250	0	245,250
62	Bank Charges - Costs of Giro Collection	7,000	0	7,000	0	7,000
63	Conference/Course Expenses	5,500	0	5,500	0	5,500
64	Insurance	123,000	0	123,000	0	123,000
65	Legal expenses	83,600	0	83,600	0	83,600
66	Membership fees & subscriptions	33,750	0	33,750	0	33,750
67	Tenant Consultation	15,000	0	15,000	0	15,000
68	Postage	68,600	0	68,600	0	68,600
69	Printing and stationery	93,900	(38,850)	55,050	0	55,050
70	MSS Recharge - Centralised Printing	0	38,850	38,850	0	38,850
71	Telephones	88,200	(3,200)	85,000	0	85,000
72	Other Administration Costs	32,600	(1,800)	30,800	0	30,800
73	path/hnda	7,800	0	7,800	0	7,800
74	**Payments to Other Bodies**	**5,561,800**	**(1,533,440)**	**4,028,360**	**79,600**	**4,107,960**
75	Council tax re empty properties	238,500	0	238,500	0	238,500
76	Garden competition prizes	9,700	0	9,700	0	9,700
77	Grants to tenants / housing associations	12,000	0	12,000	0	12,000
78	Irrecoverable rent - commercial properties	23,100	0	23,100	0	23,100
79	Irrecoverable rent - housing	1,546,100	(454,100)	1,092,000	38,200	1,130,200
80	Irrecoverable rent - short stay accommodation	124,900	(124,900)	0	0	0
81	Council Tenant Assistance Fund	600,000	(600,000)	0	0	0
82	Employment Initiatives	250,000	0	250,000	0	250,000
83	Neighbourhood housing forums	369,500	(50,000)	319,500	0	319,500
84	Voids - commercial	225,000	0	225,000	0	225,000
85	Voids - operational	1,163,200	(20,230)	1,142,970	40,000	1,182,970
86	Voids - lock ups	43,590	(4,200)	39,390	1,400	40,790
87	Voids - short stay	250,010	(250,010)	0	0	0
88	Strategy & Quality Initiatives	67,690	0	67,690	0	67,690
89	Commissioned Costs - Customer Support	638,510	(30,000)	608,510	0	608,510
90	**Loan Charges**	**19,720,170**	**1,236,700**	**20,956,870**	**0**	**20,956,870**
91	Leasing charges - central heating	125,180	(110,310)	14,870	0	14,870
92	Leasing charges - double glazing	176,990	(176,990)	0	0	0
93	Loan charges - expenses	92,000	7,000	99,000	0	99,000
94	Loan charges - interest	7,618,000	(167,000)	7,451,000	0	7,451,000
95	Loan charges - principal	11,708,000	1,684,000	13,392,000	0	13,392,000
96	**Total Expenditure**	**54,300,030**	**(2,071,530)**	**52,228,500**	**(146,060)**	**52,082,440**

Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2016

Housing Revenue Account

Subjective Summary

Line No	Income	2014/15 Estimates £	Tsfrs, Savings & Unavoidables £	2015/16 Estimates £	Rent Increase/ Inflation, etc £	2015/16 Estimate £
97	Income Brought Forward	54,300,030	(3,831,290)	50,468,740	1,613,700	52,082,440
98	Total Income	54,300,030	(3,831,290)	50,468,740	1,613,700	52,082,440
99	Total Expenditure	54,300,030	(2,071,530)	52,228,500	(146,060)	52,082,440
100	Net Expenditure	0	1,759,760	1,759,760	(1,759,760)	0

Appendix 3

Proposed Housing Capital Investment Plan 2015/16 to 2016/17

		2015/16	2016/17	2017/18
		Proposed Programme	Proposed Programme	Proposed Programme
Programme Head	**Sub Element**	**£000s**	**£000s**	**£000s**
Kitchens, Bathrooms, Rewiring	Planned Phases	1,150	500	750
	Void/Catch up Programme	700	500	250
	Misc Wiring/Isolators/Earthing	50	50	50
		1,900	**1,050**	**1,050**
Heating	Gas/Electric Replacements	1,105	850	850
	Void/Catch up Programme	400	100	-
	Gas Infrastructure	50	50	50
	Calside District Heating Decommissioning	175	-	-
	George Street District Heating Replacement	300	111	-
		2,030	**1,111**	**900**
External Improvements	Common Blocks - Owner Majority Completions	2,598	-	-
	External Envelope Upgrading	-	2,215	2,515
	Windows and Doors	1,475	815	1,000
		4,073	**3,030**	**3,515**
Energy Programme	Miscellanous grant support works	10	10	10
		10	**10**	**10**
Multi Storey Flats	M&E Requirements	75	75	75
	Health and Safety issues	350	350	350
	Cladding	-	-	-
		425	**425**	**425**
Common and Environmental Works	Door Entry Systems	-	-	50
	Common Lighting	25	25	25
	Environmental improvements General	-	-	25
		25	**25**	**100**
Other Council Priorities	Disabled Adaptations	300	300	300
	Asbestos	80	80	80
	Rotworks	250	250	250
	Essential Property Improvements	100	100	100
		730	**730**	**730**
Other Assets	Garages	50	50	50
	Shops	59	50	50
	Launderettes	150	100	100
		259	**200**	**200**
Initiatives	Mortgage To Rent	100	100	100
	House Purchase Minority Stock - Misc fees	-	50	-
	Bedsit to single bedroom conversions	200	-	-
	Sheltered Housing Common Boiler Replacement	75	100	80
	Sheltered Housing Lift Refurbishment	141	105	38
	Sheltered Housing Lifecycle Investment	-	-	32
		516	**355**	**250**
Non Property Expenditure	House Sales Fees	25	20	-
	IT Equipment	50	50	50
		75	**70**	**50**
Non Physical investment	Scoping Surveys	10	10	10
		10	**10**	**10**
Regeneration	Demolition and Landscaping - General	400	-	-
	Home Loss and Disturbance	50	50	50
	Johnstone Castle (see note 1)	330	1,020	706
	Paisley West End (see note 2)	-	750	500
		780	**1,820**	**1,256**
New Build	Seedhill Road	865	1,057	-
	Bishopton	1,200	1,200	5,000
	Johnstone Castle Initial Phases	-	260	2,700
		2,065	**2,517**	**7,700**
	Total Expenditure	12,898	11,353	16,196
	Professional Fees	1,525	1,525	1,545
	Total Capital Programme	14,423	12,878	17,741

Note 1: includes allowances for property acquisitions and demolitions. Subsequent years allowances will be included in future programme reviews

Note 2: Allowances for property acquisitions. Subsequent years allowances will be included in future programme reviews