

## Notice of Meeting and Agenda Council

Date	Time	Venue
Thursday, 29 February 2024	09:30	Council Chambers (Renfrewshire), Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

MARK CONAGHAN  
Head of Corporate Governance

### Membership

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

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

### 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.

### Hybrid Meeting

Please note that this meeting is scheduled to be held in the Council Chambers. However, it is a hybrid meeting and arrangements have been made for members to join the meeting remotely should they wish.

## **Further Information**

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

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at <http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx>

For further information, please email [democratic-services@renfrewshire.gov.uk](mailto:democratic-services@renfrewshire.gov.uk)

## **Webcasting of Council Meeting**

This meeting will be filmed for live or subsequent broadcast via the Council's internet site – at the start of the meeting the Provost will confirm if all or part of the meeting is being filmed. Generally the public seating areas will not be filmed. The cameras focus on the main participants. If you have any queries regarding this please contact Committee Services on [democratic-services@renfrewshire.gov.uk](mailto:democratic-services@renfrewshire.gov.uk).

To find the webcast please navigate to: <https://renfrewshire.public-i.tv/core/portal/home> and select the meeting from the calendar.

## **Procedures for Budget Meeting**

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

## **Section 112 Statement**

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

## Items of business

### Apologies

Apologies from members.

### Declarations of Interest and Transparency Statements

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

#### 1 Minutes of Meetings of Council, Boards and Panels

Council, 14 December 2023, pages 1139 - 1156

Communities and Housing Policy Board, 16 January 2024, pages 1157 - 1164

Regulatory Functions Board, 17 January 2024, pages 1165 - 1172

Education and Children's Services Policy Board, 18 January 2024, pages 1173 - 1180

Audit, Risk and Scrutiny Board, 22 January 2024, pages 1181 - 1186

Economy and Regeneration Policy Board, 23 January 2024, pages 1187 - 1192

Planning and Climate Change Policy Board, 23 January 2024, pages 1193 - 1198

Infrastructure, Land and Environment Policy Board, 24 January 2024, pages 1199 - 1206

Local Review Body, 30 January 2024, pages 1207 - 1210

Regulatory Functions Board, 1 February 2024, pages 1211 - 1220

Placing Requests and Exclusions Appeals Panel, 7 February 2024, pages 1221-1222

Finance, Resources and Customer Services Policy Board, 8 February 2024, pages 1223 - 1236

Placing Requests and Exclusions Appeals Panel, 20 February 2024, pages 1237 - 1238

Leadership Board, 21 February, 2024 (copy to follow)

#### 2 Provost's Update

Hear from Provost

#### 3 Revenue Budget and Council Tax 2024/25 3 - 40

Report by Director of Finance & Resources

#### 4 Non-Housing Capital Investment Programme, Prudential Framework and Treasury Management Strategy, and Capital Strategy 2024/25 – 2028/29 41 - 98

Report by Director of Finance & Resources

- 5 Housing Revenue Account Budget & Rent Levels 2024/25 and Housing Capital Investment Plan 2024/25 to 2028/29** 99 - 116
- Joint report by the Directors of Environment, Housing & Infrastructure and Finance & Resources
- 6 Accounts Commission Section 102 Report (S.102) – School Accommodation for Dargavel Village** 117 - 164
- Report by Chief Executive
- 7 Cross Party Working Group: Review of Governance Arrangements** 165 - 188
- Report by Director of Finance & Resources
- 8 Governance Arrangements** 189 - 192
- Report by Director of Finance & Resources
- 9 Notice of Motion 1 by Councillors Nicolson and Hughes**  
**"Renfrewshire HSCP Review**
- Renfrewshire Council calls on Renfrewshire HSCP to stop its current review and proposals for Adult Day and Flexi-care Services and to prioritise work on other areas of its budget options. The Fraser of Allander Report into disability services makes it clear that individuals with vulnerabilities were impacted significantly by Covid. This requires time and consideration to be taken, on how these services are shaped for the future and to place the service users at the heart of these discussions."
- 10 Notice of Motion 2 by Councillors Devine and Hood**  
**"Sma Shot Day Parade - 2024**
- This Council instructs Council Officers to return the Sma Shot Parade to its historic route of Brodie Park – Braids Road - Neilston Road – Causeyside Street – Gauze Street, finishing in Abbey Close where the cork effigy will be burnt. This should be implemented for the Parade on 6 July 2024."
- 11 Notice of Motion 3 by Councillors Davidson and McDonald**  
**"Sma Shot Day - 2024**
- Council will reverse the decision to downgrade the Sma Shot Parade and festivities. Council will honour the well-established route of the Sma

Shot Parade and celebrations this year and for the foreseeable future. Council will also honour the traditions involved with this day of the workers conquest over the corks and will continue with the burning of the cork. Sma Shot Day is a day of immense pride to the people of Paisley. Council will agree to continuing to take the parade to the top of Causeyside Street onto the High Street and round onto Cotton Street and ending on Bridge Street, with all the stalls and entertainment historically provided as expected and enjoyed by the people of Renfrewshire."

## **12 Notice of Motion 4 by Councillors Steel and J Cameron**

"TALBOT BRIDGE GRAPHICS

"Council notes the deterioration in the condition of the 'Talbot Bridge' graphics at Linwood Toll.

Council agrees that preservation of heritage plays an important role in community identity and directs the chief executive to write to Network Rail asking them to engage with stakeholders to explore options to restore the signage."



## **LOCAL GOVERNMENT FINANCE ACT 1992 - SECTION 112**

### **RESTRICTIONS ON VOTING BY MEMBERS**

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

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

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

1. Setting or adjusting the rate of Council Tax;
2. Matters relating to the administration, enforcement and collection of the Council Tax or Council Water Tax.

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

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

- (a) that Section 112 of the 1992 Act applied to him/her at the time of the meeting;
- (b) the tax item was the subject of consideration at that meeting.

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





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**PROCEDURE TO BE FOLLOWED AT THE MEETING  
OF RENFREWSHIRE COUNCIL  
TO BE HELD ON 29 FEBRUARY 2024  
DURING CONSIDERATION OF ITEM 3 CONCERNING  
REVENUE ESTIMATES AND COUNCIL TAX  
FOR THE FINANCIAL YEAR 2024/25**

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The purpose of this note is to give Members advance notice of the procedure which Provost Cameron has agreed should be followed at the Meeting of the Council on 29 February 2024.

1. The Convener of the Finance, Resources & Customer Services Policy Board (the Convener) will make his budget statement for financial year 2024/25 and move as appropriate. He will then speak to the principal points of his proposals. The motion will require to be seconded.
2. The Leader of the Council will second the motion and may address the meeting then or reserve the right to speak at a later stage of the debate.
3. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.
4. An opportunity will then be given to the Leaders of the opposition groups and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together proposals for resource allocations, budget proposals, revenue estimates and the level of the council tax for the financial year 2024/25).
5. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting. Provost Cameron may then adjourn the meeting for 20 minutes to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups or other Members. Corporate Meeting Rooms have been arranged for the adjournment as follows: Administration – Corporate Meeting Room 2, Labour - Corporate Meeting Room 1, Conservative – Corporate Meeting Room 3. The other Members will be able to remain in the Chambers.
6. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups and any other Members to move their respective budget statements and speak in support of the principal points of their proposals. However, Provost Cameron shall have the power to require any person speaking to limit their speech in order to facilitate the conduct of the meeting.
7. Provost Cameron will then invite other Members to take part in the debate including Conveners of the Policy Boards who may wish to take the opportunity to respond concerning the services for which they have responsibility.
8. The debate will conclude with Provost Cameron giving the Convener the opportunity to reply.
9. A vote or votes will then be taken in accordance with the provisions of standing orders.



**To: Council**

**On: 29 February 2024**

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

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**Heading: Revenue Budget and Council Tax 2024/25**

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**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 2024/25. Members are expected to bring forward proposals to secure a balanced budget, and to assist in this, Directors have been providing details of the financial, service and equality implications of any changes to current service levels, as requested by Members.
- 1.2 Members will be aware that the Council is experiencing a hugely challenging and complex set of financial circumstances. It is recognised that moving into 2024/25 and beyond, the financial environment that local government in Scotland is facing will remain heavily constrained, with substantial risks even in the short term in relation to cost growth and income constraints. Longer lasting legacy impacts on service costs, service demand and income streams are anticipated.
- 1.3 Members will be required to take these circumstances into account when setting the 2024/25 budget, recognising that the Council's immediate and medium-term challenges remain significant. Additionally, as reported to Members throughout the year and subject to decisions taken by Council, there will be a need for the budget position in 2024/25 - as was the case in 2023/24 - to rely heavily on the use of ringfenced reserves to address the forecast budget deficit. This solution must be viewed as temporary, and the Council must act in the near term to contain spend within available resource on a recurring basis.

- 1.4 The economic outlook remains very subdued, with fears of a recession now confirmed. Inflation rates have begun to fall, but core inflation remains stubbornly high. The year ahead is unfortunately unlikely to see much improved prospects over that experienced in recent years; but the degree of uncertainty remains high due to geo-political concerns, the outcome of wage settlements, and government spending and taxation decisions.
- 1.5 The Scottish Budget was announced on 19 December, again for one financial year only. Resource is prioritised to social security and the Scottish Government priorities of eradicating child poverty, supporting the transition to net zero and ensuring sustainable public services.
- 1.6 The local government settlement benefits from a headline cash increase; however COSLA has calculated there is a £63 million cut in core revenue funding. In addition, funding of £147m has been set aside in the Scottish Budget to compensate councils who agree to freeze council tax at 2023/24 levels.
- 1.7 The key elements of the Council's revenue settlement are set out as follows: -
  - (i) Circular 8/2023 confirmed Scottish Government revenue grant funding in 2024/25 for the Council of £416.455 million. The local government finance order laid before Parliament on 7 February updated this allocation to £422.373 million.
  - (ii) After adjusting for new responsibilities, areas of growing responsibility and other conditional aspects of the settlement, this provides a like for like comparison to 2023/24 where the Council's underlying core grant has increased by £1.507 million (0.4%) – marginally ahead of the flat-cash position the Council had assumed.
- 1.8 The Scottish Government has opted not to announce a Public Sector Pay Policy for 2024/25 until after the UK Spring Budget is announced on 6 March. Despite a falling forecast, the high levels of inflation still being experienced will present a challenging environment in which to reach agreement on pay levels.
- 1.9 The medium-term financial outlook for the Council remains bleak. There are now permanent cost and service impacts from the pandemic (particularly in relation to children's social care); however, pay and revenue grant continue to be the two biggest determinants of the Council's financial outlook. Members have previously been advised that the Scottish Government block grant is likely to incorporate only very moderate increases over the remainder of the spending review period to 2025/26. This provides no confidence that the local government settlement in future years will reflect a sufficient degree of increase to address core budget pressures.
- 1.10 The Council has consistently and correctly taken a medium-term view of its financial position, agreeing transformation and savings measures that have ensured the Council positively addressed the forecast medium-term budget deficit, whilst supporting temporary investment in priority areas. There has however been significant disruption to the Council's transformation programme in recent years which has left the Council in a position where the traditional position of savings being delivered ahead of need has dissolved. It is certain that transformation and efficiency saving activity alone will not address the scale of financial pressures the Council is facing over the medium term.

- 1.11 Applying a central range of assumptions for the three-year period beyond 2024/25, derives a forecast budget deficit range of broadly £45 - 50 million over this period (before any decisions on the level of Council Tax but after assumed delivery of £30 million of recurring savings). This forecast outlook is based on relatively tight grant and pay assumptions informed by the current financial settlement and the Government's Medium Term Financial Strategy, as well as likely affordability constraints in relation to future pay awards. Factoring in an assumption of 5% increase each year in Council Tax levels would reduce this range to £30 - 35 million.
- 1.12 For 2024/25, budget assumptions have been updated as appropriate, including the confirmed grant available to the Council and associated conditions, the impact of new obligations, the likely impact of increasing demographic and demand pressures and expected Council Tax yield levels for 2024/25. After taking account of the cumulative impact of each of these issues, there is a recurring budget deficit for 2024/25 of £9.284 million, subject to any further decisions taken by Members.
- 1.13 Given the scale and unprecedented nature of the financial sustainability challenge that lies ahead for the Council, in setting the 2024/25 budget, it is strongly recommended that any commitments by Members that would result in additional recurring expenditure that would have the effect of increasing the projected medium-term deficit in future years should be supported by offsetting sustainable savings or increased resources arising from an increase in Council Tax. Finally, Members are encouraged to take a holistic view of the Council's total resources, covering both capital and revenue. In coming to final budget decisions, Members' attention is drawn to unallocated capital resources available to the Council of £2.000 million, as detailed at Item 4 of this agenda.

## **2. RECOMMENDATIONS**

Members are asked to:-

- 2.1 Submit for approval proposals for any savings, investments, and service changes as part of delivering a balanced budget for 2024/25, and in doing so: -
- to consider the equality impact of any proposed service changes as referred to at paragraph 8.3
  - to assess whether adequate provision is being made in the 2024/25 budget to deliver against the specified commitments linked to the Council's grant settlement for 2024/25, as detailed at section 4.
- 2.2 Approve the provisions for inflationary pressures, as recommended at section 5.
- 2.3 Approve the revenue estimates for all services for 2024/25 subject to adjustment for the allocation of specific grants, inflationary allowances and any proposals for service changes approved by Council.

- 2.4 Approve the financial measures outlined in section 5, including the release of additional resources made available in 2024/25, to Renfrewshire Health and Social Care Partnership.
- 2.5 Approve the proposals in relation to reserve balances as recommended in section 12.
- 2.6 Submit for approval the Council Tax banding levels A to H inclusive to apply for 2024/25, noting the information outlined in paragraph 9.4.

### **3. FINANCIAL OUTLOOK UPDATE**

- 3.1 Successive reports to the Council have highlighted the increasingly challenging financial and economic environment the Council is facing, predominantly linked to continually increasing costs and continuing high (but falling) levels of inflation. While volatility in financial markets appears to have subsided (although risks remain largely driven by increasing geo-political tensions), there remain challenges for both Scottish and UK economies, with the recent announcement that the UK entered a 'technical recession' in the latter half of 2023 being of little surprise given the general economic environment of flat growth.
- 3.2 Inflation remains relatively high, with the Bank of England again in January holding rates steady at 5.25% an effort to tackle this. While inflation rates have begun to fall, core inflation (which excludes energy and food costs) remain stubbornly high ranging from 5-6%. Construction inflation is particularly problematic for the council, with both repairs and capital projects significantly affected. Energy prices also continue to be a concern. Forecasts generally imply that inflation will gradually fall over the course of 2024, with the Bank of England suggesting CPI will fall to around 3% by the end of the year; however, the ongoing uncertainty with regards wage inflation could materially affect these forecasts. High levels of inflation have created a cost of living crisis for households, with many struggling to fund rapidly increasing household costs even as wage growth is improving.
- 3.3 The year ahead is unlikely to see much improved prospects over that experienced in the past 2-3 years; but the degree of uncertainty remains high depending on several factors such as the war in Ukraine, the outcome of wage settlements, and UK government spending and taxation decisions. It is expected there will be a UK general election in the later half of 2024, however the incoming administration is unlikely to have much room for manoeuvre given their inheritance of a very high tax burden, strained public services and high levels of public debt.
- 3.4 In terms of the public finances, and particularly those in Scotland, previous reports to Council have outlined the pressure the Scottish Government budget is under with increasing service demands in the NHS and the transfer of social security benefits under the administration of the Scottish Government bringing additional costs. Therefore, significant medium-term uncertainty remains for the Council in relation to future government grant prospects and the Council will be required to continue to plan for a range of potential scenarios, predominantly reflecting downside risks. There appears to be little prospect of multi-year settlements being possible so the year-to-year cycle will continue, making longer term financial planning difficult for both Scottish and local government.

- 3.5 The Council's medium term financial outlook continues to be based largely on an assumed "flat-cash" revenue settlement over the medium term with a slight uptick of 1% possibly from 26/27. However, and as outlined in previous reports, it is cost increases which are driving the extremely challenging financial outlook. Incorporating an affordable level of pay increase over the period 2024/25 to 2027/28, and a reducing level of inflation on supplies and services costs suggests that the Council is facing a £45-50 million funding gap over this period, before any decisions on council tax. Assuming an average 5% council tax increase in each of these years would reduce the funding gap to £30-35 million. This position was outlined in the financial update to Council in December 2023, and has not materially changed since. It is worth reiterating the broad context as detailed in the December financial update – even after an assumed delivery of £8m of savings each year from 2025/26, there remains an £8m recurring financial gap at the end of 2027/28. Assuming this level of saving is actually delivered, over the period from 2021/22, savings in the order of £50 million will have been delivered, simply to enable the Council to stand still financially.
- 3.6 Given the long period since 2010 of securing very significant transformation, efficiency and corporate financing savings totalling in the region of £180 million (including 2024/25), the Council will be unable to generate further recurring transformation and efficiency savings at this scale without impacting on service delivery or quality. Additionally, over the last decade, nationally set directives as part of grant settlements as well as local priorities, has protected spend in key areas such as Education and Social Care - which constitute around two thirds of the Council's budget. This has resulted in the other non-protected service budgets - which account for the remaining one-third of total spend and cover service areas such as Environment & Infrastructure, Economic Development & Employability, Community Services and Customer & Corporate Support functions - being required to carry the burden of delivering cost reduction and savings over this long term period. Securing further savings at scale from these service areas will be exceptionally challenging. While transformation and the opportunity for increased efficiency will continue to be key priorities, it is likely that material service reductions and spending cuts will be a necessary requirement if the Council is to remain financially sustainable.
- 3.7 As outlined later in this report, the Scottish Government has in 2024/25 continued to set conditions which will require each council across Scotland to protect spending on teaching and other school staff as well as social care spending – with financial sanctions applying where conditions have not been met. These continuing restrictions reduce the flexibility for the Council to manage delivery of the required cost reductions and focus financial savings disproportionately from the non-protected areas of spend.

#### **4. GRANT SETTLEMENT**

- 4.1 On 19 December 2023, the Scottish Government published its draft budget for 2024/25, which is subject to parliamentary approval over the course of February 2024. On 21 December, the draft local government finance settlement was published, as set out in the Local Government Finance Circular 8/2023, which provided details of the provisional revenue and capital funding allocations for 2024/25 for local government across Scotland.

4.2 Circular 8/2023 confirmed Scottish Government revenue grant funding in 2024/25 for the Council of £416.455 million. The Deputy First Minister (DFM) outlined associated issues in a letter to all Council Leaders that set out specific commitments to be read in conjunction with the detail of the financial settlement that make up the provisional funding allocation and which constitute: -

a) The continued prioritisation of financial support for social care. Included within the local government settlement, the Government has provided an additional £241.5 million nationally to support health and social care as delegated to Integration Joint Boards broken down as follows:

- £230m to deliver a £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts;
- £11.5m to uplift free personal nursing care rates

The government confirmed that taken together, the total additional funding of £241.5 million is to be additional to each Council's 2023/24 recurrent spending delegated to Integration Authorities and not be substitutional i.e. these allocations must be passed to the HSCP for these delegated services. This position is explained further in section 5 below.

b) The Deputy First Minister also outlined a number of other issues:

- Under the Verity House Agreement, the Scottish Government will continue to work with COSLA in the development of a fiscal framework and reduced ringfencing of resource.
- The local government settlement figures excludes funding for teacher pension contributions due to an increase in the employer contribution rate. The rate is set to increase from 23% to 26% from 1 April 2024, following the conclusion of the 2020 scheme valuation. The UK Government have publicly stated that the funding will be allocated to individual UK Government departments in Spring 2024. Scottish Ministers will make decisions on funding allocations once the UK Government funding position is clearer, however the DFM has confirmed that funding received by the Scottish Government in relation this rate increase will be passed to local government.
- An expectation that local government will continue in good faith to engage in a range of discussions about future policy direction eg the development of the National care Service.
- The settlement includes £145.5m to continue to maintain teachers and support staff as well as £242m to support teacher pay uplifts. The offer to baseline this and other education related funding totalling £564.1m funding is conditional upon the agreement that, by the end March 2024, the assurance framework being sought by the Cabinet Secretary for Education and Skills is in place and that the new joint Education Assurance Board has been established. The position on this has changed over the course of the budget approval process as outlined in 4.4 below.
- The settlement also included £144m in relation the proposed council tax freeze, subsequently marginally increased to £147m nationally over the budget consultation period. Receipt of this funding is conditional on councils agreeing to freeze council tax for 24/25 at 23/24 rates.



The Renfrewshire grant figure as outlined in Table 1 below excludes the Renfrewshire share of this £147m – currently estimated at £4.897m – equivalent to a 4.4% council tax increase.

- 4.3 Subsequent to the finance circular being issued, the local government finance order was laid before Parliament on 7 February, which provided an update to the settlement figures previously advised. The movement is predominantly due to the distribution of items within the settlement which were previously undistributed eg the £230 million to deliver a £12 per hour minimum pay settlement for adult social care. The revised revenue grant allocation for Renfrewshire is therefore confirmed at £422.373 million. The increased grant does not however translate to an increase in available resource, given much of the increase relates to committed spend or is mandated to be passed to the Integration Joint Board.
- 4.4 In addition, the Council has received a letter from the Cabinet Secretary for Education and Skills which outlines a change of approach from the Scottish Government in relation to the £145.5 million in the settlement related to teacher numbers mentioned above. The Cabinet Secretary is concerned with the reduction in teacher numbers nationally, and has therefore decided that this funding will be allocated to councils via specific resource grants, and those grants will be conditional on councils agreeing at the outset to maintain teacher numbers. The Council has not been advised as at the time of writing what the conditions associated with this now specific grant funding will be, and therefore cannot judge whether these conditions will be acceptable for the Council. The base budget outlined in the remainder of this report is based on an assumption that this funding – estimated to be £4.801 million – will be received; however in the event the associated conditions of the grant are unacceptable, this funding will be at risk.
- 4.5 The Council's settlement figure includes a number of adjustments for new spending burdens, responsibilities, and conditional funding totalling £32.658 million, linked primarily to the pass-through of funding to the Integration Joint Board; and the baselining of funding for the 2023/24 pay award.
- 4.6 After adjusting for these areas of new burdens funding, new responsibilities, conditional funding and timing differences in the distribution of funding, the Council's 2023/24 core grant figure as set out in the provisional local government finance settlement has, on a like-for-like basis, increased by 0.4% from 2023/24, marginally improved on the flat cash assumption which the Council had been working to. The Council's share of the overall local government revenue funding settlement has increased marginally from 3.20% to 3.23%.

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

**Table 1 – Grant Settlement 2024/25**

Summary of Revenue Estimate 2024/25	2024/25	
	£000	£000
<b>Estimated Funding</b>		
Specific Grants (including teacher numbers)	12,102	
Non Domestic Rate Income	107,505	
Revenue Support Grant (excluding CT freeze compensation)	307,567	
<b>Total Government Grant anticipated</b>		<b>427,174</b>

4.8 At the time of writing, the Budget Bill remains to be approved by the Scottish Parliament.

## **5. SPENDING AND DEMAND PRESSURES**

5.1 An analysis has been enclosed with this report detailing, for each service, the proposed budget changes between 2023/24 and 2024/25. The budget has been adjusted to reflect: -

- (i) the continuing costs of the current level of service, including inflationary costs related to current service levels;
- (ii) the financial impact of any decisions already taken by the Council or its Policy Boards, as well as required adjustments to budgets to reflect specific aspects included within the financial settlement.

5.2 Demographic, socio-economic and - significantly - inflationary factors continue to play a major role in driving core spending pressures for the Council, with practically all areas of the Council affected either in terms of income loss or increased cost pressures. As has been reported to Council over the course of 2023, high levels of inflation have continued, which along with specific service pressures has resulted in a projected overspend position in 2023/24 which is outlined in further detail in section 12 below. Economic forecasts suggest that the level of inflation will continue to reduce over the course of 2024, however the price increases which have been experienced are very unlikely to be reversed – simply the pace of increases in prices will slow.

5.3 In setting previous budgets, the Council has traditionally opted not to apply any general inflationary uplift to non-pay budgets. Given the very significant financial challenges facing the Council, in particular over the medium term and in line with historic practice, general non-pay inflation is not provided for in the 2024/25 budget. However, where specific price and cost pressures are obvious, for example in relation to food and catering supplies, additional budget provision has been incorporated into the draft position outlined in this report.

- 5.4 Over the course of the pandemic, the level of income from on and off street parking (and associated fine income) reduced considerably. In the past three financial years an under-recovery of income of approximately £1m has been incurred. The revised parking strategy agreed by the Infrastructure, Land and Environment Board in November 2023 is assumed to partially address this under-recovery position, however the actual levels of income secured will require to be closely monitored. It is anticipated that income levels will not return to pre-pandemic levels and therefore provision has been made within the base budget to address this.
- 5.5 The recommended 2024/25 base budget position detailed in Table 3 includes a provision for pay inflation that reflects what is affordable for the Council, recognising that there is also an element of unfunded pay award from 2023/24 which also requires to be addressed. It is noted that initial pay claims received by COSLA exceed the level of provision which has been incorporated into the budget, and the position remains subject to negotiation.
- 5.6 In agreeing the 2023/24 pay award, the Scottish Government provided additional funding to local government, being a combination of revenue and capital funding which is now largely baselined within the 2024/25 grant settlement. In recent years, the Council and HSCP have operated under a financial planning assumption that pay award costs will be funded within the total resource available to the HSCP, with no general pay inflation funding being provided by the Council. However, given the specific funding received and now baselined in 2024/25 in relation to the 2023/24 pay award, and following discussion with the HSCP Chief Financial Officer, it is proposed that a proportion of this funding will be provided to the HSCP on a recurring basis. This sum (£1.426 million) will be provided to the HSCP in addition to the funding provided within the settlement (outlined at paragraph 5.9 below) which the Scottish Government has mandated be passed to the HSCP.
- 5.7 The Financial Regulations require charges for services to be reviewed at least annually. The overview of the Council's spending in Table 3 makes provision of £0.279 million for an inflation adjustment to charges at 5%.

#### Adult Social Care

- 5.8 In terms of the core Adults and Older People Services budget, the HSCP is reporting a 2023/24 forecast year end overspend position of £1.8m. It is expected that this year-end core overspend will be funded from reserve balances. The HSCP is also indicating that it faces significant financial pressures moving in to 2024/25 and is considering a range of savings options in order to address this forecast position.
- 5.9 As outlined above, there are specific conditions within the local government settlement which mandate the pass-through of funds related to social care to Integration Authorities. In 2024/25 there is a total of £241.5 million within the settlement nationally which requires to be passed through:

**Table 2**

<b>Funding</b>	<b>National funding £m</b>	<b>Renfrewshire allocation £m</b>
£12ph minimum pay in commissioned services	230	7.657
Personal & Nursing Care	11.5	0.234
<b>Total 24/25 funding per FC 8/23</b>	<b>241.5</b>	<b>7.891</b>
23/24 Living Wage funding confirmed	100	3.035
Baselined 23/24 pay funding		1.426
<b>Total pass through</b>		<b>12.352</b>

- 5.10 In addition to the £241.5m, the Council will require to baseline funding agreed in 23/24 in relation to the Living Wage. When the 23/24 Council budget was set, the distribution of this funding was not confirmed, however now the Renfrewshire share is confirmed, this requires to be baselined. Further, as outlined above, it is proposed that the funding secured from the Scottish Government in relation to the 2023/24 pay award (and which is baselined within the 2024/25 settlement) will be passed to the IJB on a proportionate basis. The HSCP share is £1.426 million; which when added to the other funding outlined above will result in £12.352 million of funding being passed to the IJB, fully complying with Scottish Government direction.

#### Children's Services

- 5.11 Funding in relation to teacher numbers has been assumed within the grant allocation from the Scottish Government. This funding will however be formally ringfenced with associated conditions, the risks of which are outlined in section 4 above, and the Council must remain alert to the possibility that some or all of this £4.801 million of funding may be retained by the Scottish Government if the associated conditions are not satisfied.
- 5.12 In terms of known pressures on the education service financial position, the increased costs of pupil transport are noted and provision has been included within the draft budget to address this; however the position will continue to require close monitoring. Within the wider Children's Service, additional budget provision has been made in order to fund the costs associated with the introduction of a national payment rate for foster and kinship carers from 1 April 2023. While additional funding was received from the Scottish Government related to this, the funding received is insufficient to cover the full cost.
- 5.13 Successive reports to Council and relevant policy boards have highlighted the very significant cost and service pressures being experienced in children's social care, particularly in relation to external placements. Council agreed in setting the 2023/24 budget to incorporate an additional £2 million into base budgets for this purpose, while also acknowledging that this amount was likely to be insufficient and potentially a further £3 million may be required to be funded from reserve balances. This forecast position has broadly held, and the 24/25 base budget has been increased to reflect the current level of cost pressure being experienced.

5.14 Table 3 below summarises the recommended base budget adjustments for 24/25.

**Table 3 - Summary of Recommended Base Budget Adjustments 2024/25**

	2024/25	
	£000	£000
<b>Impact of previous Council and Board Decisions</b>		
Reversal of one-off investments (Mod 2023)	(300)	
Right for Renfrewshire Savings	(1,577)	
Financial Sustainability Workstreams	(2,802)	
Corporate budget adjustments	(4,185)	
<b>Total Reductions</b>		<b>(8,864)</b>
<b>Add Unavoidable Pressures:</b>		
Financial Settlement adjustments Health and Social Care	10,926	
HSCP share of 23/24 pay funding	1,426	
Financial Settlement adjustments Other	3,195	
Pay/staff related	1,234	
Contract Payment Adjustments	8,390	
Requisition Adjustments	613	
Other Unavoidable Pressures	2,073	<b>27,857</b>
<b>Long term debt budget</b>		1,225
<b>Net Increase in Provision for inflationary pressures (pay)</b>		27,702
<b>Net Base Budget (Reduction)/Increase</b>		<b>47,919</b>

## **6. FINANCING COSTS AND LONG-TERM BORROWING**

- 6.1 The provision for financing costs includes both debt charges payable as a result of the Council's capital investment programme and the interest gained on temporary investment of cash. The Council has previously agreed to a number of corporate financing adjustments in order to address the longer term financial outlook for the Council – including agreement to revise the Council's accounting for service concession arrangements – most notably the schools PPP contract. The implementation of these revised accounting arrangements will provide ongoing support to the Council's revenue budgets over the medium term.
- 6.2 The pausing of the Right for Renfrewshire programme during the pandemic years impacted on the level of planned savings, with the result that the Council has required to use longer term capital financing flexibilities to bridge the savings gap over the medium term. This approach will result in higher borrowing costs in the longer term, and this will require to be met through appropriate base budget adjustments in the coming years and the release of long-term flexibility resources. In setting the 2022/23 budget, Members agreed to adjust the base budget by £7.5 million, in the knowledge that this position would require to be unwound over the medium to longer term.

The proposed base budget for 2024/25 incorporates the continued re-building of the loans charges budget, with a provision of £1.225 million being made, which also includes provision for loans charges associated with City Deal investments. Provision on this scale will require to be made over the medium to longer term in order to rebuild the core loans charges budget; with non-recurring support in the interim being provided through a draw on the ringfenced loan charges flexibility fund. The actual position will be influenced predominantly by the progress of capital investments, with any rephasing of spend on capital projects in effect deferring the requirement to draw from balances. Updates on this position will be reflected in future reports to Council.

## **7. SAVINGS**

- 7.1 Reports to Council over the course of 2023 and previous years have outlined a range of service transformation activity alongside the development of a range of financial sustainability workstreams which aim to achieve savings over the medium term.
- 7.2 The Council's main transformation programme – Right for Renfrewshire (RFR) – has been the main route for the Council to transform services and release efficiencies, supporting the delivery of recurring savings over the medium term. Members will be aware that, at the onset of the coronavirus pandemic, a decision was taken to pause the programme, recognising the capacity of the Council required to be fully diverted to support the emergency response. Due to both the time taken to recommence transformation activity, and, more acutely, the significant increase in cost pressures over the past 24 months, the Council's development and delivery of savings has fallen behind the level required to support overall financial sustainability.
- 7.3 Nonetheless, service reviews have taken place in discrete areas of the Council – predominantly within Finance & Resources and the Chief Executive's Service, and also the operations and infrastructure service within Environment, Housing and Infrastructure, with further work ongoing within Children's Services headquarters. Based on work undertaken by services to date, and that for which specific plans are being developed over the next 12 – 18 months, it is estimated that £1.6 million of savings can be confidently incorporated into the 2024/25 base budget.
- 7.4 In relation to the financial sustainability workstreams, work has progressed over recent months with regards many of these; however it is apparent that the original ambition with regards the scale of savings (£20 million target) is not going to be achievable within the 3-year period under consideration now that further investigation has been undertaken. Nonetheless, many of the workstreams have indicated potential to deliver savings in the longer term, or in some cases, while not delivering significant savings in their own right, the work is important to undertake as it is a critical enabler in the delivery of other service changes or savings. For example, development and improvement of the Council's web presence through the Digital Experience project will take some investment in the short to medium term, however this is a key enabler in increasing digital ways of working and digital customer services, which will generate efficiencies in the longer term. Work to date would suggest that £2.8 million of savings can be confidently incorporated into the 2024/25 base budget (incorporating the inflationary uplift in fees and charges as outlined at 5.7 above).

As outlined above there remains a considerable amount of development required for some proposals and there is scope for further achievement of savings, in particular from a much more critical examination of the Council's property holdings – not just in terms of current operating costs but importantly having an eye to future very significant lifecycle maintenance and component replacement requirements.

- 7.5 In addition, a recurring saving has been possible through the reduction in employer pension contributions for the local government workforce as previously advised. A saving of £2.3 million has been incorporated into the draft budget. This is exclusive of the temporary saving which will be generated from the temporary further reduction in employer contributions payable in 2024/25 and 2025/26 which Council has previously agreed will be utilised to support the Council's medium term financial position.
- 7.6 Taken together, the above savings total of £8.564 million will, when added to the reversal of one-off spend associated with delivery of the Royal National Mòd in 2023, provides £8.864 million of recurring support to the 2024/25 revenue budget position.

## 8. **EXPENDITURE OVERVIEW**

- 8.1 The Council approved spending for 2023/24 of £499.343 million. It is estimated that £547.262 million (as detailed in Table 4) is needed to fund the costs of maintaining present service levels, provide for new responsibilities and conditional funding commitments provided as part of the financial settlement, new cost burdens and addressing known pressures and demands in 2024/25.

**Table 4 – Estimated Spending Need 2024/25**

Summary of Revenue Estimate 2024/25	2024/25	
	£000	£000
<b>Estimated Funding</b>		
Estimated Spending need 2023/24		<b>499,343</b>
<b>Adjustments per Table 3</b>		
Budget reductions	(8,864)	
Unavoidable budget increases	27,857	
Long-term debt budget provision	1,225	
		<b>20,218</b>
<b>Base Budget 2024/25</b>		<b>519,560</b>
Inflationary cost provision (pay)		27,702
<b>Estimated Spending Need 2024/25</b>		<b>547,262</b>

- 8.2 As is well recognised by Members and as highlighted throughout this report, significant cost pressures are anticipated to persist beyond 2024/25 for the Council. Members will continue to be updated with regards the medium term financial position, but they should be aware that in setting the 2024/25 budget any commitments to additional recurring expenditure will increase the projected deficit in future years, unless they are offset by recurring savings or increases in Council Tax or other income. Similarly, any decision taken now to address the future year budget deficits provides greater certainty for service planning and the workforce, and also supports the future financial stability of the Council.
- 8.3 Where the Council is making decisions in relation to its spending priorities, it is obliged to comply with the public sector equality duty set out in the Equalities Act 2010. This means that the Council must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct;
  - Advance equality of opportunity between people who share a relevant characteristic and those who do not; and
  - Foster good relations between people who share a protected characteristic and those who do not.
- 8.4 To meet this requirement, where necessary the Council must assess the impact of applying a new policy or decision against these three needs and at the point where a decision is made, elected members must have sufficient information available to them to assess that impact. Members, in considering their budget proposals prior to presentation at the Council meeting, are therefore encouraged to seek advice from Directors on the equality implications of each proposal, including any which are covered by the Fairer Scotland duty. Specific service areas may also need to be impact assessed in relation to Armed Forces Covenant duties or the Environmental Assessment (Scotland) Act 2005.

## **9. COUNCIL TAX**

- 9.1 The Council's level of Council Tax (Band D) for 2023/24 is £1,436.17 and is £7.91 (0.6%) above the Scottish average. It is estimated that in 2024/25 each £1 of Council Tax will yield £76,804 gross (£62,894 net of adjustment for Council Tax Reduction), higher than 2023/24. The increase in the yield reflects anticipated growth in the Council Tax base.
- 9.2 A maximum net gross yield of £110.9 million can be anticipated from the forecast Council Tax base, the new agreed policy in relation to an additional charge on second homes and present Council Tax levels. Within the context of the current service resources, specific collection initiatives continue to be implemented to support the collection of Council Tax, including the recovery of arrears for prior years. It is anticipated that £0.500 million will be collected next year from prior years.



9.3 As outlined above, the Scottish Government has announced their intention to provide compensatory funding to those councils who agree to freeze council tax at 23/24 levels. An initial sum of £144m nationally has been earmarked within the Scottish Budget for this purpose, marginally increased to £147m over the period since the draft budget was published. Renfrewshire's share of this funding, assuming the Council agrees to freeze council tax, will be £4.897 million – broadly equivalent to a 4.4% council tax increase.

9.4 Members will recall from the financial update report to Council in December, the assumed level of council tax increase in 24/25 was 6%, with a cumulative minimum 19.5% increase assumed over the next four financial years. Increases at this level will still leave the Council with close to a £30 million financial gap over this period – after savings of close to £30 million are assumed to have been delivered. Accepting the council tax freeze funding will place the council further behind in terms of meeting this challenging financial outlook; and members should be aware that this position will require to be recovered in terms of future years council tax increases.

9.5 Members are required to determine the level of Council Tax for Bands A to H inclusive, which should apply for 2024/25.

## **10. RESOURCE ALLOCATIONS**

10.1 Appendix 1 attached summarises the provisional resource allocation for each service. The resource allocations will be subject to amendment to reflect the Council's views on budget proposals, inflationary pressures and the allocation of central support costs, specific grants and capital charges.

## **11. BUDGET OVERVIEW – 2024/25**

11.1 The overview budget position for the Council for 2024/25, prior to any changes in service levels or Council Tax levels, is outlined in Table 5 below. For clarity, this position excludes the £4.897 million compensatory funding on offer from the Scottish Government. This overview position confirms a recurring budget deficit position which will be temporarily addressed through the application of the ringfenced financial sustainability fund. As members are aware, the use of ringfenced reserves can only ever be a temporary solution to the financial position and should only be agreed while substantive measures are taken to move the Council's finances back to recurring financial balance.

**Table 5 – Budget Overview 2024/25**

Summary of Revenue Estimate 2024/25	2024/25
	£000
<b>Estimated Funding</b>	
Total Government Grant advised	427,174
Council Tax Income	110,304
Council Tax / Community Charge Arrears Recovery	500
<b>Total Income</b>	<b>537,978</b>
Total Estimated Spending Need	547,262
<b>Estimated Deficit</b>	<b>(9,284)</b>

- 11.2 As outlined at section 4 above, there is a risk that the income related to teacher numbers is now subject to specific grant conditions. Should the Council not be able to satisfy these conditions, the estimated deficit above will increase to £14.085 million.

## **12. PROBABLE OUTTURN 2023/24, BALANCES AND RESERVES**

- 12.1 Appendix 1 to this report details an overview of the Probable Outturn for 2023/24. The Council's general fund balances as at 1 April 2023 were £127.391 million and, as outlined in Table 6 below, the significant majority of this was earmarked for specific purposes. This balance also reflects the previously agreed de minimis in unallocated balances of £10 million, reflecting the current heightened financial risk environment. As reported to Members over the course of 2023/24, a year-end overspend position in the order of £7-8 million is projected for the Council (excluding adult social care services), with an expectation that the financial sustainability fund would require to be utilised to fund the overspend.
- 12.2 The budget agreed by council for 2023/24 also relied on the use of the loans charges flexibility fund which is to be utilised over the medium term to flexibly support the anticipated budget gap in loans fund interest repayments and the cessation of loans charges support while the base budget is rebuilt as outlined at section 6 above. Officers will continue to revise capital spending and borrowing forecasts, and utilise existing budget and accounting mechanisms flexibly in order to minimise the potential draw on this fund in 2023/24; however a draw of up to £3 million may be required – less than the anticipated position agreed by Council, predominantly due to the delayed completion of City Deal and cultural infrastructure capital projects.
- 12.3 It remains important that the Council maintains sufficient unallocated reserves to provide an appropriate degree of financial protection and immediate financial resilience moving forward, and that the level of unallocated reserves held is guided by the risk profile faced by the Council.

- 12.4 It is recognised that the financial risk profile for the Council has increased significantly over the past number of years and in this context the Council previously approved to maintain unallocated balances at a minimum £10 million. The actual outturn on unallocated balances in 2022/23 of £10.318 million represented 2.3% of the Council's budgeted net expenditure. It is estimated that this balance will remain broadly static in closing the 2023/24 financial year - a level that remains both prudent and appropriate for the Council's circumstances. As always, the Accounts Commission will continue to closely monitor the Council's position in respect to unallocated reserves as part of its wider assessment of the Council's financial stability and resilience.
- 12.5 Table 6 below summarises the forecast movement and year-end position of General Fund balances, including those earmarked for agreed purposes and estimated future liabilities. It should be noted this forecast is subject to some volatility as the 2023/24 financial position is closed out.

**Table 7 – General Fund Balances 2023/24**

<b>Summary of Usable Reserves 2024/25</b>	<b>Balances at 1/4/2023</b>	<b>Forecast Movement</b>	<b>Forecast Closing Position at 31/03/2024</b>
<b>General Fund Balances</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Alcohol and Drugs Commission	1,303	(625)	678
Children's Services	5,243	(1,123)	4,120
City Deal	1,619	(1,175)	444
Civil Contingencies Shared Service	114	-	114
Culture Bid Legacy	3,093	(2,138)	955
Development Contribution – Paisley Town Centre	1,057	(1,057)	-
Digital Infrastructure	2,422	(1,000)	1,422
Discretionary Business Grants	392	(100)	292
Early Years Change Fund	2,900	(397)	2,503
Employability	9,310	(1,286)	8,024
Environment & Infrastructure	560	(500)	60
Fairer Renfrewshire Programme	4,497	(2,132)	2,365
Financial Sustainability Fund	21,506	(7,595)	13,911
Fly Tipping Enforcement	242	(242)	-
Leisure: Inclusive Play Facility	7	-	7
Loan Charges Flexibility Fund	44,759	(3,000)	41,759
Local Authority Economic Recovery Fund	305	(305)	-
Local Heat and Energy Efficiency Strategy	75	(75)	-
Memorial Headstone Safety	114	(114)	-
Paisley Town Centre Heritage Asset Strategy	885	(885)	-
Private Sector Housing Grant	2,039	(41)	1,998
Pupil Equity Fund	1,030	-	1,030
Rapid Rehousing Transition Plan	40	(40)	-
Resettlement and Asylum Fund	585	503	1,088
School Music Participation Funding	222	(188)	34
Service Modernisation and Reform Fund	11,018	(2,015)	9,003
Sustainable Communities Fund	656	(92)	564
Villages Investment Fund	-	200	200
Welfare Reform	1,079	(593)	486
Unallocated General Fund Balance	10,318	(10)	10,308
<b>Total General Fund Balances</b>	<b>127,390</b>	<b>(26,025)</b>	<b>101,365</b>

12.6 As previously reported to Council in its consideration of the annual accounts, and as detailed in Table 7 below, other specific reserves continue to be maintained.

**Table 7 – Specific Reserves 2023/24**

Summary of Usable Reserves 2024/25	Balances at 1/4/2023	Forecast Movement	Forecast Closing Position at 31/03/2024
Specific Reserves	£000	£000	£000
Insurance Fund	2,653	-	2,653
Reservoir Repair Fund	321	-	321
Education Capital Items Fund	2,145	-	2,145
Investment Programme Capital Fund	87,956	(5,300)	82,656
<b>Total Specific Reserves</b>	<b>93,075</b>	<b>(5,300)</b>	<b>87,775</b>

- 12.7 The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes such as the cost of insurance excesses and premiums.
- 12.8 The Reservoir Repairs Fund represents funding received from a developer for repairs in perpetuity in relation to the Thornly Dam.
- 12.9 The Education Capital Items fund is earmarked for specific schools for the planned purchases of a capital nature such as computers and information communication technology equipment.
- 12.10 The Investment Capital Fund is used to hold planned contributions to the delivery of the ongoing capital investment programmes, as well as resources that support the long-term debt smoothing strategy. These debt smoothing resources are utilised to manage both the debt levels linked with the capital investment programme and the associated debt servicing costs i.e. principal repayments, charged to the revenue account each year.

### **13. BUDGETARY CONTROL**

- 13.1 Directors are expected to manage their approved budgets on a bottom-line basis in accordance with the Financial Regulations. If an overspend emerges during the year on any approved budget line the Director is expected to take corrective action, seeking Policy Board approval for any policy changes involved in such actions. Members should also be aware that, given the reliance on non-recurring reserves to produce a balanced budget, any further decisions taken by the Council or Policy Boards to increase spend over the course of the year must give consideration to how this spend will be funded.

### **14. FURTHER ACTION**

- 14.1 Members wishing clarification of the details of this report or the enclosed Revenue Estimates pack should contact the Director of Finance & Resources or the Chief Executive or any Director in relation to their specific service responsibilities.
- 14.2 Members wishing advice on budget proposals should contact the appropriate service Director.

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## Implications of the Report

1. **Financial** - The report and enclosures provide the background information on the 2024/25 revenue budget, identifying a recurring deficit position in year, with a significant budget deficit of up to £45-50 million forecast over the following three years. As detailed in the report, if the Council does not comply with the specified set of commitments linked to the financial settlement offer as part of agreeing the 2024/25 budget, it would be anticipated that the grant settlement will be subject to review by the Scottish Government, albeit detail on the specific action that would be taken by the Government has not been confirmed.
2. **HR & Organisational Development** - implications will be subject to any budget proposals agreed.
3. **Community/Council Planning** – implications will be subject to any budget proposal agreed. Members should however keep in mind that over the medium term the Council is anticipated to have to continue to increasingly make key choices to direct resources to support the delivery of those outcomes of greatest priority as defined in the Council Plan.
4. **Legal** – the Council is legally required to set a balanced budget.
5. **Property/Assets** - implications will be subject to any budget proposals agreed.
6. **Information Technology** - implications will be subject to any budget proposals agreed.
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report, however the final implications will be determined by the budget proposals agreed. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored.
8. **Health & Safety** - none
9. **Procurement** – none

10. **Risk** - As outlined in the report, the Council continues to be faced with significant financial risk in setting its 2024/25 budget in the context of inflationary costs, service demands and potential funding claw backs. The financial outlook over the medium term remains loaded with downside risks, principally in relation to factors out with the Council's direct control. In addition, the scope of service change required and scale of cost reduction necessary to align Council spending with available resources over the medium term brings with it additional risk for the Council. In recognition of this it is critical that the Council's financial resilience is maintained and that decisions taken by the Council pay due regard to the medium-term financial outlook.
11. **Privacy Impact** - implications will be subject to any budget proposals agreed.
12. **Cosla Policy Position** – implications will be subject to any budget proposals agreed.
13. **Climate Risk** – implications will be subject to any budget proposals agreed.

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**Author:** Alastair MacArthur, Director of Finance & Resources





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

Net Expenditure	2023/24			2024/25
	Approved Estimates £000	Revised Estimates £000	Probable Outturn £000	Estimates £000
Children's Services	242,225	248,982	251,056	253,831
Adult Services	94,264	94,138	95,686	106,490
Environment, Housing and Infrastructure	58,538	57,123	63,072	58,924
Finance and Resources	41,400	41,767	41,767	44,488
Miscellaneous Services	27,243	22,647	21,847	6,750
Leisure Services	13,119	12,629	12,629	13,243
Chief Executive Services	13,352	11,185	11,181	10,580
Loans Fund	4,377	5,976	5,976	7,201
Strathclyde Passenger Transport	3,168	3,237	3,237	3,238
Renfrewshire Valuation Joint Board	1,657	1,657	1,657	1,665
<b>Net Expenditure</b>	<b>499,343</b>	<b>499,341</b>	<b>508,108</b>	<b>506,410</b>
Funding Income	(498,738)	(498,737)	(498,737)	(524,828)
<b>Budget Deficit/ (Surplus)</b>	<b>605</b>	<b>604</b>	<b>9,371</b>	<b>(18,418)</b>
<b>Net Expenditure</b>				<b>506,410</b>
Plus Council Tax and NDR movements (in Funding Income above)				13,150
<b>Base Budget 2024/25 per Table 4</b>				<b>519,560</b>



**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
ADULT SERVICES**

<b>PAPER 1</b>
----------------

**Analysis of Change between 2023/24 and 2024/25**

£

**2023/24 Estimates**

**94,137,995**

**Adjustment to Current Year Estimates**

**Settlement Adjustments:**

Social Care Living Wage 2023/24

3,035,000

Social Care Living Wage 2024/25

7,657,000

Free Personal and Nursing care

234,000

**10,926,000**

**Unavoidable Pressures:**

Full year impact of 2023/24 pay settlement

1,426,000

**1,426,000**

**2024/25 Estimates (before Council decisions)**

**106,489,995**

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
CHIEF EXECUTIVE SERVICES**

<b>PAPER 1</b>
----------------

**Analysis of Change between 2023/24 and 2024/25**

**£**

**2023/24 Estimates**

**11,185,539**

**Adjustment to Current Year Estimates**

**Unavoidable Pressures:**

Digital Office subscription increase (COSLA)

16,000

**16,000**

**Transfers (to) / from other Services:**

Climate Change Officer into base budget

62,500

Communications Business Partner Finance and Resources / Corporate

64,380

Communications Business Partner Environment, Housing and Infrastructure

169,420

Communications Business Partner Children's Services

64,380

**360,680**

**Proposed Savings:**

Right for Renfrewshire

(232,000)

Economic Development - grant substitution

(750,000)

**(982,000)**

**2024/25 Estimates (before Council decisions)**

**10,580,219**

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
LEISURE SERVICES**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

**£**

**2023/24 Estimates**

**12,629,559**

**Adjustment to Current Year Estimates**

**Unavoidable Pressures:**

Full year impact of 2023/24 pay settlement

613,000

**613,000**

**2024/25 Estimates (before Council decisions)**

**13,242,559**

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
CHILDREN'S SERVICES**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

**£**

<b>2023/24 Estimates</b>		<b>248,981,605</b>
<b>Adjustment to Current Year Estimates</b>		
<b>Settlement Adjustments:</b>		
Whole Family Wellbeing Fund	23,000	
Pupil Equity Fund	11,000	
	<u>          </u>	<b>34,000</b>
<b>Unavoidable Pressures:</b>		
Annual Contractual PPP Contract Indexation Adjustment	1,000,000	
External secure care / residential placements	3,000,000	
ASN Transport contractual increase	750,000	
National Rate Fostering and Kinship	720,000	
Mainstream Transport contractual increase	650,000	
Early Years Provider Rates	400,000	
	<u>          </u>	<b>6,520,000</b>
<b>Transfers (to) / from other Services:</b>		
Communications Business Partner to Chief Executive Services	(64,380)	
	<u>          </u>	<b>(64,380)</b>
<b>Proposed Savings:</b>		
Financial Sustainability Workstreams	(1,640,000)	
	<u>          </u>	<b>(1,640,000)</b>
<b>2024/25 Estimates (before Council decisions)</b>		<b><u><u>253,831,225</u></u></b>

**RENFREWSHIRE COUNCIL**  
**SUMMARY OF 2024/25 REVENUE ESTIMATES**  
**ENVIRONMENT, HOUSING AND INFRASTRUCTURE**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

**£**

<b>2023/24 Estimates</b>		<b>57,122,794</b>
<b>Adjustment to Current Year Estimates</b>		
<b>Settlement Adjustments:</b>		
Free School Meals P6-7	154,000	
		<b>154,000</b>
<b>Unavoidable Pressures:</b>		
Soft FM income base budget adjustment	900,000	
Tree Management Team	650,000	
Car Parking income (net of anticipated income)	500,000	
Food costs inflation	500,000	
School Meal income base budget adjustment post-expansion	400,000	
Contract Price Increase for Waste Disposal	216,000	
Memorial Headstone Safety	170,000	
Streetlighting contractual inflation	170,000	
Soft FM staff for Dargavel and Park Mains	110,000	
Online cashless schools system (ParentPay)	103,100	
H&S HAV Monitoring	38,500	
		<b>3,757,600</b>
<b>Transfers (to) / from other Services:</b>		
Communications Business Partner to Chief Executive Services	(169,420)	
		<b>(169,420)</b>
<b>Proposed Savings:</b>		
Right for Renfrewshire	(1,058,000)	
Financial Sustainability Workstreams	(883,000)	
		<b>(1,941,000)</b>
<b>2024/25 Estimates (before Council decisions)</b>		<b>58,923,974</b>

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
STRATHCLYDE PASSENGER TRANSPORT**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

**£**

**2023/24 Estimates**

**3,237,698**

**Adjustment to Current Year Estimates**

**-**

**2024/25 Estimates (before Council decisions)**

**3,237,698**



**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
FINANCE AND RESOURCES**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

£

<b>2023/24 Estimates</b>		<b>41,767,116</b>
<b>Adjustment to Current Year Estimates</b>		
<b>Settlement Adjustments:</b>		
Discretionary Housing Payments initial grant allocation	2,435,000	
		<b>2,435,000</b>
<b>Unavoidable Pressures:</b>		
Programme Management Unit staffing	249,900	
ICT contract renewals and Cyber Security	128,800	
External audit fees increase	24,270	
		<b>402,970</b>
<b>Transfers (to) / from other Services:</b>		
Insurance premium cost increase	213,000	
Communications Business Partner to Chief Executive Services	(42,920)	
		<b>170,080</b>
<b>Proposed Savings:</b>		
Right for Renfrewshire	(287,000)	
		<b>(287,000)</b>
<b>2024/25 Estimates (before Council decisions)</b>		<b>44,488,166</b>

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
RENFREWSHIRE VALUATION JOINT BOARD**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

**£**

**2023/24 Estimates**

**1,657,150**

**Adjustment to Current Year Estimates**

**Settlement Adjustments:**

Increase in Barclay requisition to RVJB

8,000

**8,000**

**2024/25 Estimates (before Council decisions)**

**1,665,150**

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
MISCELLANEOUS SERVICES**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

£

<b>2023/24 Estimates</b>		<b>22,646,874</b>
<b>Adjustment to Current Year Estimates</b>		
<b>Settlement Adjustments:</b>		
Early Years Provider Rate	564,000	
	<u>564,000</u>	<b>564,000</b>
<b>Unavoidable Pressures:</b>		
Utility cost inflation	1,000,000	
	<u>1,000,000</u>	<b>1,000,000</b>
<b>Transfers (to) / from other Services:</b>		
Communications Business Partner to Chief Executive Services	(21,460)	
Climate Change Officer into base budget	(62,500)	
Insurance premium uplifts to Finance and Resources	(213,000)	
NDR Discretionary Relief to NDR Account	(300,000)	
Council Tax Reduction to Council Tax Account	(14,000,000)	
	<u>(14,596,960)</u>	<b>(14,596,960)</b>
<b>Proposed Savings / Prior Year Decisions:</b>		
Employer Pension Contributions recurring	(2,285,252)	
General Fees and Charges Uplift (5%)	(279,000)	
Removal of one-off cost for Mod	(300,000)	
	<u>(2,864,252)</u>	<b>(2,864,252)</b>
<b>2024/25 Estimates (before Council decisions)</b>		<b><u>6,749,662</u></b>

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
LOANS FUND**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

**£**

**2023/24 Estimates**

**5,976,176**

**Adjustment to Current Year Estimates**

**Strategic Investments:**

Loan Charges rebuild

500,000

Loan Charges - City Deal

600,000

Loan Charges - Levelling Up match funding

125,000

**1,225,000**

**2024/25 Estimates (before Council decisions)**

**7,201,176**

**RENFREWSHIRE COUNCIL  
SUMMARY OF 2024/25 REVENUE ESTIMATES  
FUNDING INCOME**

**PAPER 1**

**Analysis of Change between 2023/24 and 2024/25**

**£**

<b>2023/24 Estimates</b>		<b>(498,737,809)</b>
<b>Adjustment to Current Year Estimates</b>		
<b>Settlement Adjustments</b>		
GRG Increase	(32,608,630)	
Specific Grant Teacher Numbers*	(4,801,000)	
Council Tax base growth	<u>(1,830,185)</u>	<b>(39,239,815)</b>
<b>Transfers from Other Services</b>		
NDR Discretionary Relief from Miscellaneous	300,000	
Council Tax Reduction from Miscellaneous	<u>14,000,000</u>	<b>14,300,000</b>
<b>Proposed Savings:</b>		
Council Tax Reduction base budget adjustment	(500,000)	
Council Tax base budget adjustment	(500,000)	
Council Tax on Second Homes	<u>(150,000)</u>	<b>(1,150,000)</b>
<b>2024/25 Estimates (before Council decisions)</b>		<b><u><u>(524,827,624)</u></u></b>





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**To:** Council

**On:** 29 February 2024

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

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**Heading:** Non-Housing Capital Investment Programme, Prudential Framework and Treasury Management Strategy, and Capital Strategy 2024/25 – 2028/29

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## 1. Summary

- 1.1. This report details the planned Non-Housing Capital Investment Programme for projects across all service areas of the Council, except Council Housing. Funding available to support this investment includes prudential borrowing and capital grant, as well as contributions from revenue, partners and external funding bodies.
- 1.2. The draft Scottish Government budget for 2024/25 was published on 19 December 2023, with a provisional local government finance settlement outlined in Finance Circular 08/2023, published on 21 December 2023. The General Capital Grant for Renfrewshire Council in 2024/25 indicated in the circular is **£11.639m**, which includes Play Park Renewal grant funding of £0.462m. This represents a 3.4% reduction from the 2023/24 level of £12.044m. The Specific Capital Grant of **£0.809m** for Cycling Walking and Safer Streets has increased marginally (2.9%) from £0.786m last year.
- 1.3. The level of general capital grant allocated to local government in the draft Scottish Budget for 2024/25 (£535m) represents a like-for-like reduction of 6.1% from the 2023/24 allocation. In the context of this funding environment, the scope for any investment in assets, including lifecycle maintenance, is significantly reduced, unless other sources of funding can be accessed including, for example, realised capital receipts, sustainable prudential borrowing funded by recurring revenue savings, or external grant funding. The £535m general capital grant for Scotland includes £43m for the expansion of Free School Meals that has not yet been distributed.

- 1.4. There is likely to be limited opportunity for generating capital receipts as a source of income to the capital plan, suggesting potentially a greater reliance on borrowing as the main source of capital funding outwith the capital grant settlement. Increased borrowing, however, will result in revenue pressures at a time when the revenue fund is also severely constrained.
  - 1.5. It should be noted that the capital plan outlined in this report extends beyond 2024/25, yet no capital grant from 2025/26 onward has been confirmed; therefore an estimated annual general capital grant level of £11.150m and specific grant level of £0.800m have been assumed for future years. Approved programmes already in place that are funded by other arrangements, e.g. prudential borrowing or specific funding related to the City Deal, are also included. It should be further noted that this approach does not preclude the Council from taking further investment decisions as part of the budget process where separate funding arrangements are established.
  - 1.6. A number of proposed changes to the funding of the Cultural and Heritage Infrastructure programme are outlined at section 4. The recommendations, as well as the Capital Plan presented in appendices 1 and 2, reflect these proposals.
  - 1.7. The Prudential Code and Treasury Management Code both play a key role in capital finance within local authorities; they require the Council to set Prudential and Treasury Management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities, while the Prudential Code also requires full Council approval of the Capital Strategy, setting out the long-term context within which capital investment decisions are made to improve capital, revenue and balance sheet planning.
  - 1.8. Details of the proposed Prudential Indicators and Treasury Management Strategy are attached at Appendix 3; and the proposed Capital Strategy is attached at Appendix 4.
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## **2. Recommendations**

- 2.1 It is recommended that Council:
  - (a) Approves the Capital Investment Programme covering the period up to 2028/29, as summarised in Table 2 of this report and detailed in Appendices 1 and 2 attached;



- (b) Notes the level of capital grant available in 2024/25 and also that estimates of general and specific grant have been included within the planned programme beyond this financial year, in the absence of formal confirmation;
- (c) Notes the level of uncommitted capital receipts included in the plan, incorporated as a Strategic Asset Management Fund of £2m;
- (d) Delegates authority to the relevant Heads of Service in consultation with the Director of Finance and Resources to adjust, where appropriate, resources across individual components of the lifecycle maintenance, cultural infrastructure, roads and structures, and schools investment programmes respectively;
- (e) Approves the proposals outlined in section 4 of this report in order to support delivery of the Cultural and Heritage Infrastructure Programme;
- (f) Approves the Prudential Indicators set out in Appendix 3 to this report, subject to any required adjustments arising from decisions taken by the Council in relation to the capital and revenue budget reports being presented to this Council meeting;
- (g) Approves the Treasury Management Strategy Statement 2024/25, including the treasury management indicators, set out in Appendix 3 to this report; and
- (h) Approves the Capital Strategy set out in Appendix 4 to this report.

### **3. Overview of Capital Resources and Proposed Programme**

3.1 The update to the capital programme outlined in this report focuses on the 2024/25 financial year and includes:

- Confirmation of the roll forward of projects already approved as part of the existing Capital Investment Plan, including major projects already underway as part of the existing investment programme;
- This includes £45m for a new build primary in the Dargavel area, and £30m for an extension to Park Mains High School (supported by an assumed £15m contribution from BAE Systems), as approved by the Council in September 2023. Officers are currently developing the next iteration of the school estate investment plan and longer term strategic estate requirements, based on updated condition survey work which has been undertaken over recent months. Future investment plans will require to be considered based on available capital resource and the Council's capacity for further borrowing to support capital investment, acknowledging that the two projects mentioned above will be prioritised over other estate requirements;

- In line with the Council's agreed medium-term financial planning principles, the General Capital Grant for 2024/25 is directed firstly to maintain the delivery of the Council's rolling lifecycle maintenance programmes across the Council's key asset classes as follows:
  - lifecycle maintenance programme for the Council's property portfolio (£3m);
  - maintaining an annual replacement programme for the Council's vehicle fleet (£2.1m);
  - maintenance programmes for the Council's transport infrastructure covering roads & footpaths (£4m), bridges and streetlighting/traffic lights (£0.9m);
  - maintenance and refresh of the Council's ICT estate (£0.6m)
  - renewal of play parks in line with confirmed funding (£0.46m)
  - maintaining delivery of the Private Sector Housing programme (£0.6m).
- Specific Capital Grant for 2024/25 is for the following purposes:
  - Cycling, Walking and Safer Streets (£0.809m).

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

**Table 1: Resource Availability 2024/25 - 2026/27**

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2025/26 £000s	2026/27 £000s
Prudential Borrowing	95,006	87,780	15,400	400	400
<b>Total Borrowing</b>	<b>95,006</b>	<b>87,780</b>	<b>15,400</b>	<b>400</b>	<b>400</b>
Specific Grants	3,028	800	800	800	800
General Capital Grant	11,177	11,150	11,150	11,150	11,150
General Capital Grant - Renewal of Play Parks	462	768	0	0	0
BAE contribution (Park Mains)	5,000	5,000	5,000	0	0
City Deal Grant	0	44,542	51,154	43,362	0
Usable Capital Receipts (previously committed)	24,600	768	0	0	0
Usable Capital Receipts	2,250	150	0	0	0
Capital Funded from Current Revenue (CFCR)	6,300	0	0	0	0
<b>Total Resource Availability</b>	<b>147,823</b>	<b>150,958</b>	<b>83,504</b>	<b>55,712</b>	<b>12,350</b>

**Table 2: Programme 2024/25 - 2028/29**

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000s	£000s	£000s	£000s	£000s
<b>Major Programmes</b>					
Schools Estate Programme	55,493	77,850	20,000	0	0
Schools Transformation & ICT	400	400	400	400	400
Lagoon Internal Play Centre	1,000	0	0	0	0
City Deal Projects	21,356	44,592	51,154	43,362	0
AMIDS South	24,690	13,308	0	0	0
Paisley Cultural Facilities	2,057	0	0	0	0
RCGF PACE Theatre	210	0	0	0	0
Paisley Museum	13,527	0	0	0	0
Heritage Venues & Town Centre Infrastructure	3,393	0	0	0	0
Town Centre Capital Regeneration	314	1,800	0	0	0
Place Based Fund	2,219	0	0	0	0
Strategic Asset Management Fund	2,000	0	0	0	0
<b>Asset Lifecycle Maintenance Programmes</b>					
General ICT Replacement	600	600	400	400	400
Buildings Capital Lifecycle	8,837	3,100	3,400	3,200	3,200
Retail Improvement Fund	200	0	0	0	0
Private Sector Housing Grant (PSHG)	644	600	600	600	600
Vehicle Replacement	2,303	2,100	2,000	2,000	2,000
Roads & Footpaths	4,000	4,000	4,000	4,200	4,200
Cycling, Walking and Safer Streets	809	800	800	800	800
Active Travel Transformation Fund	620	0	0	0	0
Renewal of Play Parks	1,580	768	0	0	0
Bridges	377	250	250	250	250
Improvements to Outdoor Access and Play Areas	81	0	0	0	0
Lighting columns and traffic signals	500	500	500	500	500
Parks Improvement Programme	28	0	0	0	0
Underwood Depot Upgrades	250	150	0	0	0
Nature Restoration Fund	335	140	0	0	0
<b>Total Planned Spend</b>	<b>147,823</b>	<b>150,958</b>	<b>83,504</b>	<b>55,712</b>	<b>12,350</b>

#### **4. Cultural and Heritage Infrastructure Programme**

- 4.1 The Council has been undertaking an ambitious programme of investment in its cultural and heritage assets. As reported to the Economy and Regeneration Policy Board on 23 January 2024, construction and refurbishment works in historic buildings are intrinsically subject to a higher degree of cost volatility due to the nature of the works and the fact that the complexity and detail of the works required are in many instances not fully known until the works are in progress and the building condition is fully understood.
- 4.2 The existing capital budgets for those works in progress – Paisley Town Hall, Paisley Museum and Paisley Arts Centre – are under considerable pressure due to these issues and also due to the extended timescales of the works, which were severely affected by the pandemic closedown and subsequent modified working practice period. Council agreed in June 2023 to pause elements of the wider cultural venues and town centre infrastructure programme in order to release funding towards those projects whose budgets are under pressure.
- 4.3 It is further proposed to largely pause the £2.3m planned investment at Abbey Close public realm, with £2m being reallocated within the Capital Plan proposed here to Paisley Arts Centre (£0.700m) and Paisley Museum (£1.300m), where there are significant cost pressures due to delays in, and the complexity of, the work involved in refurbishing historic buildings. As these projects come to a close, this indicative allocation across the two projects may require adjustment; therefore it is proposed that the Council agrees to delegate authority to the Director of Finance and Resources to flexibly utilise this £2m resource between these two projects as required. The balance of funding remaining with the Abbey Close project will be utilised in a modified project scope aimed to refurbish and repair the existing public realm features.
- 4.4 When the original cultural investment programme was agreed, this included the provision of revenue resource to support the borrowing involved to fund the capital works. Owing to the delays experienced on the projects, it is possible now for this revenue funding, which has accumulated in the current and prior financial years, to be released from the investment capital fund. It is proposed that £5.3m of this reserve funding is now drawn down to support the Paisley Museum Reimagined project, which has been impacted by historic maintenance issues, meaning more extensive work than was originally anticipated has been necessary. This is reflected as Capital Funded from Current Revenue (CFCR) in the proposed Capital Plan in appendices 1 and 2.

- 4.5 In order to secure financial closure of the Paisley Town Hall project, it is also proposed that the Development Contribution – Paisley Town Centre earmarked reserve of £1.056m is utilised to fully fund the project. This would result in this legacy earmarked reserve being reduced to nil in closing the 2023/24 financial year.

## **5. Lifecycle Maintenance of Existing Assets**

- 5.1 The Council has committed to a financial planning principle that capital grant resources are directed in the first instance to support lifecycle maintenance programmes to protect the Council's existing assets and infrastructure. Annual lifecycle investment across the Council's key asset classes during 2024/25 is included within the capital programme detailed in Appendix 2.

### Property Lifecycle Maintenance

- 5.2 The Council's property portfolio was predominantly built prior to statutory and Health & Safety legislation and guidance, and as such the current identified priorities focus primarily on undertaking investment to improve health and safety standards, compliance with statutory duties and improving energy efficiency across the property portfolio. The amount of funding available to undertake component replacement and major maintenance remains very constrained and it is increasingly difficult to maintain the condition of the current estate. The Council will need to consider the future size of the property estate in terms of the affordability of maintenance obligations.
- 5.3 It is recognised that a sufficient degree of flexibility in the management of the lifecycle maintenance fund is required to address changing priorities that may emerge. It is therefore proposed that the Head of Facilities and Property Services, in consultation with the Director of Finance and Resources, is delegated authority to adjust the allocation of resources within this proposed programme, with appropriate reporting to the Finance and Resources Policy Board. There is a carry forward of prior year funding as well as an allocation of £3m of General Capital Grant reflected in the 2024/25 budget.

### Roads and Footpaths

- 5.4 The Council approved a large-scale Roads and Footways investment programme in 2019, of which 2023/24 was the final year. This report recommends that £4m of General Capital Grant is allocated to Roads and Footways in 2024/25 and, similar to property lifecycle maintenance, it is proposed that the Head of Climate, Public Protection and Roads, in consultation with the Director of Finance and Resources, is delegated authority to adjust the allocation of resources within this programme.

### Streetlighting, Bridges and Other Road Structures

- 5.5 In order to maintain the overall condition of street lighting columns, bridges and structures, an allocation of £0.877m of General Capital Grant for the rolling replacement programme is proposed for 2024/25.

### Vehicle and Plant Replacement Strategy

- 5.6 The Council has invested significant capital resources in recent years to support a vehicle replacement strategy. Continued investment is required in order to sustain planned vehicle replacement cycles and maintain the ability of the existing vehicle and plant fleet to meet the needs of services and mitigate against increased revenue pressures arising from additional maintenance and temporary hire costs due to increased vehicle failure rates. This will include a fundamental review of the Building Services fleet. It is proposed that £2.100m of the General Capital Grant is allocated for this purpose in 2024/25.

### Private Sector Housing Grant (PSHG)

- 5.7 The PSHG is utilised to support a range of support programmes for private sector housing owners and is funded through a mix of revenue and capital funding. A priority component of this programme has been to support owner occupiers in meeting the costs of common works being delivered in mixed tenure blocks. This is a key enabler with regards the implementation of the housing regeneration programme. It is proposed to maintain the grant allocation at £0.600m in 2024/25.

## **6. Prudential Framework for Capital Finance and Treasury Management Strategy Statement 2024/25**

- 6.1 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”).
- 6.2 The Prudential Code and Treasury Management Code play a key role in capital finance in local authorities. Local authorities determine their own programmes for capital investment in assets that are central to the delivery of services. The Prudential Code and Treasury Management Code were developed to support local authorities in taking decisions relevant to their capital investment plans.
- 6.3 Their key objectives are to ensure that:
- capital expenditure plans and investment plans are affordable and proportionate;

- all external borrowing and other long-term liabilities are within prudent and sustainable levels;
  - the risks associated with investments for commercial purposes are proportionate to their financial capacity; and
  - treasury management decisions are taken in accordance with good professional practice.
- 6.4 The Prudential Code and the Treasury Management Code require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council's capital investment plans are affordable, proportionate, prudent and sustainable.
- 6.5 In addition, the Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities. This strategy sets out the Council's policies and plans for the year ahead in relation to the management of cashflows, money market and capital market transactions (including borrowing and investing), the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
- 6.6 Attached at Appendix 3 to this report are full details of the Council's Prudential Indicators and Treasury Management Strategy Statement for 2024/25, based on the details outlined in this report.

## **7. Capital Strategy**

- 7.1 The Capital Strategy provides an overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of public services in local government, along with an overview of how associated risk is managed, and implications for future financial sustainability.
- 7.2 Development, and full Council approval, of the Capital Strategy is a requirement of the Prudential Code, with the intention that the strategy sets out the long-term context within which capital investment decisions are made, and to improve capital, revenue and balance sheet planning.
- 7.3 The Capital Strategy is attached at Appendix 4 to this report.

## **8. Equalities**

- 8.1 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.

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

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## Implications of the Report

1. **Financial:** the Capital Plan outlines the planned investments in council assets over a five-year period; along with associated funding sources. The Capital Plan, Prudential Framework, Treasury Management Strategy and Capital Strategy ensure that investment in council assets is undertaken in a prudent and financially sustainable fashion, is consistent with the Council's priorities and agreed financial planning principles, and is affordable for the Council now and in future years. The General Capital Grant confirmed for 2024/25 is £11.639m, including £0.462m for Renewal of Play Parks.
2. **HR & Organisational Development:** none arising directly from this report.
3. **Community/Council Planning:** the investments outlined in these reports contribute to all strategic themes within the Council Plan objectives; their delivery will ensure that the Council's assets and infrastructure are fit for purpose and provide the people of Renfrewshire with access to facilities that improve their environment and opportunities, while ensuring the Council is financially sustainable by applying prudential rules.
4. **Legal:** the Local Government in Scotland Act 2003 and supporting regulations require local authorities to have regard to the Prudential Code for Capital Finance in Local Authorities, and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes, both issued by the Chartered Institute of Public Finance and Accountancy.
5. **Property/Assets:** the Capital Plan outlines significant investment in Council assets and infrastructure over the medium term in order to ensure they remain fit for purpose and support efficient service delivery.
6. **Information Technology:** the Capital Plan outlines investment in ICT assets that will ensure the Council continues to have access to secure, efficient ICT services.



7. **Equality & Human Rights:** 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.
8. **Health & Safety:** the Capital Plan outlines investment in Council assets and facilities to ensure they remain safe and accessible in line with statutory obligations.
9. **Procurement:** the Capital Plan outlines significant investment in Council assets which will conform to all relevant contract standing orders and procurement legislation.
10. **Risk:** investment in Council assets ensures they remain fit for purpose and meet all statutory requirements in terms of accessibility, sustainability and safety.
11. **Privacy Impact:** none arising directly from this report.
12. **Cosla Policy Position:** none arising directly from this report.
13. **Climate Risk:** investment in Council assets improves energy efficiency, reducing the Council's carbon footprint and helping it achieve its Net Zero by 2030 target.

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**Author:** Alastair MacArthur, Director of Finance & Resources

**List of Appendices to this report:**

- |            |   |
|------------|---|
| Appendix 1 | Summary of Capital Income and Expenditure 2024/25 to 2028/29            |
| Appendix 2 | Capital Investment Programme 2024/25 to 2028/29                         |
| Appendix 3 | Prudential Framework and Treasury Management Strategy Statement 2024/25 |
| Appendix 4 | Capital Strategy 2024/25 to 2026/27                                     |



## Appendix 1

2024/25 – 2028/29 Capital Investment Programme (NB: 2024/25 includes some carried forward budgets from earlier years).

General Services Capital Programme	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Schools and Early Years Investment	55,893	78,250	20,400	400	400
Leisure Estate	1,000	0	0	0	0
Environment and Infrastructure	10,883	8,708	7,550	7,750	7,750
Economic Development	21,720	1,800	0	0	0
City Deal	46,046	57,900	51,154	43,362	0
Corporate Projects	11,637	3,700	3,800	3,600	3,600
Private Sector Housing Grant	644	600	600	600	600
<b>Total General Services Programme</b>	<b>147,823</b>	<b>150,958</b>	<b>83,504</b>	<b>55,712</b>	<b>12,350</b>

Capital Resources	£000s	£000s	£000s	£000s	£000s
Prudential Borrowing	95,006	87,780	15,400	400	400
<b>Total Borrowing</b>	<b>95,006</b>	<b>87,780</b>	<b>15,400</b>	<b>400</b>	<b>400</b>
Specific Grant (CWSS)	3,028	800	800	800	800
General Capital Grant	11,177	11,150	11,150	11,150	11,150
General Capital Grant - Renewal of Play Parks	462	768	0	0	0
BAE contribution (Park Mains)	5,000	5,000	5,000	0	0
City Deal Grant	0	44,542	51,154	43,362	0
Usable Capital Receipts - Committed	24,600	768	0	0	0
Usable Capital Receipts - Uncommitted	2,250	150	0	0	0
Capital Funded from Current Revenue (CFCR)	6,300	0	0	0	0
<b>Total Resource Availability</b>	<b>147,823</b>	<b>150,958</b>	<b>83,504</b>	<b>55,712</b>	<b>12,350</b>



## Appendix 2

### 2024/25 – 2028/29 Capital Investment Programme by Project

Schools and Early Years Investment	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Paisley Grammar New Campus	34,631	33,850	0	0	0
Dargavel New Build	10,000	25,000	10,000	0	0
Thorn Primary New Build	5,737	4,000	0	0	0
Park Mains Extension	5,125	15,000	10,000	0	0
<b>Total Schools Investment Programme</b>	<b>55,493</b>	<b>77,850</b>	<b>20,000</b>	<b>0</b>	<b>0</b>
<b>Other Programmes</b>					
Technology Replacement Strategy ICT	400	400	400	400	400
<b>Total</b>	<b>55,893</b>	<b>78,250</b>	<b>20,400</b>	<b>400</b>	<b>400</b>

Leisure Estate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Lagoon Internal Play Centre	1,000	0	0	0	0
<b>Total</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Environment and Infrastructure	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
<b>Programme Funded By Specific Grant</b>					
Cycling, Walking & Safer Streets (CWSS)	809	800	800	800	800
<b>Total Programme Funded By Specific Consent</b>	<b>809</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>
<b>Asset Lifecycle Maintenance Programmes</b>					
Vehicle Replacement Programme	2,303	2,100	2,000	2,000	2,000
Bridge Assessment/Strengthening	377	250	250	250	250
Roads/Footways Upgrade Programme	4,000	4,000	4,000	4,200	4,200
Lighting Columns Replacement	500	500	500	500	500
Active Travel Transformation Fund (Motion)	620	0	0	0	0
<b>Other Major Programmes</b>					
Parks Improvement Programme	28	0	0	0	0
Improvements To Outdoor Access And Play Area	81	0	0	0	0
Underwood Depot Upgrades	250	150	0	0	0
Nature Restoration Fund	335	140	0	0	0
Renewal of Play Parks	1,580	768	0	0	0
<b>Total</b>	<b>10,883</b>	<b>8,708</b>	<b>7,550</b>	<b>7,750</b>	<b>7,750</b>

Economic Development	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
<b>Paisley Venue and Town Centre Infrastructure</b>					
Paisley Town Centre Infrastructure	3,393	0	0	0	0
Paisley Arts Centre Redevelopment	741	0	0	0	0
Paisley Town Hall Redevelopment	1,250	0	0	0	0
Paisley Museum	13,527	0	0	0	0
Town Centre Regeneration	314	1,800	0	0	0
Place Based Fund	2,219	0	0	0	0
Paisley Learning and Cultural Hub	66	0	0	0	0
RCGF PACE Theatre	210	0	0	0	0
<b>Total</b>	<b>21,720</b>	<b>1,800</b>	<b>0</b>	<b>0</b>	<b>0</b>

City Deal	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
<b>City Deal</b>					
Glasgow Airport Investment Area	2,065	0	0	0	0
Clyde Waterfront & Renfrew Riverside	19,291	50	0	0	0
Airport Access	0	44,542	51,154	43,362	0
<b>Total City Deal</b>	<b>21,356</b>	<b>44,592</b>	<b>51,154</b>	<b>43,362</b>	<b>0</b>
<b>City Deal Related Programmes</b>					
AMIDS South	24,690	13,308	0	0	0
<b>Total</b>	<b>46,046</b>	<b>57,900</b>	<b>51,154</b>	<b>43,362</b>	<b>0</b>

Corporate Projects	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
<b>ICT Programme</b>					
ICT Infrastructure Maintenance and Renewal Programme	600	600	400	400	400
<b>Other Corporate Programmes</b>					
Strategic Asset Management Fund	2,000	0	0	0	0
Lifecycle Capital Maintenance (LCM) Fund	8,837	3,100	3,400	3,200	3,200
Retail Improvement Fund	200	0	0	0	0
<b>Total</b>	<b>11,637</b>	<b>3,700</b>	<b>3,800</b>	<b>3,600</b>	<b>3,600</b>



## **APPENDIX 3 - Prudential Framework for Capital Finance 2024 to 2027 and Treasury Management Strategy Statement 2024/25**

### **1. Summary**

- 1.1 The Local Government in Scotland Act 2003 and supporting regulations require local authorities to have regard to the following codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):
- The Prudential Code for Capital Finance in Local Authorities (“the Prudential Code”);
  - Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (“the Treasury Management Code”).
- 1.2 The Prudential Code and the Treasury Management Code require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- 1.3 The Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities. This strategy (from section 8 onwards) sets out the Council’s policies and plans for the year ahead in relation to the management of cashflows; money market and capital market transactions, including borrowing and investing; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.4 CIPFA published updated Prudential and Treasury Management Codes on 20 December 2021 which have been fully implemented by the Council.

### **2. Prudential framework for capital finance: Purpose, governance and affordability considerations**

- 2.1 The Prudential Code plays a key role in capital finance in local authorities, who determine their own programmes for capital investment in fixed assets. The Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in taking decisions relevant to their capital investment plans.
- 2.2 The key objectives of the Prudential Code are to ensure that:
- capital investment plans are affordable and proportionate;
  - all external borrowing and other long-term liabilities are within prudent and sustainable levels;
  - the risks associated with investments for service and commercial purposes are proportionate to their financial capacity;
  - treasury management and other investment decisions are taken in accordance with professional good practice; and
  - the Council is accountable, by providing a clear and transparent framework.

- 2.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out key indicators that must be used and the factors that must be taken into account. The Prudential Code does not suggest indicative limits or ratios; these are for the Council to set itself.
- 2.4 The indicators required by the Prudential Code are designed to support and record local decision-making. They are not designed to be comparative performance indicators, and the use of them in this way would be likely to be misleading. In particular, local authorities have widely different debt positions and these differences are likely to increase over time as the result of the exercise of local choices. The system is specifically designed to support such local decision-making in a manner that is publicly accountable.
- 2.5 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This will be done by the same body that takes the decisions for the Council's budget, i.e. full Council. The Chief Finance Officer is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration and for establishing procedures to monitor performance.
- 2.6 Prudential indicators for previous years are taken directly from the Council's Annual Accounts. If any item within the Accounts that is relied upon for a prudential indicator is the subject of audit qualification, this must be highlighted when the prudential indicators are set out or revised. No such qualification has been stated.
- 2.7 The Local Government in Scotland Act 2003 refers to affordability. The Council must consider the affordability of its capital investment during all the years in which it will have a financial impact on the Council. In doing so, the Council needs to pay due regard to risk and uncertainty. Risk analysis and risk management strategies should be taken into account. The Prudential Code also requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice.
- 2.8 The fundamental objective in the consideration of the affordability of the Council's capital plans is to ensure that the total capital investment of the Council remains within sustainable limits, and in particular to consider its impact on the Revenue budget of the Council. Affordability is ultimately determined by judgement about acceptable levels of Council Tax or, in the case of the Housing Revenue Account, acceptable rent levels.
- 2.9 In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it and those expected in future years, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming years. The Council is also required to consider known significant variations beyond this timeframe. This requires the development of a three-year revenue forecast, and a rolling five-year capital investment plan.

- 2.10 Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objectives of sustainability and prudence are addressed year-on-year.
- 2.11 It is also prudent that treasury management is carried out in accordance with good professional practice. The Prudential Code requires compliance with the Treasury Management Code.
- 2.12 A soundly formulated capital programme must be driven by the desire to provide high quality, value-for-money public services. The Prudential Code recognises that in making its capital investment decisions the Council must have explicit regard to option appraisal, asset management planning, strategic planning for the Council and achievability of the forward plan.
- 2.13 The Prudential Code does not specify how the Council should have regard to these factors. All of them represent elements of good practice for which guidance has already been provided by CIPFA and other authoritative sources. The Prudential Code instead concentrates on the means by which the Council will demonstrate that its proposals are affordable, prudent and sustainable.
- 2.14 The Prudential Code promotes transparency in decision-making by using information contained within the Council's Annual Accounts and by having definitions for prudential indicators that are consistent with the definitions used within the Accounts.

### **3. Prudential framework for capital finance: Prudential indicators for capital expenditure**

#### **3.1 Capital expenditure**

Capital expenditure is defined in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25* and must be consistent with financial reporting standards for accounting purposes. In addition, under the Local Government in Scotland Act 2003, local authorities have a duty to observe proper accounting practices.

- 3.2 Under section 35(1) of the Local Government in Scotland Act 2003, it is the duty of the Council to determine and keep under review the maximum amount it can afford to allocate to capital expenditure.
- 3.3 The Council is required to make estimates of the capital expenditure it plans to incur for the forthcoming financial year and at least the following two years, and to keep these estimates under review. Separate estimates should be made for the Housing Revenue Account ("Housing") and for General Fund ("Non-housing") services. Details of the planned investment programmes for Housing and Non-housing services are presented in this report and take account of the capital resources that will be made available to the Council from the Scottish Government through the local government settlement 2024/25.

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

Estimated Capital Expenditure	2024/25 £000	2025/26 £000	2026/27 £000
Non-Housing	147,823	150,958	83,504
Housing	41,236	77,701	62,009
<b>Total</b>	<b>189,059</b>	<b>228,659</b>	<b>145,513</b>

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

3.6 After the year-end, the actual capital expenditure incurred during the financial year will be reported for Housing and for Non-housing. These figures will be included in the Council's Annual Accounts, along with explanations of significant variations from expectations. The actual capital expenditure incurred in 2022/23 was £119.061m.

### 3.7 **Capital Financing Requirement (CFR)**

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

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

3.8 Capital expenditure that is not financed by one of the above methods will increase what is known as the Capital Financing Requirement (CFR) of the Council. It has often been referred to as capital expenditure financed by borrowing; however this is incorrect, as borrowing provides cash, not the asset, since borrowing has to be repaid. Also, the term borrowing in this context does not necessarily imply external debt since, in accordance with best professional practice, the Council has an integrated Treasury Management Strategy and therefore does not associate borrowing with particular items or types of

expenditure. The Council will at any point in time have a number of cashflows, both positive and negative, and will be managing its position in terms of its borrowing and investments in accordance with its Treasury Management Strategy.

- 3.9 In measuring external debt, as detailed in section 4, the Prudential Code encompasses all borrowing, whether for a capital or for a revenue purpose. In day-to-day cash management, no distinction is made between ‘revenue cash’ and ‘capital cash’. External borrowing arises as a consequence of all financial transactions of the Council and not simply those arising from capital spending. In contrast, the CFR reflects the Council’s underlying need to borrow for a capital purpose.
- 3.10 The Council is required to make reasonable estimates of its CFR at the end of the forthcoming financial year and the two subsequent years, showing figures for Housing and Non-housing separately, and keep this under review.
- 3.11 The CFR will increase whenever capital expenditure is incurred. If this capital expenditure is resourced immediately, through usable capital receipts, direct financing from revenue or application of capital grants/contributions, then the CFR will reduce at the same time that the capital expenditure is incurred, resulting in no net increase to the CFR. The CFR also will be reduced by charges to the revenue account in respect of past capital expenditure, or where the Council may initiate voluntary early charges to revenue as part of longer term financial planning decisions.
- 3.12 Where capital expenditure is not resourced immediately, this will result in a net increase to the CFR that represents an increase in the underlying need to borrow for a capital purpose. This will be the case whether or not external borrowing actually occurs.
- 3.13 It is recommended that the Council approves the following as the indicator for the CFR at the end of each of the next three financial years:

Capital Financing Requirement	2024/25 £m	2025/26 £m	2026/27 £m
Non-Housing	458.111	540.766	550.557
Housing	136.630	186.995	231.040
<b>Total</b>	<b>594.741</b>	<b>727.761</b>	<b>781.597</b>

- 3.14 After the year-end, the actual CFR as at 31 March will be calculated for Housing and for Non-housing and these figures will be included in the Council’s Annual Accounts, with explanations for significant variations from expectations. At 31 March 2023 the Capital Financing Requirement was £442.065m.

**3.15 Statutory repayment of loans fund advances**

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. This ensures that the Council makes a prudent annual provision to pay off an element of loans fund advances accumulated

from previous financial years. For all new loans fund advances, the policy for repayment is as follows.

**Asset Life Method:**

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

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

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

- 4.1 External debt is referred to as the sum of external borrowing and other long-term liabilities, such as finance leases. The prudential indicators for external debt must be set and revised taking into account their affordability. It is through this means that that the objective of ensuring that external debt is kept within sustainable prudent limits is addressed year on year.
- 4.2 External debt indicators are at two levels: an Operational Boundary and an Authorised Limit. Both of these must be consistent with the Council's plans for capital expenditure and financing and with its Treasury Management Statement and Practices.
- 4.3 **Operational Boundary**

This is the focus of day-to-day treasury management activity within the Council and is an estimate of the most likely, but not worst case, scenario in terms of cashflow. Risk analysis and risk management strategies are taken into account, as are plans for capital expenditure, estimates of the CFR and estimates of cashflow requirements for all purposes. It is possible that this boundary could be breached occasionally and this should not be regarded as significant. However, a sustained or regular trend of such would be significant and require investigation and action.
- 4.4 The Council is required to set for the forthcoming financial year and the following two years an Operational Boundary for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the Operational Boundary over the three-year period 2024/25 through 2026/27:

Operational Boundary	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	500.832	635.729	691.646
Other long-term liabilities	93.909	92.032	89.951
<b>Total</b>	<b>594.741</b>	<b>727.761</b>	<b>781.597</b>

#### 4.5 **Authorised Limit**

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

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

4.7 The Council is required to set for the next three financial years an authorised limit for its total external debt (gross of investments), identifying separately any borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the authorised limit over the three-year period 2024/25 to 2026/27:

Authorised Limit	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	525.874	667.515	726.228
Other long-term liabilities	93.909	92.032	89.951
<b>Total</b>	<b>619.783</b>	<b>759.547</b>	<b>816.179</b>

4.8 After the year-end, the balance of actual external debt as at 31 March will be calculated and reported to Council, with borrowing and other long-term liabilities being shown separately.

4.9 The Council's actual external debt at 31 March 2023 was £374.8m of which £277.3m related to borrowing and £97.5m to outstanding obligations on finance leases and guarantees.

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 a point in time. In addition, the indicators are set based on the Council's potential external borrowing requirements for capital investment purposes. However, as part of the ongoing Treasury Management Strategy, the Council may utilise internal borrowing where it is deemed appropriate to avoid unnecessary exposure to interest rate risk. The adoption of this strategy results in the Council's net external borrowing being lower than the CFR. The projected external debt compared to the estimated CFR for the three-year period 2024/25 through 2026/27 is detailed at section 10.4.

4.11 A new international accounting standard "IFRS 16: Leases" was announced in December 2018 by CIPFA/LASAAC. The practical effect of adopting this is that any

contract the Council has signed that provides the right to rent or lease exclusive use of an asset, such as property or vehicles, will be recognised as an asset on the Council's balance sheet with a corresponding debt liability recognised at the present value of the future lease payments.

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

## **5. Prudential framework for capital finance: Prudential indicator for treasury management**

- 5.1 The prudential indicator in respect of treasury management is that the Council has adopted the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code"). This requires that the annual Treasury Management Strategy Statement is approved by Council, along with treasury limits for the three-year period 2024/25 to 2026/27.
- 5.2 In adopting the Treasury Management Code, the aim is to ensure that treasury management is driven by a clear and integrated Treasury Management Strategy and a recognition of the existing structure of the Council's borrowing and investment portfolios. The primary policy objectives of the Council's investment activities are the security and liquidity of funds, and the avoidance of exposure of public funds to unnecessary or unquantified risk. The Council should consider the return on its investments; however, this should not be at the expense of security and liquidity. It is therefore important that the Council adopts an appropriate approach to risk management with regard to its investment activities.
- 5.3 Borrowing more than, or in advance of, the Council's need purely to profit from the investment of the extra sums borrowed should not be undertaken. In those circumstances where borrowing is taken in advance of need, the security of such funds must be ensured and consideration should be given as to whether value-for-money can be demonstrated. These principles should be borne in mind when investments are made, particularly for the medium to long term.
- 5.4 The Treasury Management Code requires that the Council approves, annually in advance, a strategy for its treasury management activities. The Treasury Management Strategy for 2024/25 is set out in this report from section 8 onward.

## **6. Prudential framework for capital finance: Prudential indicators for prudence**

- 6.1 It is possible that, while a council's financial strategy may be affordable in the short term, it is imprudent and unsustainable in the medium term because it would, if pursued, be dependent on the use of borrowing to fund revenue expenditure. For this



reason the Prudential Code makes it necessary, if a financial strategy is to be prudent, that it is one in which medium-term net borrowing is only to be used for capital purposes.

- 6.2 In the Prudential Code, this requirement must be demonstrated through a comparison of net borrowing with the CFR. Except in the short term, net external borrowing should not exceed the total CFR in the previous year, plus the estimate of any additional CFRs for the current and next two financial years.
- 6.3 The projected CFR at 31 March 2027 is £782m (section 3.13). Net external borrowing should not exceed this level and the projected Operational Boundary at 31 March 2027 is £782m (section 4.4). The Council had no difficulty in meeting this requirement at 31 March 2023 and no difficulties are anticipated in meeting it in the future.
- 6.4 In addition, ensuring that treasury management is carried out in accordance with good professional practice is an essential feature of prudence. The treasury management indicators required by the Treasury Management Code are designed to help demonstrate prudence. The prudential indicator is that the Council has adopted CIPFA's Treasury Management Code.

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

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

Ratio of financing costs to net revenue stream (estimated)	2024/25 %	2025/26 %	2026/27 %
Non-Housing	3.47%	4.00%	4.39%
Housing	28.59%	28.54%	24.80%

Non-housing estimates for 2025 to 2027 are currently based on the 2024/25 settlement figures because the current spending review does not extend beyond this year.

- 7.2 Financing costs include the interest payable with respect to borrowing, interest payable on finance leases, interest and investment income, loans fund and finance lease principal repayments and gains/losses on the repurchase or early settlement of borrowing.
- 7.3 Revenue streams relate either to the amounts received in terms of government grant and local taxpayers for Non-housing, or to the amounts received from tenants in respect of housing rents for Housing.

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

Impact of capital investment decisions on:	2024/25	2025/26	2026/27
Band D Council Tax	£0.00	£0.00	£0.00
Weekly Housing Rents	£0.69	£2.04	£3.26

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

## 8. Treasury Management Strategy Statement and the Prudential Code

- 8.1 In order to comply with the treasury management requirements of the Prudential Code, local authorities are required to adopt the Treasury Management Code.
- 8.2 This report covers the requirements of the latest (December 2021) version of the Treasury Management Code, including the treasury management indicators as defined therein, and the requirements of the Local Government Investments (Scotland) Regulations 2010 with regards consent from Scottish Ministers in respect of local authority investments.
- 8.3 The Council's **Treasury Management Strategy Statement** for 2024/25 is set out here at sections 8 to 12, and constitutes the Council's annual strategy and plan in relation to its treasury management activities, as defined by the 2021 version of the Treasury Management Code.

## 9. Treasury Management Strategy Statement: Objectives and responsibility for decision-making

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

For **borrowings**:

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

For **temporary investments**:

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

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

- 9.2 The Council has a contract with Link Asset Services Limited (“Link”) for the provision of treasury management consultancy services. It is recognised that there is value in employing such external service providers in order to acquire access to specialist skills and resources; however, responsibility for treasury management decisions remains with Renfrewshire Council at all times and undue reliance is not placed upon our external service providers.
- 9.3 The proposed Treasury Management Strategy for 2024/25 is based on a view of interest rates, supplemented by market forecasts provided by Link, and covers the following aspects of the treasury management function:
- treasury limits in force that limit the treasury risk and activities of the Council;
  - prudential and treasury management indicators;
  - the current treasury position;
  - the identified borrowing requirement;
  - prospects for interest rates;
  - the borrowing strategy;
  - policy on borrowing in advance of need;
  - debt rescheduling;
  - the investment strategy;
  - creditworthiness policy; and
  - policy on use of external service providers.

## 10. Treasury Management Strategy Statement: Borrowing strategy

### 10.1 Current external borrowing position

The Council's external borrowing position as at 2 February 2024 was as follows:

External borrowing position	As at 31 March 2023		As at 2 February 2024		Change in-year
	£m	average interest rate	£m	average interest rate	£m
Long-term borrowings					
PWLB: fixed rate	224.427	3.80%	223.592	3.79%	(0.835)
PWLB: variable rate	0.000	0.00%	0.000	0.00%	0.000
Market loans	52.916	4.70%	46.766	4.70%	(6.150)
Total long-term borrowings	277.343	3.97%	270.358	3.94%	(6.985)
Total short-term borrowings	0.000	0.00%	0.000	0.00%	0.000
Total of all external borrowings	277.343	3.97%	270.358	3.94%	(6.985)

10.2 To date there has been no new borrowing via the Public Works Loan Board (PWLB) in 2023/24.

10.3 Additional temporary borrowing of £10m was taken on via the local authority market early in 2023/24, all of which has now been repaid.

### 10.4 Projected Borrowing Position

The Council's anticipated borrowing position for 2024/25 and the two subsequent financial years is summarised in the following table. This shows the projected external debt compared to the estimated Capital Financing Requirement (the underlying need to borrow for a capital purpose) at the end of each of the next three financial years.

Estimated Borrowing Position	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	381	511	567
Other long-term liabilities	94	92	90
Total External Debt	475	603	657
Capital Financing Requirement	595	728	782
Under Borrowing	120	125	125

10.5 Several of the prudential indicators are designed to ensure that the Council carries out its treasury management activities within well-defined limits. One of these indicators shows that gross external debt does not, except in the short-term, exceed the total of the Capital Financing Requirement in 2023/24, and the estimated additional Capital Financing Requirement for 2024/25 and the two subsequent financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken to fund revenue expenditure.

10.6 The Council has complied with this prudential indicator during 2023/24 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 based on using internal borrowing where possible over the medium term to mitigate both interest rate risk exposure for the Council and also risks associated with maintaining adequate capacity with appropriate investment counterparties.

Some shorter-term borrowing may be required to fund the City Deal projects, however. This is required because the grant income for City Deal is phased over a 20-year period from 2015/16, while the project expenditure is incurred from 2015/16 to 2025/26. The requirement for borrowing to cover this period in advance of grant receipt is continually monitored and refined as projects are delivered, and this requirement is incorporated into the Council's overall borrowing forecast.

#### 10.7 **Liability Benchmark Indicator**

A new treasury prudential indicator introduced as part of the Treasury Management Code 2021 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the next three financial years, as a minimum. CIPFA recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity period of the Council.

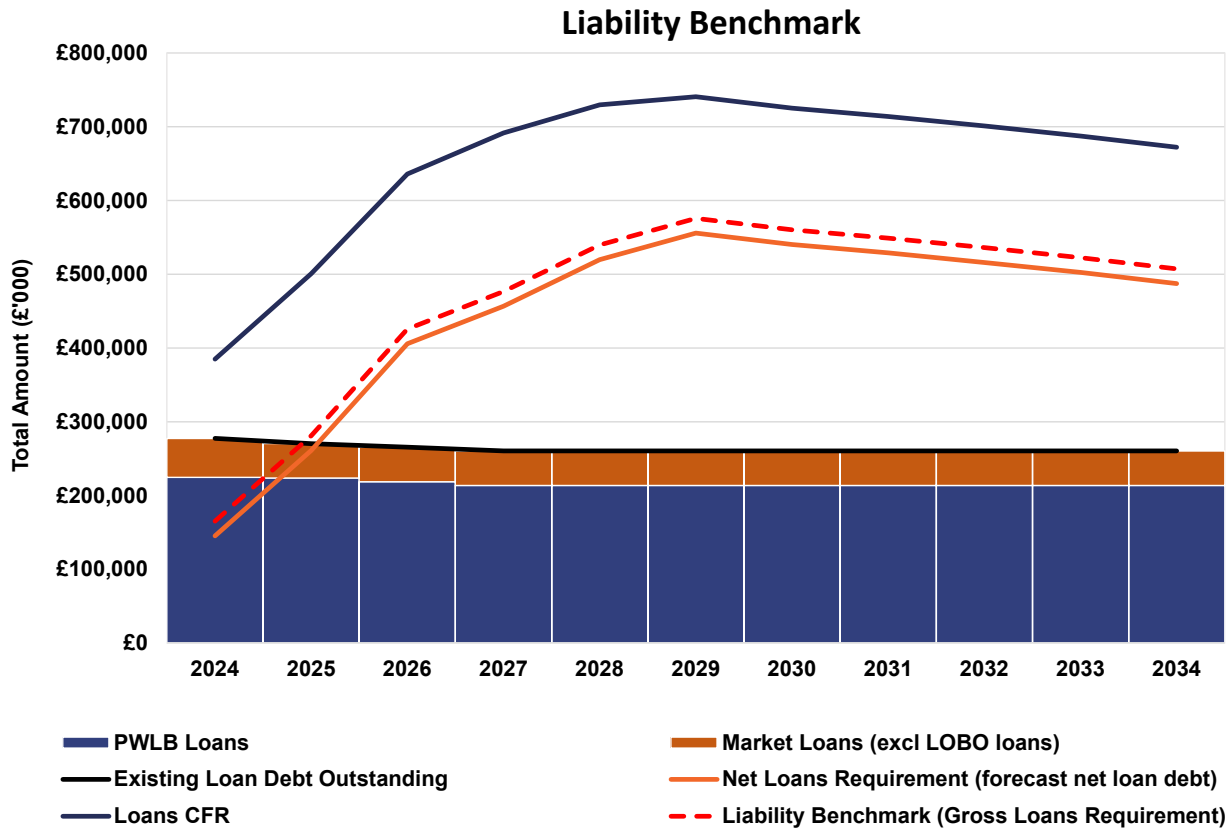
There are four components to the LB:

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

The Loans CFR is only allowed to reflect capital expenditure and loan fund repayments approved by Council, therefore only for net capital expenditure up to 2028/29. As the debt maturity profile extends well beyond this period, the usefulness of the liability benchmark as a prudential indicator is diminished beyond 10 years. Therefore, the liability benchmark is shown below for the 10-year period that CIPFA recommends, rather than for the full debt maturity period.

The LB shown in the graph below is the total of PWLB and Market Loans for 2024/25 and for most of 2025/26. The LB is currently forecast to cross over current borrowing levels around this period largely as a result of the increase in the Capital Finance Requirement in 3.13. The LB peaks around 2028/29 and starts to reduce thereafter,

illustrating that the borrowing may only be required in the medium term rather than over a long period.



### 10.8 Interest Rate Forecast

As part of Link’s treasury management consultancy service to the Council, assistance is provided in preparing a forecast of short-term and longer-term fixed interest rates. Current interest rate forecasts for the official bank rate paid on commercial bank reserves (the “Bank Rate”) and for PWLB borrowings rates are based on the Certainty Rate (the standard rate minus 20 bps), which has been accessible to the Council since 1 November 2012.

10.9 The central forecast is that the Monetary Policy Committee (MPC) will continue to hold interest rates as they are and will not move to reduce them until a more decisive drop in CPI and core inflation occurs. On this basis it is anticipated that the Bank of England may begin to reduce interest rates in the second half of 2024.

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

Interest rate forecast	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Mar 2026	Mar 2027
Bank Rate	5.25%	5.25%	4.75%	4.25%	3.75%	3.00%	3.00%

The CPI measure of inflation fell consistently throughout 2023 until a small increase from 3.9% in November to 4.0% in December. CPI and may rise further still in January 2024; however, it is anticipated that this will be followed by subsequent declines in the three months thereafter. If this does not transpire, it is likely that the Bank of England will hold off on any interest rate reductions until a downward trend in rates continues once again.

#### 10.11 Forecasts for PWLB rates

The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally in the range of 4.5% to 5.2%; this is compares to rates between 4.2% and 4.6% twelve months ago.

Interest rate forecast	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Mar 2026	Mar 2027
5-year loans	4.50%	4.40%	4.30%	4.20%	4.10%	3.60%	3.50%
10-year loans	4.70%	4.50%	4.40%	4.30%	4.20%	3.80%	3.70%
25-year loans	5.20%	5.10%	4.90%	4.80%	4.60%	4.20%	4.10%
50-year loans	5.00%	4.90%	4.70%	4.60%	4.40%	4.00%	3.90%

#### 10.12 Borrowing Decisions

The main borrowing decisions to be made for 2024/25 are:

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

10.13 The Capital Investment Programme indicates that the Council may need to borrow up to £116m, either to fund new capital expenditure during 2024/25, or to replace loans due to mature that year. It should be noted, however, that consideration is given to the extent to which external borrowing is actually required, as detailed below.

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

- (i) The cheapest borrowing is currently internal borrowing, accessed by running down cash balances. However, where long-term borrowing rates are forecast to increase at a later date, consideration will also be given to locking in lower rates by borrowing earlier. The investment rate of return is also a deciding factor here;
- (ii) PWLB borrowing for a term of less than 10 years, potentially covering only the period where there is a need for cash. This offers a range of options for new borrowing which will spread debt maturity away from a concentration at longer-dated time periods;
- (iii) Short-dated borrowing from non-PWLB sources;
- (iv) Long-term borrowing arranged in advance in order to achieve certainty on future borrowing costs and reduce exposure to interest rate risk;

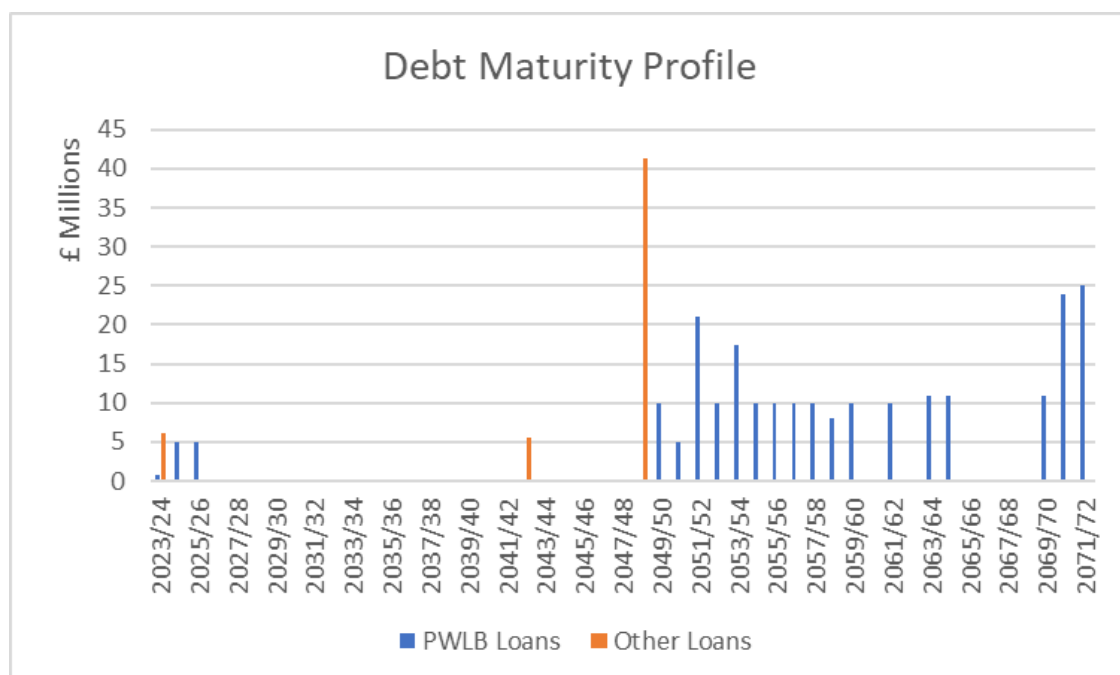
- (v) Long-term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available), with due regard to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

### 10.15 Sensitivity of the interest rate forecast

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

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

10.16 The forecast debt maturity profile at 31 March 2024 per the graph below shows the amount of debt maturing in future years. The Council has less than 15% of its total borrowings redeeming in any one of the next 25 years, with one year beyond this period having a repayment just below 15% (14.88% in 2048/49). This will be monitored and likely rescheduled well in advance of this date to ensure there is no risk that it rises above 15%. This is well within the Council's treasury indicators for debt maturity and therefore gives the Council the flexibility needed to structure new borrowing in a manner that minimises debt interest costs.





10.17 Since the Council has a capital investment plan covering the period to 2028/29 and detailed investment and borrowing analyses, advantage can be taken of opportunities that may arise to minimise interest rate risk. The Council will not borrow more than or earlier than required, with the primary intention to profit from the investment return of the extra sums borrowed. Pre-borrowing of this nature will only be taken for risk management reasons and subject to sound justification. The timing of any new borrowing of this nature will take into account the management of liquidity and counterparty risk and also the projected movement in interest rates.

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

#### 10.19 **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.

10.20 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.

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

## 11. **Treasury Management Strategy Statement: Annual Investment Strategy**

### 11.1 **Investment Policy**

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

11.2 The Council's investment priorities are:

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

11.3 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the Council is low-to-medium, with absolute priority given to the security of its investments. In the current economic climate, it is considered appropriate to keep investments short-

term to cover cashflow needs. However, where appropriate, the Council will also consider the value available in periods up to 24 months with high credit rated financial institutions, as well as wider range fund options.

- 11.4 The borrowing of monies purely to invest or on-lend to make a return is prohibited and the Council will not engage in such activity.
- 11.5 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also consider investments for periods up to 12 months with high credit rated institutions, whilst investment rates remain elevated, as well as a wider range of fund options.
- 11.6 Investment instruments identified for use in the financial year are listed in Annex A, and counterparty limits will be set as defined within the Council's Treasury Management Practices (TMPs) documentation.

#### 11.7 External Investment Position

The Council's external investment position as at 2 February 2024 was as follows:

External investment position	As at 31 March 2023		As at 2 February 2024		Change in-year
	£m	average interest rate	£m	average interest rate	£m
Temporary investments	172.741	3.05%	131.162	5.33%	(41.579)

The decrease in the Council's short-term, or temporary investments during the period reflects increased spending predominantly due to the capital programme, particularly the maturity of high value culture and heritage projects, such as Paisley Town Hall.

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

In order to maintain an approved list of counterparties (institutions with which the Council will invest funds), the Council applies the creditworthiness service provided the Council's treasury advisers and are based on the credit ratings from the three major credit rating agencies: Fitch, Moody's and Standard & Poor's. The Council understands that credit ratings are a good, but not perfect, predictor of investment default. Full

regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including:

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

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

11.11 The approved list of counterparties (Annex B) also defines a maximum limit on the aggregate value of deposits placed with each counterparty. The purpose of this is to ensure that the Council does not deposit an excessive proportion of its funds with any single institution. The counterparty limit for each bank and building society has been set at 10% and the limits for Money Market Funds and enhanced cash funds has been set at 10% of the total cash balances held by the Council at the time the investment is made. Some institutions have a lower % limit depending on their credit rating.

This approach allows the Council to meet its cashflow management objectives whilst appropriately spreading investment risk over a range of counterparties and underlying investment instruments. The limits will be continually reviewed for appropriateness throughout 2024/25.

11.12 All credit ratings are monitored daily. Link alerts the Council to rating changes made by any of the three rating agencies and, should a downgrade result in the counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

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

11.14 The City Deal project requires the Council to make payments in Euros during 2024/25. This will involve holding balances in Euros in order to meet these payments. The Creditworthiness Policy for holding Euros will be the same as outlined from 11.9 to 11.13.

### **Investment Decisions**

- 11.15 The current forecasts from Link (see point 10.9 above) indicate that the Bank Rate is likely to remain stable in the first half and gradually reducing from the second half of 2024 over a number of years.
- 11.16 Investments will be made with reference to core balance and cashflow requirements and the outlook for short-term interest rates (i.e. for investments up to 12 months). Greater returns are usually achievable by investing for longer periods. While most cash balances are required in order to manage variations in cashflow, careful consideration is given to investing identified cash sums for longer periods, where appropriate.
- 11.17 The majority of the Council's temporary cash balance is currently invested in short-term deposits with other local authorities, along with investments in Money Market Funds and short-term deposits with banks. The Council will continue to invest with these institutions; however, if attractive rates become available with counterparties of particularly high creditworthiness, making longer-term deals worthwhile and within the risk parameters set by the Council, then longer-term investments will be considered.
- 11.18 Investment decisions will require to take account for balances held in Euros as per paragraph 11.14. The Council will closely monitor exchange rate movements and may use risk management tools or instruments available, such as a forward contract or advance purchase of foreign currency to hold in an account until such time as required; always providing that these measures are used only for the prudent management of the Council's financial affairs and not for any speculative purpose.

### **Investment Performance**

- 11.19 The Council will use an investment benchmark to assess the investment performance of its investment portfolio based on the 7-day compounded SONIA rate.
- 11.20 SONIA (Sterling Overnight Index Average) is a single rate published each day by the Bank of England, reflecting overnight rates paid on eligible sterling denominated deposit transactions conducted the previous day.
- 11.21 It should be noted that, given the current rising interest rate environment, this measure will present higher investment rates than those currently experienced by the Council, since many of the Council's current investments would have commenced some months ago, before the Bank Rate increased. This deviation should reduce over time, however; the Council's average investment term is currently 230 days as at 2 February 2024.

## 12. Treasury Management Strategy Statement: treasury management indicators

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

- (i) authorised limit for external debt;
- (ii) operational boundary for external debt; and
- (iii) liability benchmark

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

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

### 12.3 Maturity Structure of Borrowing

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

Maturity structure of borrowing	2024/25	
	lower limit	upper limit
under 12 months	0%	15%
12 months and within 24 months	0%	15%
24 months and within 5 years	0%	45%
5 years and within 10 years	0%	50%
10 years and above	0%	100%



## Annex A: Permitted Investments

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

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

Permitted Investments Table 1	Description / Objectives	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	Maximum Maturity Period
Debt Management Account Deposit Facility (DMADF)	Offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with central government. It is also easy to use because it is a deposit account and avoids the complications of buying and holding UK Government-issued treasury bills or gilts. As it is low risk it also earns low rates of interest and is useful where there may be a short-term priority to avoid credit risk. The longest term deposit that can be made with the DMADF is six months.	Not applicable	Term	No	100%	2 years
Longer-term deposits with local authorities	Similar to term deposits with other local authorities (below) except that deposits are placed for longer periods: between 2 and 5 years. For longer term deposits, the decision to include any given local authority on the counterparty list will be based on the outcome of due diligence undertaken on that local authority by the Council's treasury advisers. Similar to term deposits with local authorities, no more than £10m can be placed with any one institution or group.	Per approved counterparty list	Term	No	20%	10 years
Call accounts and notice accounts with banks and building societies	Offer access to recalling cash deposited over short call periods (call account periods vary from short-term such as 7 days, but can extend to 32- and 95-day notice periods). This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. However, call accounts can offer interest rates two to three times more than term deposits in the DMADF. A certain level of call account use is highly desirable to ensure that the Council has ready access to cash when required.	Per approved counterparty list	Instant / notice period	No	100%	Up to 100 days
Term deposits with banks and building societies	Includes callable deposits, whereby the principal deposited is protected and earns a fixed rate of interest but can be terminated early at the bank's discretion.	Per approved counterparty list	Term	No	100%	Per approved counterparty list

Permitted Investments Table 1	Description / Objectives	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	Maximum Maturity Period
Term deposits with local authorities	<p>The most widely used form of investment used by local authorities, it offers a much higher rate of return than the DMADF (dependent on the deposit term) and, now that measures have been put in place to avoid any over-reliance on credit ratings, there is greater confidence that the residual risks around using local authorities, banks and building societies are at a low, reasonable and acceptable level.</p> <p>The Council ensures diversification of its portfolio of deposits by having no more than 10%* (£20m for other Scottish local authorities and £15m for other local authorities) of the total portfolio placed with any one institution or group. Longer-term deposits offer an opportunity to increase investment returns by locking into relatively high interest rates ahead of an expected fall in rates. Longer-term rates can also offer good value when the markets incorrectly assess the speed and timing of interest rate increases.</p> <p>Offers flexibility and a higher level of earnings than the DMADF; however, once a longer-term investment is made, cash is 'locked in' and cannot be accessed until the maturity date.</p>	Not applicable	Term	No	100%	2 years
Treasury bills	<p>Short-term bills (up to 12 months) issued by the Government and so backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices, so early sales could incur a net cost during the period of ownership.</p>	UK sovereign rating	T+1	Yes	75%	1 year
Certificates of deposit issued by banks and building societies	<p>Shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. This liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.</p>	Per approved counterparty list	T+1	Yes	10%	Per approved counterparty list



Permitted Investments Table 1	Description / Objectives	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	Maximum Maturity Period
UK Government gilts	Longer-term debt issuance by the UK Government, backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices, so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. An advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.	UK sovereign rating	T+1	Yes	75%	2 years
Money Market Funds (MMFs)	By definition, MMFs are AAA-rated (the highest security rating available) and widely diversified, using many forms of money market securities including types that the Council does not have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the significant amounts of funds invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. Particularly advantageous in a falling interest rate environment as their 60-day WAM means they have locked-in investments earning higher rates of interest than available in the market. MMFs also help an organisation diversify its own portfolio, for example a £2m investment placed directly with a specific bank is a 100% risk exposure to that specific bank, whereas £2m invested in an MMF may result in only 1% being invested with a specific bank. MMFs offer an effective way of minimising risk exposure, while still getting better rates of return than available through the DMADF.	Long-term AAA volatility rating	Instant	No	75%	Not applicable
Ultra-short dated bond funds	Similar to MMFs, these can still be AAA-rated, but have variable net asset values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest for longer terms, so they are more volatile. Can have WAMs and Weighted Average Lives (WALs) of 90–365 days or longer. Investment in these funds would only be undertaken in the event funds could be “locked out” for a minimum of 3-6 months in order to mitigate short-term fund value fluctuations.	Bond fund rating	T+1 to T+5	Yes	75%	Not applicable

Permitted Investments Table 1	Description / Objectives	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	Maximum Maturity Period
Pooled funds other than money market / ultra-short dated bond funds	<p>Shares or units in diversified investment vehicles covering property, bond and equity investments. Pooled funds whose value changes with market prices and/or that have a notice period will be used for longer investment periods. MMFs are included in Table 1, but the Council, given the extent of its long-term investment balances, may use this vehicle to diversify an agreed proportion (capped at a maximum of 25% of total investment balances) of its investment balances into longer term assets (property, bonds and equity) utilising pooled funds.</p> <p>Pooled funds have the advantage of providing wide diversification of investment risks, including credit risk and interest rate risk, coupled with the services of a professional fund manager in return for a fee. Property, bond and equity funds offer enhanced returns over the longer term, but their prices are more volatile in the short term, leading to the risk that they could be sold at below their purchase price. This risk is mitigated by only placing cash that is available for 3-5 years into more volatile funds. The Council's officers in conjunction with its treasury advisers have determined that a proportion of the Council's investments have and will remain available for longer term investment in the future. The funds selected will be subject to further scrutiny and suitability, drawing on the experience and advice of the Council's treasury advisers.</p>	Long-term AAA volatility rating	Various	Yes	20%	Not applicable

\* In recognition of the restricted number of approved counterparties that now meet our more stringent lending criteria, there is an added degree of flexibility introduced to the maximum deposit level. The deposit level with any one institution can now extend to a maximum of 15%, where the element which exceeds the 10% threshold is deposited on the basis of a call account deposit with the institution.

Other types of investment instrument available to the Council:

- (i) *Forward foreign exchange contracts and options*: These are only utilised in order to manage specific known exchange rate risks and not for speculative purposes. A forward contract may be entered into in order to hedge against exchange rate risk where the amount and date of a payment in a foreign currency is known in advance. An option is a premium paid product which gives the right, but not the obligation, to purchase a pre agreed EUR amount, at a pre agreed rate and date.
- (ii) *Operational bank accounts*: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, with its main operational bank (Clydesdale) with credit ratings of BBB+. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will normally be kept below £100,000 however, for short periods normally over public holidays this balance may be higher with the approval of the Director of Finance and Resources.

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

Permitted Investments Table 2	Minimum Credit Criteria	Liquidity Risk	Market Risk	Maximum Share of Total Investments	Maximum Maturity Period
Equities	Delegated to investment managers	Term	Yes‡	33% ±10%	Not applicable
Fixed-interest securities	Delegated to investment managers	Term	Yes‡	33% ±10%	Not applicable
Other assets	Delegated to investment managers	Term	Yes‡	33% ±10%	Not applicable

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

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

Permitted Investments Table 3	Treasury Risks	Mitigating Controls	Maximum Share of Total Investments
Share holdings, unit holdings and bond holdings, including those in a local authority-owned company	Service investments that may exhibit market risk; likely to be highly illiquid	Each equity investment requires Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss	Policy driven, managing all associated risks; authorised limit and operational boundary apply
Loans to a local authority-owned company or other entity formed by a local authority to deliver services	Service investments either at market rates of interest or below (soft loans); may exhibit credit risk; likely to be highly illiquid	Each loan to a local authority company requires Member approval and each application will be supported by the service rationale behind the loan and the likelihood of full or partial default	Policy driven, managing all associated risks; authorised limit and operational boundary apply
Loans made to third parties, including soft loans (for example, employee loans)	Service investments either at market rates of interest or below (soft loans); may exhibit credit risk; likely to be highly illiquid	Each third party loan (or tranche of loans) requires Member approval and each application will be supported by the service rationale behind the loan and the likelihood of full or partial default	Policy driven, managing all associated risks; authorised limit and operational boundary apply

Permitted Investments Table 3	Treasury Risks	Mitigating Controls	Maximum Share of Total Investments
Investment property	Non-service properties which are being held pending disposal or for a longer-term rental income stream; these are highly illiquid assets with high risk to value	Property holding will be revalued regularly and reported at appropriate periodic intervals for a property investment portfolio in respect of rental levels; in terms of surplus assets held for disposal, the Council has an active surplus property disposal strategy which ensures a coordinated and managed approach is adopted to the disposal of such sites in a way which is reflective of current and future anticipated market conditions, seeks to maximise market interest in site disposals and secures best value for the Council	Policy driven, managing all associated risks; authorised limit and operational boundary apply

### A.3 Treasury risks

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

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

Treasury Risk	Description	Mitigating Controls
Interest rate risk:	The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. The Council has set limits for its fixed and variable rate exposure in its treasury indicators as detailed in this report.	The Council manages this risk by having a view of the future course of interest rates and formulating a treasury management strategy accordingly. The strategy aims to maximise investment earnings consistent with control of risk and minimise expenditure on interest costs on borrowing.
Legal and regulatory risk:	The risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.	The Council will not undertake any form of investing until it has ensured that it has all necessary powers to do so. The Council will ensure that it complies with all applicable regulations in carrying out its treasury management operations.
Exchange rate risk:	The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which it has failed to protect itself adequately.	The Council will closely monitor exchange rate movements and may use risk management tools or instruments available, such as a forward contract or advance purchase of foreign currency to hold in an account until such time as required; always providing that these measures are used only for the prudent management of the Council's financial affairs and not for any speculative purpose.
Market risk:	The risk that, through adverse market fluctuations, the value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market.	Asset allocation and diversification can protect against market risk because different portions of the market tend to underperform at different time times. The Director of Finance and Resources has the authority to invest the funds of the Insurance Fund in such investments, securities or property as deemed fit. The Director and officers rely on professional investment managers (currently Aberdeen Standard Capital) for the day-to-day management of the assets of the Council's Insurance Fund. The investment managers are responsible for the allocation of assets between types of investments and the selection of individual stocks within each type of investment. The investment fund's principal objective is achieving moderate capital growth in combination with low volatility to mitigate the impact of market risk. To achieve this, the investment managers operate within predefined asset allocation limits, as outlined in Table 2 above.



## Annex B: Renfrewshire Council Counterparty List

Counterparty	Country of Domicile	% Limit	£M Limit	Max Investment period
<b>UNITED KINGDOM: BANKS</b>				
Virgin Money (Clydesdale Bank)	GB	10%	20.0	100 days
Bank of Scotland PLC (RFB)	GB	10%	20.0	6 months
Barclays Bank UK PLC (RFB)	GB	10%	20.0	6 months
Goldman Sachs International Bank	GB	10%	20.0	6 months
Handelsbanken PLC	GB	10%	20.0	12 months
HSBC Bank PLC (RFB)	GB	10%	20.0	12 months
Royal Bank of Scotland PLC	GB	10%	20.0	12 months
Santander UK PLC	GB	10%	20.0	6 months
SMBC Bank International PLC	GB	10%	20.0	6 months
Standard Chartered Bank (includes sustainable)	GB	10%	20.0	6 months
<b>UNITED KINGDOM: BUILDING SOCIETIES</b>				
Coventry Building Society	GB	5%	10.0	6 months
Leeds Building Society	GB	5%	10.0	100 days
Nationwide Building Society	GB	5%	10.0	6 months
Skipton Building Society	GB	5%	10.0	6 months
Yorkshire Building Society	GB	5%	10.0	100 days
<b>UNITED KINGDOM: OTHER INSTITUTIONS</b>				
UK Local Authorities	GB	100%	100%	2 YEARS
UK Government	GB	100%	100%	50 years
<b>COMMONWEALTH OF AUSTRALIA</b>				
Australia and New Zealand Banking Group	AU	10%	20.0	12 months
Commonwealth Bank of Australia	AU	10%	20.0	12 months
National Australia Bank Ltd	AU	10%	20.0	12 months
Westpac Banking Corporation	AU	10%	20.0	12 months
<b>GOVERNMENT OF CANADA</b>				
Bank of Montreal	CA	10%	20.0	12 months
Bank of Nova Scotia	CA	10%	20.0	12 months
Canadian Imperial Bank of Commerce	CA	10%	20.0	12 months
National Bank of Canada	CA	10%	20.0	12 months
Royal Bank of Canada	CA	10%	20.0	12 months
Toronto-Dominion Bank	CA	10%	20.0	12 months
<b>FEDERAL REPUBLIC OF GERMANY</b>				
Bayerische Landesbank	DE	10%	20.0	6 months
Landesbank Hessen-Thuringen Girozentrale	DE	10%	20.0	12 months
<b>KINGDOM OF THE NETHERLANDS</b>				
Cooperatieve Rabobank UA	NE	10%	20.0	12 months

Counterparty	Country of Domicile	% Limit	£M Limit	Max Investment period
<b>MONEY MARKET FUNDS</b>				
Aberdeen Euro Fund Income Class J3	LUX	10%	20.0	Call
Aberdeen Sterling Fund Income Class L1	LUX	10%	20.0	Call
BlackRock ICS Euro Liquidity Fund	IR	10%	20.0	Call
BlackRock ICS Sterling Liquidity Fund	IR	10%	20.0	Call
CCLA - Investment Management Ltd (Sterling)	GB	5%	10.0	Call
Federated Short-Term Euro Prime Fund	GB	10%	20.0	Call
Federated Short-Term Sterling Prime Fund	GB	10%	20.0	Call
Deutsche Managed Euro Fund	IR	10%	20.0	Call
Deutsche Managed Sterling Fund	IR	10%	20.0	Call
Goldman Sachs Euro Liquid Reserves	IR	10%	20.0	Call
Goldman Sachs Sterling Liquid Reserves	IR	10%	20.0	Call
Insight Liquidity Funds PLC - EUR Liquidity Fund	IR	10%	20.0	Call
Insight Liquidity Funds PLC - GBP Liquidity Fund	IR	10%	20.0	Call
Royal London Sterling Liquidity Fund (Sterling)	GB	10%	20.0	Call
<b>ULTRA SHORT DATED FUNDS</b>				
Aberdeen Short Duration Sterling Funds Class K1	LUX	5%	10.0	Call + 3



## Appendix 4: Capital Strategy 2024 to 2027

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### 1 Introduction

- 1.1 This Capital Strategy report gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services in local government, along with an overview of how associated risk is managed and sustainability implications for the future.
- 1.2 Decisions made now on capital and treasury management will have financial consequences for the Council for many years to come. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

### 2 Purpose and Aims

- 2.1 Following consultation, the Chartered Institute of Public Finance and Accountancy (CIPFA) published an updated version of the Prudential Code for Capital Finance in Local Authorities (“the Prudential Code”) in December 2021.
- 2.2 The key objectives of the Prudential Code are to ensure, within a clear framework, that;
- capital expenditure plans and investment plans are affordable and proportionate;
  - all external borrowing and other long-term liabilities are within prudent and sustainable levels;
  - the risks associated with investments for commercial purposes are proportionate to their financial capacity; and
  - treasury management decisions are taken in accordance with good professional practice.

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

### 3 Overview

- 3.1 An understanding of what constitutes capital expenditure and how it is financed is fundamental to realising the benefits and mitigating the risks to the Council under the prudential framework.
- 3.2 Capital expenditure is the investment in new or existing assets, such as property or vehicles, that will generate economic benefits or service improvements that will be realised by the Council for a period of more than one year.
- 3.3 All capital expenditure must be financed, either from external sources (government grants and other contributions), internal sources (current revenue and capital receipts) or debt (borrowing and leasing).
- 3.4 Financing capital expenditure through debt offers the opportunity to spread the cost over future revenues through loan fund repayments. However, due to the interest payments associated with debt, the total cost is usually higher than other methods of capital financing. Therefore, careful planning and monitoring procedures must be in place to ensure capital investment decisions offer value for money and are affordable and sustainable for current and future revenue budgets.

### 4 Capital Expenditure and Financing

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

Estimated Capital Expenditure	2024/25 £000s	2025/26 £000s	2026/27 £000s
Non-Housing	147,823	150,958	83,504
Housing	41,236	77,701	62,009
<b>Total Resource Availability</b>	<b>189,059</b>	<b>228,659</b>	<b>145,513</b>

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

- 4.3 The Plan contains an over-arching theme of “improving outcomes for children and families”. Every one of the five strategic priorities should directly contribute to this outcome and demonstrate that services are working together to get it right for children, families and communities.
- 4.4 Below is a summary of the five strategic themes from the Council Plan, and some related projects within the Capital Plan 2024 to 2027:

<b>Place – working together to enhance wellbeing across communities</b>
£19.2m investment in cultural and economic infrastructure, in particular completing the transformation of Paisley Museum.
£4.3m investment in regeneration through a mixture of projects leading to transformative investments which will drive economic activities and re-purpose town centres to become more diverse, successful and sustainable.
£34.7m of improvements in infrastructure within Renfrewshire improving roads, traffic management, bridges and street lighting and £21.7m investment in property lifecycle maintenance.
<b>Economy – building an inclusive, green and resilient economy</b>
Continued investment in completing the City Deal projects which will lead to total spend of £198.5m on infrastructure in Renfrewshire, translating into an improved local economy and improved connectivity.
<b>Fair – nurturing bright, happy and healthy futures for all</b>
A schools investment programme totalling £155.3m, including part-funding under the Scottish Government Learning Estate Investment Programme that will lead to a new build community campus at Renfrew Road, Paisley to replace Paisley Grammar school and new build projects for the Dargavel area.
£1m investment for an internal play centre at the Lagoon allowing access for all youngsters to explore, play and learn in a safe and exciting environment.
<b>Green – leading Renfrewshire to Net Zero</b>
Investment in parks, play areas, outdoor access and nature restoration of £3.5m
<b>Living our values – making a difference together</b>
£2.4m investment in new ICT equipment and software to improve council services

- 4.5 A full copy of the Council Plan is available on the Council’s website by following [Your Council > Information, performance and statistics > Plans, policies and strategies. Renfrewshire Council Plan.](#)

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

	2024/25 £000s	2025/26 £000s	2026/27 £000s
Prudential Borrowing	95,006	87,780	15,400
<b>Total Borrowing</b>	<b>95,006</b>	<b>87,780</b>	<b>15,400</b>
Specific Grant	3,028	800	800
General Capital Grant	11,177	11,150	11,150
General Capital Grant – Renewal of Play Parks	462	768	0
BAE contribution (Park Mains)	5,000	5,000	5,000
City Deal Grant	0	44,542	51,154
Usable Capital Receipts	33,150	918	0
<b>Total Resource Availability</b>	<b>147,823</b>	<b>150,958</b>	<b>83,504</b>

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

Capital Financing Requirement	2024/25 £000s	2025/26 £000s	2026/27 £000s
Non-Housing	458,111	540,766	550,557
Housing	136,630	186,995	231,040
<b>Total</b>	<b>594,741</b>	<b>727,761</b>	<b>781,597</b>

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

Ratio of financing Costs to net revenue stream (estimated)	2024/25 %	2025/26 %	2026/27 %
Non-Housing	3.47%	4.00%	4.39%
Housing	28.59%	28.54%	24.80%
<b>Total</b>			

## 5 Asset management

- 5.1 The Council's Corporate Asset Strategy (CAS) sets out a high-level framework for the management for all the Council's Assets. It guides the development and upkeep of strategies and plans for all classifications of assets. The strategy states an overall principle that all assets are owned corporately by the Council, and their management is co-ordinated across the organisation to maximise the benefits for Renfrewshire, as well as to support the achievement of the vision for the area and the Council's key objectives.
- 5.2 The Council is conducting a Strategic Property Review as part of its work around financial sustainability. The objective of this review is to assess the optimum size and shape of the Council's property estate, reducing its carbon footprint and using buildings more efficiently to provide its services the findings of which will inform future capital plans.

## 6 Treasury management

- 6.1 Treasury management is concerned with keeping sufficient, but not excessive, cash balances to meet the Council's spending requirements, whilst managing the risks involved. Surplus cash is invested until required, while temporary cash shortages will be met by borrowing.
- 6.2 The Council's Treasury Management Strategy Statement (TMSS) contains objectives for borrowing and investments, with the overarching objective in relation to treasury management activities being effective management and control of risk. The full TMSS can be found within Appendix 4 of this report.
- 6.3 The main objectives of borrowing are to achieve a low, but certain cost of finance, while retaining flexibility should plans change in the future. Statutory guidance states that debt should remain below the CFR, except in the short-term. As can be seen from the table below, the Council expects to comply with this during 2024-27.

Estimated Borrowing Position	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	381	511	567
Other long-term liabilities	94	92	90
<b>Total External Debt</b>	<b>475</b>	<b>603</b>	<b>657</b>
Capital Financing Requirement	595	728	782
Under Borrowing	120	125	125

- 6.4 The Council is required to set an Operational Boundary for external debt. This is an estimate of the maximum external debt of the Council according to the probable events contained in the Council plans, budgets and strategies. Sustained or regular borrowing above the Operational Boundary would be a significant matter, requiring investigation and action.

- 6.5 The Authorised Limit for external debt is based on the same assumptions as those used to calculate the Operational Boundary; however, it is higher to allow sufficient headroom for unusual or exceptional cash requirements. The Authorised Limit reflects a level of borrowing that could be afforded in the short-term, but that would not be sustainable in the long-term. The Operational Boundary and Authorised Limits are as follows:

Limits on External Debt	2024/25 £m	2025/26 £m	2026/27 £m
Operational Boundary	595	728	782
Authorised Limit	620	760	816

- 6.6 Treasury investment requirements arise due to cashflow timings, i.e. receiving cash before it is due to be paid out again at a later date. The main objectives of treasury investments are to obtain an acceptable market rate of return, subject to protecting capital security and liquidity of invested funds. The focus is therefore on minimising risk rather than maximising returns.

## 7 Commercial activities

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

## 8 Other long term liabilities

- 8.1 In addition to the borrowing detailed in 6.3 above, the Council is party to a Public Private Partnership for the provision and maintenance of educational and other facilities, including a Residual Waste facility. The Council also has finance lease agreements for a number of vehicles, for which the outstanding finance lease obligation at 31 March 2024 will be £0.037m.
- 8.2 The Local Government Pension Scheme in Scotland (LGPS) is a funded, defined benefit, statutory occupational pension scheme. For Renfrewshire Council, the regional pension fund is the Strathclyde Pension Fund. As a funded scheme, the Council and its employees pay contributions into the fund, calculated at a level intended to balance the scheme's pension liabilities with the scheme's investment assets. Following an assessment by Strathclyde Pension Fund's actuaries, Hymans Robertson, the value of the Council's share of the net pension asset at 31 March 2023 was estimated at £434m. The surplus position was restricted in the annual accounts by an asset cap owing to accounting regulations, and this adjusted value was reported as £175.9m.
- 8.3 Provisions are made when an event has taken place that gives the Council a legal or constructive obligation that will probably require a settlement, usually in cash, but can be other economic or service benefits. At 31 March 2023 the Council had set aside long-term provisions of £4.9m related to holiday pay compensation and insurance claims. The long-term provisions will be reviewed for the 2023/24 Annual Accounts.

## 9 Governance

- 9.1 **Capital Programmes:** Potential capital projects will be assessed for strategic fit, achievability, affordability, practicality, revenue impact and non-monetary impacts such as future economic growth, environmental or social well-being.
- 9.2 Once the capital projects have been considered, the Capital Plan is approved annually by the full Council, setting out the funding available, means of financing and Prudential Indicators. No capital expenditure can be authorised unless it has been provided for in the approved capital plan or is within an officer's delegated authority. The Financial Regulations set out the framework for transferring money between budgets.
- 9.3 Capital budget monitoring reports from the Director of Finance and Resources are considered by the relevant Policy Board and include explanations for any significant variances from budget targets. Policy Boards will consider and approve any actions required to bring financial performance within approved limits.
- 9.4 Each capital programme is assigned a responsible officer who will approve and monitor expenditure. They receive support from a variety of sources, for example, to receive capital budget reports; to ensure that the expenditure complies with the statutory definition of capital; that any external contracts agreed comply with the Standing Orders of the Council; or to obtain any advice on legal matters.
- 9.5 **Treasury Management:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and Resources and relevant staff, who must act within the parameters set out in the Treasury Management Strategy approved annually by full Council. A mid-year review of treasury management activity is presented each year to the Finance, Resources and Customer Services Policy Board, with a full year review reported to Council.
- 9.6 **Commercial Activities:** Property investments would be classified as capital expenditure and therefore included as part of the capital plan. Any commercial investment decisions would be made by the Council in line with its Financial Regulations and Standing Orders.

## 10 Knowledge and skills

- 10.1 The Council employs professionally qualified and experienced staff with responsibility for making capital expenditure, borrowing and investment decisions, and ensures that its qualified staff meet their continuous professional development requirements.
- 10.2 Council staff knowledge and experience is supplemented by the use of external advisors and consultants that are specialists in their field. The Council currently has a contract with Link Asset Services for the provision of treasury management consultancy services. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.





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**PROCEDURE TO BE FOLLOWED AT THE  
MEETING OF RENFREWSHIRE COUNCIL  
TO BE HELD ON 29 FEBRUARY 2024  
DURING CONSIDERATION OF ITEM 5 CONCERNING  
THE HOUSING REVENUE ACCOUNT BUDGET, RENT LEVELS  
2024/2025 AND HOUSING CAPITAL INVESTMENT PLAN  
2024/2025-2028/2029**

The purpose of this note is to give Members advance notice of the procedure which Provost Cameron has agreed should be followed at the Meeting of the Council on 29 February 2024 viz:

1. The Convener of the Communities and Housing Policy Board (the Convener) will make her budget statement for financial year 2024/2025 and move as appropriate. She will then speak to the principal points of her proposals. The motion will require to be seconded.
2. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.
3. An opportunity will then be given to the Leaders of the opposition groups and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together budget proposals, the rent levels and the capital investment plans).
4. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting. Provost Cameron may then adjourn the meeting for 20 minutes to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups or other Members. Corporate Meeting Rooms have been arranged for the adjournment as follows: Administration – Corporate Meeting Room 2, Labour - Corporate Meeting Room 1, Conservative – Corporate Meeting Room 3. The other Members will be able to remain in the Chambers.
5. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups and other Members to move their respective budget statements and speak in support of the principal points of their proposals. However, Provost Cameron shall have the power to require any person speaking to limit their speech in order to facilitate the conduct of the meeting.
6. Provost Cameron will then invite other Members to take part in the debate.
7. The debate will conclude with Provost Cameron giving the Convener an opportunity to reply.
8. A vote or votes will then be taken in accordance with the provisions of standing orders.



**To: Council**

**On: 29 February 2024**

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**Report by: Director of Environment, Housing & Infrastructure and Director of Finance & Resources**

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**Heading: Housing Revenue Account Budget & Rent Levels 2024/25 and Housing Capital Investment Plan 2024/25 to 2028/29**

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## **1. Summary**

- 1.1 This report details the proposed Housing Revenue Account (HRA) budget for financial year 2024/25 and sets out the information which allows consideration of rent levels for 2024/25.
- 1.2 The report highlights the impact of economic pressures on the HRA and sets out the range of operational pressures that have emerged, and the adjustments to budgets and resources required to deal with these pressures.
- 1.3 The report also provides members with results from the consultation process with tenants, regarding the annual rent setting process. The consultation process asked five key questions regarding the priorities that tenants have identified previously as to whether they felt these were still very important, important, or not important. The consultation also asked whether these are still the right priorities with only 2.9% of respondents disagreeing.
- 1.4 The majority of tenants (78.2%) support a 6.0% rent increase in 2024/25 , with a £2m shortfall to be met over the next four years, as opposed to an immediate 7.7% increase in 2024/25 with a reduced overall shortfall of £0.500m to be met over the next three years (21.8% support).
- 1.5 The report also details the Housing Capital Investment Plan for 2024/25 to 2028/29, which will deliver a total investment of £281m in the Council's housing stock over the 5-year period. It is anticipated that this level of investment will attract £35m of government grant for new builds and this results in a net capital programme amounting to just over £246m.

- 1.6 In setting the 2024/25 HRA budget, members may wish to consider the medium and longer-term financial context for the HRA and note the planning assumption of CPI+1% rent increases in future years as well as considering the ongoing risks and challenges outlined in this report.
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## **2. Recommendations**

- 2.1 It is recommended that the Council:
- (i) considers the report and approves an average weekly rent increase of £5.45, which equates to 6.0% for all house rents and lock-ups, and requires £0.500m of recurring budget savings in 2024/25;
  - (ii) notes the findings of the recent Tenant Consultation exercise;
  - (iii) approves the Housing Revenue Account Budget for financial year 2024/25 as detailed in Appendix 2;
  - (iv) approves the Housing Capital Investment Plan 2024/25 to 2028/29 as detailed in Appendix 3 of the report; and
  - (v) notes the continuing requirement to achieve best value in the commissioning of works by having an optimum workflow over the 5 years of the investment plan and authorises the Director of Environment, Housing and Infrastructure to liaise with the Director of Finance and Resources to re-profile the capital programme and available resources, as necessary, in line with the appropriate limits established under the Council's capital prudential framework arrangements.
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## **3. Background and Medium-Term Financial Context**

- 3.1. The HRA operates a rolling 30-year Business Plan model, which is the standard operating practice amongst local authorities and Registered Social Landlords. The 30-year basis of the model reflects the need for a long-term planned approach to the replacement of major items such as rewiring, central heating, etc., aligned to the lifecycles of these elements.
- 3.2. The model ensures that planned rental income from the estimated 11,731 average number of lettable properties in 2024/25 is sufficient over the term of the plan to cover debt and servicing capital expenditure, including significant investment and regeneration initiatives, together with funding the annual costs of maintaining the housing stock and all HRA annual operating costs including staffing.
- 3.3. The Business Plan model is reviewed to take account of the adjusted base budget position from the previous year and to update any key assumptions, economic factors and known or emerging risks. This review process allows consideration to be given to the setting of rent levels for the forthcoming and future financial years through effective scenario planning.

- 3.4. The 30-year Business Plan model currently assumes 6.7% CPI (Consumer Price Index model) for the 2024/25 financial year, as in previous years this reflected the rate in September of the current financial year. The Business Plan assumes that CPI is on a decreasing trend until reaching the Bank of England's 2.0% target by 2026/27.
  - 3.5. Different levels of inflation have been applied to the main cost drivers for 2024/25 to reflect the expected impact more accurately on Renfrewshire's cost base. This is reviewed annually across the cost drivers to reflect the actual levels of inflation impacting on the base costs. Over the longer term, cost increases revert to the assumed CPI forecasts noted in 3.4.
  - 3.6. Tenants and social landlords are facing some of the most challenging economic times in recent memory. The Covid-19 pandemic, Brexit and the war in Ukraine continue to have a significant impact on national and global economies. This created a cost-of-living crisis that again continues to cause significant hardship for many social housing tenants, including some of the most vulnerable people in society.
  - 3.7. In 2023/24 (current year) the HRA continues to experience impacts relating to recovery from the pandemic. The backlog of repairs to void properties continues to have a negative impact on rental income and council tax liability through increased void periods. This reflects the operational capacity of Building Services and other contractors to expand to deliver the increased levels of workload. Fluctuating resource levels in construction trades continue to affect construction output levels in both the public and private sector.
  - 3.8. Members will recall that following a strategic review of the HRA it was determined that there was capacity in the HRA to fund an additional £100m investment and regeneration programme over the next decade. Council approved the proposals to take forward this first phase of investment, focusing on eight areas and around 1,100 council properties. Members will also recall that the plan also includes over £30m of investment required in high-rise accommodation. The cost of repayment on borrowing to deliver this ambition has increased because of the cost-of-living crisis and current economic climate with high interest rates. To ensure sufficient funding in the long term, an assumption of 1% above CPI as an uplift to rents is assumed for every year across the 30-year plan.
  - 3.9. If a tenant is in receipt of benefits covering housing costs, they will likely be mitigated from any increased costs. Renfrewshire has close to 75% of tenants in receipt of some form of support for their housing costs. A rent increase would result in some tenants receiving more Housing Benefit and some existing non-claimants becoming entitled to Housing Benefit. However, unless their circumstances change, most tenants will be liable for the same contribution towards their rent, with Housing Benefit making up the difference. The tenancy support fund established last year to provide additional support to tenants in financial hardship remains within the proposed 2024/25 budget.
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#### **4. HRA Budget Planning Assumptions for 2024/25**

- 4.1. The rental income generated by the HRA must support service delivery, the costs of appropriately maintaining the housing stock, and the loan debt related costs to service the capital investment required in HRA assets.
- 4.2. The proposed budget adjustments for 2024/25 are shown across the high level HRA categories in summary form on Appendix 1 and analysed into the Policy Board revenue monitoring format in Appendix 2. To supplement the information contained in these appendices, additional contextual commentary is provided below, and this can be read in conjunction with Appendices 1 and 2.

#### **4.3 Revenue Expenditure**

- 4.3.1 Supervision and Management includes the operational inflation and additional costs covering areas such as pay increases for housing staff, energy costs and insurance costs which, in 2024/25 are all higher than the expectations forecast for the 2023/24 rent increase level. The removal of a recurring pension saving of £0.168m and the temporary removal of pension budget of £1.029m, which will require to be reinstated in 2026/27, partially offset the pressures on these costs in-year. Additional budget is also required for council tax, reflecting the continuing void pressures. The overall combined impact of these pressures and additional investment is an increased net budget requirement of £0.897m for 2024/25.
- 4.3.2 Housing Repairs and Maintenance is an area of budget that has been under considerable pressure due to both cost increases and post pandemic recovery demands. This includes pressures such as rising material, fuel, and labour prices to repair, maintain, and improve tenants' homes. These pressures are partially offset in-year due to the temporary removal of pension budget £0.641m in Building Services, £0.551m of which will require to be reinstated in 2026/27. The budget has increased overall by £3.090m to take account of the very real and significant challenges around increasing costs.
- 4.3.3 The new grounds and estates maintenance standards, introduced in recent years are now fully implemented. An additional £0.030m has been added to the budget to cover the increased costs of waste disposal.
- 4.3.4 The void rent loss movement of £0.106m reflects an increase to the expected void rent loss projections based on the current operational pressures within the sector and the revised income collection levels. In terms of void rent loss, this reflects the same targeted performance as the 2023/24 budget.
- 4.3.5 The bad debt provision has been increased by £0.104m, continuing to reflect the uncertain economic position and cost-of-living crisis faced by tenants and the associated risk in relation to increasing levels of bad debt. This budget continues to include funding to provide support to tenants in financial hardship, as approved last year. In terms of bad debt levels, this reflects the same target as the 2023/24 budget.

4.3.6 The net financing costs Loan charges budget has reduced by £1.525m, and the Contribution to Capital Programme line has increased by £0.345m. The net £1.180m reduction is used as a mitigation for the overall rent increase required in 2024/25. This is through a reduction in loan charges, increased anticipated interest income, and contributions to the Capital Programme. While this will mitigate the rent increase in 2024/25, it increases borrowing requirements, which consequentially increase interest payments in the long term. This is therefore a short-term solution to mitigate the rent increase for 2024/25 and, as set out in paragraph 3.8 of this report, these short-term measures will require above-CPI rent increases in future years to uplift the budget to fund the current investment programme.

#### **4.4 Revenue Income**

4.4.1 The gross increase in Rental income (£3.075m), reflects the 6.0% increase on both house and lock-up rents. The stock movement assumptions are based on regeneration, demolition, and investment plans, reflected in the income assumptions.

4.4.2 In relation to lock-up rents, the average charge per lock-up is currently £21.84 per month and the 6.0% increase represents an average of £1.31 increase per month.

4.4.3 Other income increases by (£0.056m), reflecting minor adjustments, mainly for recovery of staffing related costs managed within the revenue expenditure budget but recovered by income. No other income price increases are assumed at present for increased recoveries from tenants or owners via increased service charges, however recharge models will be reviewed to ensure the fair recovery of increasing costs in the long term.

4.4.4 To mitigate the impact on rent increases in 2024/25 it is proposed to use (£0.692m) of current reserves as a one-off measure. This will reduce the level of contingency held to £4.529m within the HRA to meet future and unforeseen cost pressures, including the ICT system replacement, and it is deemed that this revised level of reserves remains prudent. In the short term, however, a further £0.500m has been allocated from reserves in 2024/25, which requires to be reinstated once the recurring savings included within the overall rent proposals are achieved.

4.4.5 As noted above and in order to facilitate the proposed rent increase for 2024/25, a recurring saving of £0.500m requires to be identified during 2024/25 to allow the long-term viability of the business plan to be maintained. In the longer term and based on existing planning assumptions, this could equate to a £2.000m cumulative budget deficit over the next four years. The recurring £0.500m deficit in 2024/25 will require to be met from a combination of service re-designs including the repairs and maintenance service and void property management as well as a review of service charge levels. In the longer term as well as these areas higher levels of rental increases could be required to meet the long term needs of the business plan.

## 5. Tenant Consultation for 2024/25 Rent Increase

5.1 Renfrewshire Council has a statutory duty to consult tenants before increasing rents. To help inform the decision on rents for 2024/25, consultation was undertaken during December 2023 and January 2024 involving discussion with tenant representatives as the annual Council Wide Forum, an online survey of Council tenants, and a telephone survey of Council tenants.

5.2 Around 1,440 tenants took part in the consultation. Of this, 600 tenants were asked their views by a telephone survey, with a further 840 participating online. The results of the consultations were broadly similar regardless of the method of consultation, with 78.2% favouring a rent increase of 6.0%.

What level of rent increase would you support?	Proposed Rent Increase		Survey Responses	
		7.7%		21.8%
		6.0%		78.2%

5.3 The online consultation process asked five key questions regarding the priorities that tenants identified previously, as to whether they felt they were still Very Important, Important, or Not Important. Around 840 tenants were consulted, and the response is summarised in the table below.

Priority	Very Important	Important	Not Important
Improve the energy efficiency of existing Council homes.	63.3%	28.8%	7.9%
More money for improvements to existing housing towards things like new roofs, kitchens, bathrooms etc.	60.3%	33.1%	6.6%
Deliver more newbuild Council homes.	47.7%	32.3%	20.0%
Improving the letting standard for empty homes.	43.7%	40.2%	16.1%
Improvements to bin stores, paths, communal areas, and open spaces.	35.5%	46.8%	17.7%

5.4 The telephone consultation asked if the tenants agreed that the priorities remained the correct ones to follow, and the response is summarised in the table below.

Are these priorities still the right ones?	Yes	Unsure	No
	91.2%	5.9%	2.9%

5.5 Improving the energy efficiency of Council housing was most likely to be “Very Important” to tenants (63.3%). This was followed by more money for improvements to the existing housing, with 60.3% of tenants stating this is Very Important. Lower priority for tenants was improvements to bin stores, communal areas, and open spaces, with only 35.5% of tenants stating this was Very Important.



5.6 The proposed rent increase of 6.0% in 2024/25 will require recurring savings in future years, or above-inflation annual rent increases to allow the high level of planned investment to continue across the 30-year plan, and to continue to focus on this over the next 5 years to deliver improvements to energy efficiency and the delivery of the housing regeneration programme.

## 6. Housing Capital Investment Plan – 2024/25 to 2028/29

### 6.1 Overview

6.1.1 The proposed Housing Capital Investment Plan for the 5-year period from 2024/25 to 2028/29 is attached at Appendix 3. The gross value over the 5-year period in the councils housing stock is £281.286m. It is anticipated that this level of investment will attract £35.255m of government grant for new builds, etc., and this results in a net capital programme to be funded of £246.031m. The programme includes allowances for new build homes, related Scottish Government grants, regeneration and renewal, and the planned investment programmes required to ensure council house stock is maintained at the appropriate standards.

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

Financial Year	Gross £m	Income £m	Net £m
2024/25	41.236	(5.898)	35.338
2025/26	77.701	(13.752)	63.949
2026/27	62.009	(4.522)	57.487
2027/28	62.165	(7.007)	55.158
2028/29	38.175	(4.076)	34.099
<b>5-Year Total</b>	<b>281.286</b>	<b>(35.255)</b>	<b>246.031</b>

The plan will be reviewed on an annual basis, incorporating an ongoing assessment of risk.

6.1.3 Authority is granted to the Director of Environment, Housing and Infrastructure in consultation with the Director of Finance and Resources, to flexibly manage the capital investment programme as necessary to ensure optimum use of resources within the approved limits of prudential borrowing. It is proposed that this delegation remains in place over the life of the new 5-year plan detailed in Appendix 3.

6.1.4 The table below sets out the proposed composition of the plan for 2024/25 and how it will be funded.

<b>Financial Year 2024/25</b>	<b>Expenditure £m</b>	<b>Income £m</b>	<b>Net £m</b>
Planned Investment Programmes	20.835	0.000	20.835
Regeneration and New Build, etc.	20.401	0.000	20.401
Government New Build Grant	0.000	(5.898)	(5.898)
Other Income	0.000	(0.450)	(0.450)
CFCR	0.000	(4.269)	(4.269)
Prudential Borrowing	0.000	(30.619)	(30.619)
<b>Total</b>	<b>41.236</b>	<b>(41.236)</b>	<b>0.000</b>

## 6.2 Planned Investment Programmes

6.2.1 Since achieving compliance with the Scottish Housing Quality Standard (SHQS) in April 2015, there has been an ongoing requirement to ensure that housing stock continues to be maintained at least at this standard. With Electrical Installation Condition Reports (EICR) and updated smoke and heat detector standards now included within the assessment of SHQS, this led to a reduction in the Council's SHQS compliance. Continuing difficulties with gaining access to approximately 8% of housing stock is still impacting the compliance rate but processes are in place to address this. Additional contracts have also been put in place to ensure that full compliance is achieved in 2024/25.

6.2.2 The capital programme for 2024/25 to 2028/29 as per the attached Appendix 3 will deliver a total of £140.065m in planned investment programmes in existing housing stock, £33.661m in New Supply of housing stock outwith the regeneration areas and a further £107.560m included as part of the Regeneration and Renewal Plan including New Supply within regeneration areas. The capital programme for the same period will attract £35.255m of income from government grants.

6.2.3 The Council is required to ensure that the HRA has capacity to deliver on regulatory requirements and standards, including ensuring that properties meet requirements such as SHQS and EESSH. At March 2023, 85.07% of Council housing stock was compliant with the EESSH1 target (after applying allowable exemptions).

6.2.4 The Scottish Government had introduced a higher EESSH2 standard to be met by 2032, however, this has been suspended and the review of 2023 introduced the Social Housing Net Zero Standard (SHNZS). The SHNZS proposes the replacement of EPC targets with a minimum heat demand target for homes to achieve and the replacement of heating systems with clean heating alternatives. The standard aligns with net zero requirements and fuel poverty targets. The SHNZS is currently out for consultation, and final agreed targets for heat demand level and backstop dates for clean heating will come into force in 2025.

This standard will impact on the asset management strategy post 2025, however current retrofit projects will be in line with expected standards.

6.2.5 The capital investment programme has an allowance of £28.473m for the investment requirements in all high-rise properties over the next five years, including cladding, roofing, window and door replacements, foyer improvements and lift refurbishments.

6.2.6 There will continue to be a programme of heating renewals in 2024/25 and also a programme of kitchen, bathroom, and rewiring combinations, with works recommencing in tenanted properties that will supplement those works currently being carried out in properties which are void.

6.2.7 The main categories of planned investment programmes are:

- External improvements, which include renewal of roofs, rainwater goods and external fabric;
- Internal improvements, which include replacing or upgrading kitchens, bathrooms, electrical wiring, and heating systems;
- Multi storey flat and sheltered housing improvements;
- Other investment including disabled adaptations, asbestos removal, rotworks and the delivery of the final stages of the investment relating to smoke, heat, and carbon monoxide detectors.

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

<b>2024/25 Planned Improvements</b>	<b>Number of Properties</b>
External fabric upgrading	700
Kitchen, bathroom, and rewiring replacement	220
Heating renewals	300

### **6.3 New Build and Regeneration**

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

6.3.2 In addition to the Regeneration and Renewal Plan, the Capital Investment Plan continues to include provision for investment in building new Council Housing. Four newbuild projects have been successfully delivered – at Johnstone Castle and Auchengreoch Road, Johnstone, Bishopton and Ferguslie Park, delivering over 300 new build Council homes for social rent.

- 6.3.3 As part of the Housing-Led Regeneration and Renewal Programme, tenders were issued for the main contractors for new build housing proposed for the Howwood Road Area (70 units) and at Ferguslie/Broomlands (18 units). Preferred bidders have been identified for each project and subject to a suitable offer of Scottish Government Affordable Housing Grant funding, it is anticipated that the formal contract award will be issued by March.
- 6.3.4 Over and above the Housing-Led Regeneration and Renewal Programme, a tender was issued for the main contractor for the development of 60 new build Council homes in Gallowhill. A preferred bidder has been identified for each project and subject to a suitable offer of Scottish Government Affordable Housing Grant funding, it is anticipated that the formal contract award will be issued by March.
- 6.3.5 A design feasibility study has been completed for Foxbar Rivers with a tender to be issued for main contractor to be issued following completion of site investigations. It is anticipated that a further 48 newbuild homes could be delivered on this site.
- 6.3.6 The Strategic Housing Investment Plan 2024-29 approved by the Communities and Housing Policy Board on 31 October 2023, includes provision for Scottish Government grant funding for Council new build projects.
- 6.3.7 The new build grant benchmark rate for local authorities is a 3-person equivalent benchmark of £71,500 per unit. The new build specification has been updated to include the quality measures required to maximise grant claims where possible (silver level as a minimum, balconies to flatted developments, space for home working / study, digital enablement, fire suppression and zero emission heating). These additional measures will incur higher capital costs but will also attract additional grant funding over and above the 3-person equivalent benchmark rate to assist the ongoing delivery of energy efficient affordable new build Council homes for tenants.
- 6.3.8 It should be noted that higher capital costs result in an increase to the funding gap between new build housing project costs and the level of grant subsidy available to the Council, resulting in increased cost pressures on the HRA in order to continue to support new build housing projects. It is hoped that inflation stabilising, together with industry-wide adoption of the new measures, will lead to a reduction in capital costs over time.
- 6.3.9 The draft budget published by the Scottish Government in December 2023 for financial year 2024/25 outlines a decrease of £196.1m (26%) in comparison to the 2023/24 [Affordable Housing Supply Programme budget](#) of £751.945m across Scotland. This reduction may have an adverse impact on the timescales of delivery by the Council and other Registered Social Landlords who have new build projects identified within the Strategic Housing Investment Plan 2024-29.
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## Implications of the Report

1. **Financial** – The report and appendices detail the proposed HRA budget and average weekly rent increase for 2024/25 and the Housing Capital Investment Plan for 2024/25 to 2028/29.
2. **HR & Organisational Development** – None arising directly from this report.
3. **Community/Council Planning**
  - *Our Renfrewshire is well* – enabling communities to have their voices heard and influence the places and services that affect them by consulting tenants on the proposed changes to rents for 2024/25.
  - *Building strong, safe and resilient communities* - continuing housing regeneration programmes across Renfrewshire to create sustainable communities.
  - *Tackling inequality, ensuring opportunities for all* - improving and maintaining housing conditions for the benefit of tenants and providing assistance to tenants to mitigate the impacts of any Welfare Reform changes.
  - *Creating a sustainable Renfrewshire for all to enjoy* – accessing supplementary external funding where available to support the achievement of the minimum energy rating under the Energy Efficiency Standard for Social Housing.
  - *Working together to improve outcomes* – consulting tenants on the proposed changes to rents for 2024/25 and involving tenant representatives in the specification and monitoring of the investment programme.
4. **Legal** – The council is required to set an HRA budget for 2024/25 and agree any rent changes for notification to tenants. The Council must give tenants at least 28 days' notification in advance of any changes.
5. **Property/Assets** – The report proposes the Housing Capital Investment Plan for 2024/25 to 2028/29.
6. **Information Technology** – None arising directly from this report.
7. **Equality & Human Rights** - 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.

8. **Health & Safety** – The Capital Plan outlines investment in Council assets and facilities to ensure they remain safe and accessible in line with statutory obligations.
  9. **Procurement** – The proposed Capital Investment Plan for 2024/25 to 2028/29 will include procurement of contracts.
  10. **Risk** – The HRA Business Plan remains subject to a number of risks and economic factors such as interest rates and inflation. While these risks are reviewed as part of the HRA business planning process, a high level of uncertainty remains relating to external economic factors.
  11. **Privacy Impact** – None arising directly from this report.
  12. **Cosla Policy Position** – Not applicable.
  13. **Climate Risk** - Investment in Council assets improves energy efficiency, reducing the Council’s carbon footprint and helping it achieve its Net Zero by 2030 target.
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### **List of Background Papers**

Housing Revenue Account Budget & Rent Levels 2023/24 and Housing Capital Investment Plan 2023/24 to 2027/28, 2 March 2023.

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**Author:** *Gordon McNeil, Director of Environment, Housing and Infrastructure*

**Housing Revenue Budget – 2023/24 to 2024/25**

Appendix 1

	<b>Revised Annual Budget 2023/2024 £m</b>	<b>Proposed Annual Budget 2024/25 £m</b>	<b>Movement £m</b>
<b><u>Expenditure</u></b>			
Supervision and Management	17.575	18.472	0.897
Housing Repairs and Maintenance	15.892	18.982	3.090
Grounds and Estates Maintenance	2.535	2.565	0.030
Void Rents	2.220	2.326	0.106
Bad Debt Provision	2.042	2.146	0.104
Financing Costs (Loan Charges)	15.165	13.640	(1.525)
Contribution to Capital Programme	3.924	4.269	0.345
<b>Total Expenditure</b>	<b>59.353</b>	<b>62.400</b>	<b>3.047</b>
<b><u>Income</u></b>			
Rental Income	(54.655)	(57.730)	(3.075)
Other Income	(3.422)	(3.478)	(0.056)
Use of B/F Reserves	(1.276)	(1.192)	0.084
<b>Total Income</b>	<b>(59.353)</b>	<b>(62.400)</b>	<b>(3.047)</b>
<b>Net</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>





**Housing Revenue Account - 2024/25 Budget**

Subjective Summary	Revised Annual Budget 2023/24	Proposed Annual Budget 2024/25	Budget Adjustments 2024/25	Explanation of Movement
Employees	11,097,983	11,121,812	23,830	Includes pay award for 2023/24 to reflect the agreed settlement and estimated 2024/25 pay award amounting to £1.221m; the removal of a recurring pension saving of £0.168m; and the temporary removal of employer pension contributions of £1.029m, which will require to be reinstated in 2026/27.
Premises Related	20,288,290	23,477,665	3,189,375	This includes an additional £3.159m for Repairs & Maintenance; an additional £0.030m for Estate Management; £0.225m for fuel inflation; £0.435m on insurance; and net reduction of movements in other minor budgets of £0.019m. The temporary removal of employer pension contributions reduces the recharge from Building Services by £0.641m, which will require to be reinstated in 2026/27.
Transport Related	102,500	53,431	(49,069)	Reduction in budget to reflect current demand for fleet and mileage.
Supplies and Services	732,817	909,217	176,400	This reflects inflationary pressures and additional costs mainly on ICT, Communication and external services including legal costs £0.176m.
Third Party Payments	49,000	585,934	536,934	This reflects the cost of apprenticeship funding for Building Services.
Transfer Payments	5,675,242	6,029,019	353,777	The bad debt budget has been increased by £0.098m (net) from last year in line with the anticipated increase in rental income. An allocation from this budget remains to be utilised for the tenant support fund. An increase in the void rent loss budget of £0.106m reflects increased rent levels and continuing service pressures. An additional £0.022m is also allocated for Council Tax payments linked to the anticipated level of voids. A further £0.070m has been allocated to continue youth employment and training initiatives. The remaining £0.058m reflects the inflationary impact of contracts with third sector providers.
Support Services	2,492,400	2,456,181	(36,219)	This reflects minor inflationary pressures, offset by a reduced support services recharge.
Depreciation and Impairment Losses	19,089,000	17,909,000	(1,180,000)	The net reduction in the capital financing budget reflects the realignment of this budget to mitigate rent increases in 2024/25, and to reflect the revised borrowing requirements associated with planned investment.
<b>GROSS EXPENDITURE</b>	<b>59,527,232</b>	<b>62,542,260</b>	<b>3,015,028</b>	
Income	(59,527,232)	(62,542,259)	(3,015,028)	The gross increase in income due to the rent increase budgeted is £3.075m. The drawdown from reserves reflects a reduced level of drawdown of £0.584m from the previous year. This movement is however partially offset by the targeted £0.500m saving that requires to be delivered in 2024/25 allocated from reserves at present. The balance in the movement of £0.024m reflects the net minor movements in other income recoveries.
<b>NET EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>0</b>	

Expenditure Category	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	5 Year Totals £m
Internal Investment	4,920	7,120	3,610	3,610	4,502	23,762
External Improvements	10,200	14,200	13,200	13,325	10,900	61,825
Multi Storey Flats Improvements	500	6,500	9,500	11,500	473	28,473
Sheltered Housing Improvements	600	725	500	500	473	2,798
Professional Fees	1,900	1,925	1,950	1,975	2,363	10,113
Others e.g. Adapts, Rotworks & Asbestos	2,715	2,715	2,615	2,315	2,734	13,094
Regeneration and Renewal Investment Programme	18,161	31,658	15,071	25,940	16,730	107,560
New Supply Programme Excluding Regeneration Projects	2,240	12,858	15,563	3,000	0	33,661
<b>Capital Expenditure Total</b>	<b>41,236</b>	<b>77,701</b>	<b>62,009</b>	<b>62,165</b>	<b>38,175</b>	<b>281,286</b>
Government Funding	-5,898	-13,752	-4,522	-7,007	-4,076	-35,255
<b>Net Housing Investment Expenditure</b>	<b>35,338</b>	<b>63,949</b>	<b>57,487</b>	<b>55,158</b>	<b>34,099</b>	<b>246,031</b>



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**To: Council**

**On: 29<sup>th</sup> February 2024**

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**Report by: Chief Executive**

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**Heading: Accounts Commission Section 102 Report (S.102) – School Accommodation for Dargavel Village**

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**1. Summary**

- 1.1 At a meeting on 11<sup>th</sup> January 2024, the Accounts Commission was presented with a statutory S.102 report, as circulated to Councillors on 5<sup>th</sup> January 2024 (see Appendix 1), by the Controller of Audit on School Accommodation for Dargavel. It is a statutory requirement for a S.102 report to be reported to the full Council to allow consideration of the findings and recommendations from the Accounts Commission and to agree any subsequent action by the Council.
- 1.2 As outlined in their report, the Accounts Commission agreed to make findings and associated recommendations in response to the Controller of Audit's statutory report, is seeking additional information and assurance in relation to several areas and in this context has requested a further report back from the Controller no later than June 2024. They have also reserved open the right to hold a hearing if they deem it required.
- 1.3 Attached at Appendix 2 is the proposed response and actions to the Commission's findings and recommendations for elected members consideration and approval.

## **2. Recommendations**

2.1 It is recommended that members: -

- note and accept the Accounts Commissions findings and recommendations;
- agree the response and actions outlined in Appendix 2 of this report and that monitoring of those actions will be incorporated into the overall Bowles report response monitoring arrangements that are reported to each cycle of the Audit Risk and Scrutiny Board;
- note that a follow-up report from the Controller of Audit will be made to the Accounts Commission by June 2024 which will be subject to appropriate reporting through the Council's governance process at that time.

## **3. Background**

3.1 Following presentation of the Council's 2022/23 Annual Audit Report for from Azets, the appointed auditor, considered by the Council's Audit, Risk and Scrutiny Board (ARSB) on 6 November 2023 and by the full Council on 16 November 2023, the auditor issued an unmodified opinion on the council's 2022/23 annual accounts. Within that report, the auditor provided significant coverage of the Dargavel situation, including: -

- findings from the independent report commissioned by the Council and which reported in June 2024 ("The Bowles Report"),
- the subsequent actions the Council has been progressing since that time,
- that the council has appropriate governance arrangements in place with improvements over the years in member and officer relationships and effective leadership overall and were satisfied through their detailed audit work that the Council had demonstrated that the governance failings identified by the Bowles report were limited to the historic handling of Dargavel,
- that they had no highlighted concerns over the wider organisational culture in the Council or in its approach to managing major capital programmes but did identify that the role of the Audit, Risk and Scrutiny Board in ensuring effective scrutiny is not sufficiently clear and the Council has recognised this and is already significantly progressed with a review of the Audit Risk and Scrutiny Board.
- the overall progress being achieved to resolve the educational capacity challenges as a result of the historic errors made by the Council, highlighting that the Council continues to have significant challenges to rebuild the trust of communities affected by the failings

and that the Council and communities will be feeling the impact of this for some time to come.

- 3.2 The Controller of Audit decided to use the reporting powers available to her under s102 (1) of the Local Government (Scotland) Act 1973 to bring this issue, and the action the Council is now taking in response to the Bowles report, to the attention of the Accounts Commission. Following presentation of the report to the Commission, the Commission has endorsed the Controller of Audit's report on school accommodation for Dargavel village.
- 3.3 On receipt and following consideration of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
- direct the Controller of Audit to carry out further investigations
  - hold a hearing
  - state its findings.
- 3.4 In this case, the Commission has set out their findings in their report, alongside several issues on which they require further, urgent, investigation. The Commission has requested that the Controller updates the Commission no later than June 2024, using her powers under Section 102 of the Local Government (Scotland) Act 1973 on progress on the issues raised in their findings, and earlier if she deems necessary. The Commission has also reserved the right at this stage to hold a hearing if they deem it necessary.
- 3.5 The Commission have also confirmed that they intend to bring forward Renfrewshire Council's Best Value report from 2027 to later this year, or at the latest in early 2025.
- 3.6 While the Council was commended for its decision to instruct an independent review of the issues surrounding the Dargavel Primary School, and for its acceptance in full of the recommendations in the Bowles report, the Commission has indicated concern that significant risks remain in relation to actions the Council is taking in response to the acknowledged failings.
- 3.7 Throughout their findings the Commission has outlined recommendations to secure further information and assurance to address their concerns. The Commission has noted the Council's acceptance in full of the Bowles report recommendations and its apology to the local community. They also recognise that the Council has developed a specific communication and engagement strategy for Dargavel. However, as has been recognised by the Council and highlighted by the Controller in her report, the Commission agrees that the Council faces a significant challenge to rebuild the trust and confidence of local communities.

- 3.8 The Commission has required the Controller to report back to them by June 2024 on any issues raised in the report that she thinks appropriate, but also to seek specific further information and updates from the council regarding:
- the Council’s review of its approach to community engagement,
  - the Council’s approach to consultation on the additional primary school at Dargavel, and other decisions on the school estate,
  - the Council’s work on understanding the wider service impacts on the failings regarding school capacity,
  - the Council’s reviews of scrutiny and risk management, and its leadership development programme, and
  - the process followed and factors taken into account by the Council in considering disciplinary action against senior staff, and its approach and policy on performance management and accountability.
- 3.9 Detailed in Appendix 2 to this report, is a proposed response and associated actions to the findings and recommendations set out by the Commission for elected members consideration.
- 3.10 Subject to consideration and approval by elected members, it would be proposed that these actions are incorporated into the existing action plan being progressed by officers in response to the Bowles report for monitoring purposes and will in line with the existing approach be reported to each cycle of the Audit Risk and Scrutiny Board. Further, and in line with statutory requirements under the 2003 Act, this proposed response and actions if approved by Council will be formally shared and communicated to the Account Commission following this meeting.

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## Implications of the Report

1. **Financial** - there are no direct financial implications arising from this report. Any costs associated with delivering the proposed actions will be contained within existing resources.
2. **HR & Organisational Development** - none
3. **Community/Council Planning** – none
4. **Legal** – the statutory report issued by the Controller of Audit and subsequent findings issued by the Accounts Commission have been issued under S.102 and S.3 of the Local Government (Scotland ) Act 1973 and 2003 respectively.

5. **Property/Assets** – none
  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 as it is for noting only and sets out the detail of an external investigation. 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. (Report author to arrange this).
  8. **Health & Safety** - none
  9. **Procurement** – none
  10. **Risk** - none
  11. **Privacy Impact** - none
  12. **Cosla Policy Position** – none.
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### **List of Background Papers**

Dargavel Primary – Independent Review – Council June 2023

Azets Report to those charged with governance - Renfrewshire Council Group  
Annual Accounts 2022/23 – Audit Risk and Scrutiny Board November 2023

Annual Audit Report 2022/23 Renfrewshire Council Group – November 2023

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# The 2022/23 audit of Renfrewshire Council

School accommodation for Dargavel Village



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit  
January 2024

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# Commission findings

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- 1.** The Commission endorses the Controller of Audit's report on school accommodation for Dargavel village. We also acknowledge the work of David Bowles in carrying out his independent review.
- 2.** On receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
  - direct the Controller of Audit to carry out further investigations
  - hold a hearing
  - state its findings.
- 3.** In this case, the Commission has given serious consideration to the full use of the powers available to us. In this report, we set out our findings, alongside a number of issues on which we require further, urgent, investigation.
- 4.** We request that the Controller updates the Commission no later than June 2024, using her powers under Section 102 of the Local Government (Scotland) Act 1973 on progress on the issues raised in our findings, and earlier if she deems necessary.
- 5.** We also intend to bring forward Renfrewshire Council's Best Value report from 2027 to later this year, or at the latest in early 2025.
- 6.** The Commission reserves the right to hold a public hearing on this and related matters if we are not satisfied with the updates we receive on the council's progress.
- 7.** While the council is to be commended for its decision to instruct an independent review of the issues surrounding the Dargavel Primary School, and for its acceptance in full of the recommendations in the Bowles report, the Commission is concerned that significant risks remain in relation to actions the council is taking in response to the acknowledged failings. Our findings are structured around the themes we explored in our public meeting on 11 January 2024. Throughout our findings we seek assurance and further information to address our concerns.

## Community and other engagement

- 8.** We note the council's acceptance in full of the Bowles report recommendations and its apology to the local community. We also recognise that the council has developed a specific communication and engagement strategy for Dargavel. However, we agree with the Controller that the council faces a significant challenge to rebuild the trust and confidence of local communities.

**9.** While it has taken action, the council is yet to assess how effective its engagement strategy has been to date. The council must, as a matter of urgency, conduct a robust and transparent assessment of the effectiveness of its community engagement and then move swiftly to implement any improvements needed. The Commission asks the Controller to update us on this by June 2024, or earlier if progress is not at the pace we expect.

**10.** The Commission is particularly concerned by the council's failure both to transparently consider alternative options in relation to expanding secondary school capacity in the area, and to consult or engage appropriately with the community, whom their decision directly affects.

**11.** We note that the new primary school is subject to a full public consultation. We expect the council to engage meaningfully with the community on this issue, and other decisions on the school estate. Again, we ask that the Controller monitors this situation, and reports to us in June 2024 on progress and earlier if necessary.

## Learning lessons and building capacity

**12.** We note from the Controller's report that learning the lessons from these issues continues to feature prominently in council meetings.

**13.** While the council's initial response to the Bowles report was high level, we are assured by the Controller that its action plan in response is now sufficiently detailed and includes SMART objectives. It will be important that this action plan is well-managed by senior officers and closely scrutinised by elected members of the council.

**14.** We note that the council has also commissioned Edge Analytics, who we are reassured are experts in this field, to advise on future school capacity issues. However, there are still significant uncertainties relating to the capacity needed in the long term, and to the completion of the two building projects – the new primary school and the secondary school extension. We therefore request that these matters are closely monitored in the annual audit work, and the Controller uses her powers to report any slippage or other issues to us if necessary.

## Impact on service provision

**15.** We note that the council has assessed that currently there has been no detriment to either teaching delivery or pupil education in the Dargavel and Bishopton areas from the interim measures introduced. We consider it critical that the council reports the results of these assessments publicly, regularly and in an accessible way, to maintain and rebuild community confidence.

**16.** The Commission is also concerned at the possible wider impacts of the council's failings regarding the estimation of pupil numbers and whether this has had any impact on services provided by the council in the Dargavel area. We request that the Controller seeks further information on these issues so that we can understand the work that the council has done to understand these impacts.

## Financial management and consequences

**17.** The financial impact of these failings on the council is significant. The council capped the risk and contributions from BAE Systems under the Section 75 agreement, and as a direct result faces estimated net additional capital costs of £60 million, to be met by borrowing. This is a substantial sum of public money. The council needs to clarify the opportunity costs of this in terms of its overall capital programme. The council projects that it will have a revenue budget deficit of up to £50 million by 2026/27 and will need to make difficult decisions on prioritising its spending, compounded by the financial consequences of this issue.

**18.** The council has recently negotiated a transfer of land from BAE for the construction of a new primary school. The Controller's report indicates that this was in exchange for amendments to the extent and composition of the housing units for which planning permission has been granted. Given the reported determination of BAE to fully protect their commercial interests in the development, and the absence of alternative solutions for the council, it will be important to ensure and demonstrate that this exchange represents Best Value for the public purse.

## Council leadership, governance and culture

**19.** We note that the council's auditors have concluded that, overall, the council has appropriate governance arrangements in place and that member and officer relations have improved over the years. The council's action plan will be hugely important in further embedding improvements in this area. In particular, the following elements must be progressed urgently and transparently:

- the council's review of its scrutiny arrangements against CIPFA good practice guidelines
- the council's review of its approach to risk management
- the council's leadership development programme for officers.

**20.** To be satisfied of progress in these areas, the Commission requires the Controller to request further information from the council on the scope and timing of these actions, and report back to the Commission in the update requested for June 2024, or earlier if she thinks necessary. We also expect these issues to be covered in the accelerated Best Value report.

**21.** The Commission is also concerned about the culture of the council and whether it has truly learned the lessons it needs to. We expect organisational culture to be an area of focus in the accelerated Best Value report. In particular, we request an update on whether the culture of the organisation is appropriately open and transparent and encourages continuous improvement, effective joint-working between officers and members, effective scrutiny and challenge (especially by elected members), and engagement and discussion with stakeholders. In addition, we request an assessment of whether it has the right skills in the right places to deliver on its responsibilities, and whether issues are escalated to the right level.

**22.** Finally, the Commission notes that the auditor has concluded that the council has obtained appropriate external legal advice and determined there is no potential for any form of action against former senior employees involved in the Dargavel School decision-making. In addition, no disciplinary action has been taken against any senior officer involved in decision-making relevant to the Section 75 approval process for the Dargavel Village development.

**23.** The Commission accepts that these are management issues. However, we request that the Controller asks the council for further information on the process followed and factors taken into account by the council in considering disciplinary action against staff involved. In addition, and looking forward, the Commission asks for information on the council's approach to performance management and its current policy on disciplinary action, so we can be assured that appropriate arrangements are in place to ensure that staff have the necessary skills and that senior officers are properly accountable for their areas of responsibility.

### **Summary of requests for further information and work required**

**24.** The Commission requires the Controller to report back to us by June 2024 on any issues raised in this report that she thinks appropriate, but also to seek specific further information and updates from the council regarding:

- the council's review of its approach to community engagement
- its approach to consultation on the additional primary school at Dargavel, and other decisions on the school estate
- the council's work on understanding the wider service impacts on the failings regarding school capacity
- the council's reviews of scrutiny and risk management, and its leadership development programme
- the process followed and factors taken into account by the council in considering disciplinary action against senior staff, and its approach and policy on performance management and accountability.

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# Introduction

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**1.** The Code of Audit Practice requires auditors to produce an annual report summarising the significant matters arising from their work at the conclusion of each year's audit. For local authorities, these reports are addressed to elected members and the Controller of Audit.

**2.** I have reviewed the 2022/23 Annual Audit Report for Renfrewshire Council (the council) from Azets, the appointed auditor. The auditor's Annual Audit Report was considered by the council's Audit, Risk and Scrutiny Board (ARSB) on 6 November 2023 and by the full council on 16 November 2023. The report has also been published on [Audit Scotland's website](#). The auditor issued an unmodified opinion on the council's 2022/23 annual accounts.

**3.** In June 2023, the council received the findings of an independent report (the Bowles report) that highlighted significant failings of leadership, oversight and risk management in relation to the provision of school accommodation for Dargavel Village. The consequences of this for both the community and the council are far reaching and a significant cause for concern. The council has developed an action plan to respond to the issues identified and is, and must continue, to work hard to rebuild the trust of the communities affected and demonstrate that lessons have been learnt.

**4.** I have therefore decided to use the reporting powers available to me under s102 (1) of the Local Government (Scotland) Act 1973 to bring this issue, and the action the council is now taking in response to the Bowles report, to the Commission's attention.

## Background

**5.** The development of the new village of Dargavel, in Renfrewshire, is a large and complex project, which has evolved into one of the largest housing developments in Scotland. The land at Dargavel Village is being developed by BAE Systems who were initially granted planning permission for the development of a maximum of 2,500 houses in 2009. This was increased, through a range of further planning applications between 2014 and 2018, most notably by 1,350 as part of two major additional applications in 2018. The council in 2023 formally acknowledged that the historically consented planning permission was for 4,322 units on the Dargavel site.

**6.** It is common practice for local authorities, when considering planning permission for new housing developments, to enter into an agreement with the developers to contribute to the additional public costs associated with delivery of any new housing development, including costs associated with schools, health, roads and other infrastructure. These legally binding agreements are made under Section 75 of the Town and Country Planning (Scotland) Act 1997. A new primary school (Dargavel Primary) was built by BAE systems in Dargavel

Village as part of a Section 75 agreement with BAE systems. It opened in January 2022 with an expected capacity for 430 pupils.

**7.** In May 2022, as part of the 2022/23 intake, council officers recognised that they had substantially underestimated the demand for primary school places in Dargavel Village. At the same time the council recognised that the demand for secondary education was also likely to have been significantly underestimated.

**8.** Following analysis over the summer period to quantify and understand both the scale and time critical nature of the problem, a special meeting of the council's Education and Children Services Policy Board was held in November 2022. The main purpose of the meeting was to discuss Dargavel Primary School capacity. It was reported that the current school roll was 463. The council projected a potential school roll of up to 620 pupils by August 2023 and 705 pupils by August 2024. The board concluded that the existing school capacity would be materially insufficient to meet the future demand profile of the catchment area.

**9.** Additional work by the council to create a robust long-term estimate of pupil numbers (further confirmed by more detailed projections from the council's consultants, Edge Analytics) identified a need for a core primary school capacity of 1,130 pupils and high likelihood of breaching the existing 430 capacity in the 2023/24 school intake requiring circa 60 per cent more pupil spaces.

**10.** The Education and Children Services Policy Board has approved planning for an additional primary school in Dargavel and an extension to Park Mains High School. The council had planned an extension to Park Mains High School as part of its Section 75 agreement with BAE Systems in 2018 and confirmed the size of that extension in its 2023 agreement. The Bowles report highlights that the council's failure to appreciate the risks that they were taking in the original contract they negotiated, which allowed BAE to cap their contributions<sup>1</sup> means that it is the council that will need to meet the additional costs over and above this cap associated with increasing capacity.

<sup>1</sup> BAE Systems have contributed the primary school at Dargavel Village and land for the building of a second primary school. They have capped their contributions for secondary school capacity to 200 pupil places.



# Dargavel School – Timeline of key events

Date	Event
2006	The original masterplan application for the Dargavel development is submitted by BAE Systems
Aug 2009	Outline planning consent approved
2009	Section 75 agreement signed between the council and BAE Systems for 2,500 houses and 340 primary school pupils spaces
2013	Dargavel Village construction commences
Sep 2014	Concerns expressed as to the size of the planned school by the community council
Apr 2016	The council updates the school capacity requirement to 430 places for extending Dargavel Village development to 3,850 homes
Jan 2017-2021	Community concerns over low school capacity continue to be raised
Oct 2018	Section 75 Agreement signed. Planning consent for 3,850 houses granted by the council. BAE Systems formally obligated to build Dargavel Primary School with capacity for 430 pupils
2020	Dargavel Primary School construction commences
Jan 2022	Dargavel Primary School opens
May 2022	During the 2022/23 intake, the council becomes aware that pupil admissions are higher than expected
Nov 2022	The council appoints Edge Analytics to provide support for school capacity estimates
Dec 2022	The council's chief executive appoints Mr David Bowles to undertake an independent review of Dargavel Primary School capacity issues
Mar 2023	The EPCB approve planning for an additional school in Dargavel with a minimum capacity for 700

<b>May 2023</b>	<p>Updated projections recommend additional primary school capacity requirement of 800</p> <p>The ECPB approves an extension to Park Mains High School to create capacity for an additional 400 secondary school places</p>
<b>Jun 2023</b>	<p>‘The Bowles report’ is published and presented to the full council. The council accepts all recommendations in full</p>
<b>Aug 2023</b>	<p>The council instals six modular classrooms in Dargavel school as an interim capacity solution</p>
<b>Sep 2023</b>	<p>The council secures a land transfer from BAE systems to build a new primary school and, in exchange, the council clarifies that a maximum of 4,322 homes are consented to be delivered as a part of Dargavel Masterplan.</p>

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# Independent examiner's report – the 'Bowles report'

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**11.** Following the special meeting of the council's Education and Children Services Policy Board in November 2022, the council gave authority to the chief executive to establish an independent assessment of the circumstances which led to the significant error in school capacity planning for Dargavel School. David Bowles, a former local government director and chief executive, was appointed directly by the chief executive following a search for suitable candidates for the role supported by SOLACE.

**12.** The overriding conclusion of the report was that:

'...the council was completely unaware of, and therefore unprepared for, the impact that a development such as Dargavel would have upon the education service.'

**13.** The report further concluded that:

'Regardless of considerable uncertainty of estimating pupil need 20 years ahead, before detailed consents had been given and the housing mix known, the council allowed BAE to cap its contributions in both agreements, leaving all of the risk with the council. It is difficult to see how both of these agreements, involving potentially millions of pounds of investment in primary and secondary education, could have been handled in a more incompetent manner.'

**14.** The 'Bowles report' was published and presented at the June 2023 full council meeting and identified the following key factors (with summarised extracts) which contributed to the Dargavel School outcomes:

- **A failure of leadership in the education service.** Senior education management were both incompetent and not sufficiently engaged in the project.
- **Limited corporate oversight of the project.** There is no evidence of corporate intervention to provide internal support or seek external advice.
- **Lack of clarity about the size of the development.** Different parts of the council have been working on different housing numbers and BAE have quoted different numbers.
- **A complete and repeated failure to test data for reasonableness.** The council had numerous opportunities to test data for reasonableness and it failed to do so.

- **Ignoring conflicting data.** There are frequent instances of conflicting data being disregarded.
- **Not either understanding or planning to manage the risk associated with large developments.** The lack of understanding of (estimation) risks can be highlighted by the inept decision of the council to reduce the size of the Dargavel School site.
- **Focussing on capacity problems at Bishopton Primary School.** At no time did officers question why there was a 'spike' in children from the Dargavel development being admitted to Bishopton school.
- **Ignoring emerging problems when agreeing to a 2-form entry primary school in 2018, which increased the capacity of the planned Dargavel school by about 100 places.** There was ample evidence the council had seriously underestimated primary school demand before the original planning application in 2018.
- **A failure to recognise the growing school capacity problem until May 2022.** The (school place demand) error was so obvious it is difficult to see how it remained undetected for six years.
- **A failure to take any concerns expressed by others seriously.** The response by council officers to numerous examples of concerns being expressed by a range of stakeholders showed professional arrogance.

15. The Bowles report recommended that the council:

- **Builds a more robust model of primary school need for Dargavel.** The council should update and refine the existing model of pupil numbers and the potential range of demand and continue to work with experts in this area. It should also review the mix of housing approvals and extend the time period of the forecasts for primary to assess whether there is likely to be a peak in demand or just a plateau then a decline.
- **Reconsider catchment areas.** The earlier decision on catchment areas was made on the assumption the developer would be meeting all of the costs of primary education, without needing to use the surplus capacity at Bishopton. That is no longer the case. In its future plans the council should reconsider how surplus capacity at Bishopton can be used effectively.
- **Produce robust supplementary guidance on developer contributions.** The council should be clear about who has responsibility for this area of work and ensure they have the appropriate skills available to them, either internally or externally. The council should review how data flows between planning and education and that they both understand its import.
- **Seek to work co-operatively with BAE.** Unless the council and BAE can work together to resolve the current problems, BAE may face

accusations, whether founded or not and regardless of council incompetence, that it has financially benefitted at the expense of council taxpayers.

- **Corporate working and organisational culture.** The council needs to consider a significant change programme, not just on the of issue of corporate working and personal responsibility, but also its organisational culture and values. It needs plans to build a stronger organisation where constructive challenge is welcomed and there is a clarity of what is expected of all of those in a leadership role.
- **Risk management.** The council needs to review how it both identifies risk and manages it. The identified risk in council documents related to delivering the school on time, not that the size of the school may prove to be inadequate. The failure to identify that risk has had two consequences; first the council has been slow to react to the increase in pupil numbers and second the council did not negotiate with BAE, with that risk in mind.
- **Involvement of members.** While protecting the integrity of the planning process, the council needs to ensure the appropriate involvement of members in such developments.
- **Public confidence.** The council should work in an open and transparent manner in the resolution of these issues and particularly with the residents of Dargavel, who have legitimate concerns about the implications for their children, during both their primary and secondary education.

Source: Dargavel Primary – Independent External Review, The Bowles report

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# The council's response

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**16.** The council accepted in full the recommendations of the Bowles report at its meeting of 22 June 2023 and apologised to the local community for the significant errors made. Since then, it has supplemented its initial response with a more detailed action plan, however it is clear that the implications of this issue will be felt for some time to come. The council is, and must continue to, working hard to rebuild the trust of the affected communities and demonstrate that it has learnt lessons. The council's progress in implementing agreed actions is monitored by the Audit, Risk and Scrutiny Board.

**17.** The council has engaged external consultants, Edge Analytics, to provide expert support in estimating demand for places across its school estate and has taken forward an analysis of how other local authorities manage developer contributions ahead of the development of updated guidance.

## Addressing capacity issues in the short term

**18.** The council have implemented transitional arrangements to address immediate capacity issues in Dargavel Primary School. These interim measures have included the creation of new modular classrooms and the utilisation of available capacity in the neighbouring Bishopton School. The council has assessed, with the support of external consultants, that these interim measures will be sufficient to accommodate primary and secondary school demand until the anticipated new schools are developed by August 2027, but this will require to be kept under careful review.

**19.** The council assesses the impact of these transitional arrangements on the standard of teaching delivery and pupil attainment as part of its regular monitoring arrangements. At this stage, the council assesses that, while there has been some disruption, there has been no detriment to either teaching delivery or pupil education in the Dargavel and Bishopton areas.

**20.** The council will continue to monitor the quality of educational delivery and measures of pupil attainment closely through its existing quality monitoring arrangements. It is critical that the council ensures that it robustly assesses educational impacts and continues to report publicly on this to maintain community confidence.

## Addressing capacity issues in the medium term

**21.** The council had limited options for addressing the medium-term primary school capacity issues it faced in Dargavel Village given the size of the capacity shortfall (around 800 places) which meant that extension of the existing site was not an option, and the surrounding land is owned by BAE systems.

**22.** As a result, the council entered into negotiations with BAE Systems to explore options for addressing the education needs of the Dargavel community. These negotiations resulted in an agreement with BAE Systems to transfer a parcel of land to the council for £1 in August 2023 that could enable the building of an additional new primary school within Dargavel village. This final decision on the building of a new school will be subject to a full statutory consultation process in due course.

**23.** Section 75 agreements often require developers to include affordable housing and housing available for the social rented sector as part of the planning permission process. In reaching agreement with BAE Systems to transfer the land that could accommodate the construction of an additional primary school, the council also formally acknowledged that the historically consented planning permission was for 4,322 units on the Dargavel site and agreed to reduce the affordable housing requirement at stage 2 of the development. Consequently, there will now be 243 social rented units as opposed to 336 as part of the overall development. Equally though, the revised agreement anticipates that there will be circa 1,271 lower market sector units against the earlier obligation to build 681 units.

**24.** The council recognised that the Dargavel Village development would also create an increased demand for secondary school places. The council worked with Edge Analytics to develop an estimate of the impact of this increased demand on secondary school capacity and provision across the whole school estate. The council concluded at a meeting of the Education and Children's Services Policy Board on 18 May 2023 to continue with plans to extend the existing Park Mains High School at an estimated cost of £30 million to provide an additional 400 secondary school places required.

**25.** The council did not present any formal options appraisal on provision of secondary school places in its public report to support its decision-making, but had considered an alternative solution and informally estimated that the cost of building a new secondary school in Dargavel/Bishopton (an alternative favoured by some community groups) at around £90 million. The adoption of this new build option would also create surplus capacity of 40 to 60 per cent within the existing Park Mains High School and result in significant additional net annual revenue costs. The council subsequently communicated and explained the rationale and data underlying its decision to the Park Mains Liaison Group and other community group meetings.

## Financial impact

**26.** The council currently estimates that it will require £75 million of new capital investment to create the required capacity to fully meet the primary and secondary education needs of the Dargavel and Bishopton communities. The council and the housing developer have agreed that the housing developer (BAE systems) has fulfilled its obligations under the Section 75 agreement in relation to the provision of primary school capacity.

**27.** BAE systems have capped its contributions for secondary school places to 200 pupils meaning they are still required to meet almost 50 per cent of the costs of the proposed 409 pupil place extension to Park Mains High School.

**28.** The estimated net additional costs of £60 million must therefore be met by the council. The council plans to fund these capital costs from borrowing, and estimates it will add around £4 million to the council's annual revenue budget. Council debt is normally written down over the estimated lifetime of the asset which is currently an average of 40 years for the Renfrewshire school estate.

**29.** The council estimates that the net revenue cost of running the new primary school when it becomes operational in August 2027 will be around £0.5 million per year, as additional running costs will largely be offset by increased grant funding provided through the overall Scottish Government grant distribution process. The council has not yet included an estimate for the net running costs of the Park Mains High School extension.

**30.** In context, the council is already facing a significant financial challenge and recently updated its Medium-Term Financial Plan to include the additional £4.5 million borrowing and operating costs identified above. The council is now projecting a budget deficit of up to £50 million by 2026/27 and will have to make difficult decisions on spending priorities in the near future.

## Community engagement

**31.** The council recognises that it faces a significant challenge to rebuild the trust and confidence of local communities. A recent report to the Education and Children's Services Policy Board notes the desire of the community to better understand the rationale for the council's decision to extend (rather than replace) an existing secondary school serving the Dargavel and Bishopton areas. It is critical that the council proactively engages the local community in its school estate decision-making.

**32.** In October 2022, the council introduced a specific Dargavel communication and engagement strategy which included the creation of a dedicated mailbox for the community to ask questions and raise concerns and the development of a regular community newsletter. The council's senior team have also attended a number of public meetings with residents of the Dargavel and Bishopton communities and attended Community Council and Parent Council meetings. The council also created the Park Mains Liaison Group which is attended by senior council members and representatives from the local community.

**33.** The council has used these forums to communicate, explain and engage with local communities on its plans to address school capacity issues in Dargavel and Bishopton and to address any local concerns. It is important that the council robustly assesses the effectiveness of its community engagement to understand how best to continue its efforts. The council has not yet undertaken any formal assessment of its arrangements.

## Governance

**34.** The findings of the Bowles report, although restricted to the historical handling of the Dargavel Development, raises a legitimate line of concern in relation to the effectiveness of the council's governance arrangements, particularly in relation to corporate working and organisational culture, effective risk management and member involvement in decision-making on major



projects. I have sought to understand the extent to which these issues are also representative of the council's overall governance and decision-making arrangements.

**35.** The council's auditors have concluded, overall, that the council has appropriate governance arrangements in place with improvements over the years in member and officer relationships and effective leadership overall. The auditors have not highlighted any concerns over the wider organisational culture or in its approach to managing major capital programmes but have identified that the role of the Audit, Risk and Scrutiny Board in ensuring effective scrutiny is not sufficiently clear.

**36.** In response to both the Bowles report and the auditors recommendations, the council have committed to review their overall governance and scrutiny arrangements as part of a wider review of corporate governance. The council will also undertake a review of the effectiveness of its Audit, Risk and Scrutiny Board against CIPFA good practise guidelines.

**37.** The council has also committed to review its approach to risk management across all council projects. The council has also committed to delivering a comprehensive leadership development programme for all chief officers and senior managers and has committed to evaluate this programme before rolling it out to the next management cohort. The council understands it must progress these actions in order to assure itself and others that its governance and scrutiny arrangements are robust and that it is able to demonstrate a strong organisational culture.

**38.** Learning the lessons from the school capacity issues in the Bishopton and Dargavel communities continues to feature prominently in council meetings. The audit team have observed an appropriate level of involvement of members at the Education and Children Services Policy Board who scrutinise the delivery of education across the council. The council recently adopted a Strategic Learning Estate Work Programme, which brings together officers from different departments to oversee educational estate delivery and ensure joint working going forward.

**39.** The council did not include a formal options appraisal in the report on the provision of secondary school places to support its decision-making on the extension of Park Mains High School in May 2023. The council also did not articulate in that report why it felt an options appraisal was not required or how it planned to engage with local communities on the underlying data and rationale that supported the decision. While this approach is consistent, in specific circumstances, with Scottish Government guidance on managing consulting on changes to the school estate and education provision, it remains a significant omission in the decision-making process. The council should have been more open and transparent on the range of available options in relation to the school estate, the process through which views could be heard and the basis on which any future decisions would be taken.

**40.** Finally, the auditor has concluded that the council has obtained appropriate external legal advice and determined there is no potential for any form of action against former senior employees involved in the Dargavel School decision-

making. No disciplinary action has been taken against any senior officer involved in decision-making relevant to the Section 75 approval process for the Dargavel Village development.

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# Conclusions

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**41.** The Bowles report highlights significant historic failings in leadership and risk management and a disregard of concerns expressed by the local community. I note the council's acceptance in full of the Bowles report recommendations and their apology to the local community. The council has developed an action plan setting out its response to the issues identified, and the council must work hard to rebuild trust and respond to the issues identified.

**42.** Progress against this action plan will be reported to the council's Audit, Risk and Scrutiny Board. The council has committed to review its overall governance and scrutiny arrangements, including the effectiveness of its Audit, Risk and Scrutiny arrangements against CIPFA good practise guidelines. It must progress this in order to assure itself, and others, that its governance and scrutiny arrangements are robust.

**43.** The council should have explained its decision-making process more clearly and transparently when finalising its decision to extend Park Mains High School. It is essential that the council is open and transparent on the range of available options in relation to the school estate, the process through which stakeholder views can be heard and the basis on which future decisions will be taken.

**44.** The council has now engaged expert consultants to advise on school capacity requirements and has developed plans for a new primary school and extension to the existing high school. These significant school infrastructure projects are not expected to be completed until August 2027 and will require strong governance arrangements to ensure they are completed on time and budget and meet the educational needs of the local community. I will continue to monitor the council's progress in managing these projects.

**45.** The council has not yet reached the stage of engaging with contractors to build the new Dargavel Primary School and the proposed extension to Park Mains High School but has estimated costs of £75 million, with £60 million of these costs due to be met by the council. These costs will add over £4.5 million<sup>2</sup> to the council's annual revenue budget and add to the already significant financial challenge faced by the council. The council needs to make some difficult spending priority decisions going forward.

**46.** While the council has assessed that the short-term transition arrangements have caused no detriment to either teaching delivery or pupil education, this is an issue they will need to monitor closely and report on publicly. The council faces a significant challenge to rebuild trust and confidence with the affected

<sup>2</sup> The council has yet to include an estimate for the additional annual running costs for the proposed Park Mains High School extension in its medium-term financial plan.

local communities and must take steps to assess the effectiveness of its community engagement programme.

**47.** The council's appointed auditors will continue to monitor and report on progress in addressing the recommendations contained within the Bowles report through the annual audit process. The council has taken steps to respond to the recommendations of the independent Bowles report but there is still more to be done. Both the community and council will be dealing with the consequences of this error for some time.

# The 2022/23 audit of Renfrewshire Council

## School accommodation for Dargavel Village



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**APPENDIX 2**  
**Council Response and Planned Actions**

Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
<b>Community and other engagement</b>			
<p>The council must, as a matter of urgency, conduct a robust and transparent assessment of the effectiveness of its community engagement and then move swiftly to implement any improvements needed.</p>	<p>A full update of all completed and planned communication and engagement activity since late 2022 as at end February 2022 will be provided to the External Audit team.</p> <p>The Consultation Institute – a recognised sector leading best practice Institute promoting high-quality cross sector public and stakeholder consultation standards – has been commissioned to conduct a robust and independent review of the council’s engagement strategy and activities.</p> <p>This will include assessment of the engagement strategy; the variety of mechanisms implemented from October 2022 to communicate and engage with the local community and the effectiveness of activity. This will include qualitative feedback from the community.</p> <p>The commission will also extend to providing advice and quality assurance on the statutory consultation arrangements on the proposal for a new primary school in Dargavel, its proposed site and catchment arrangements.</p> <p>This independent assessment process will be robust and significant and carried out over several months. It is expected to take until into June to fully complete all planned activities</p>	<p>February 2024</p>	<p>Head of Communications and Marketing</p>

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**Council Response and Planned Actions**

Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>and provide a full evaluation report, albeit any key emerging findings, learning and recommendations for improvement identified as the evaluation progresses will be actioned as soon as possible and shared on an ongoing basis with the local audit team ahead of the planned report to the Commission in June.</p> <p>The output of this commission and all associated recommendations will assist in informing the design of future engagement and consultation activity both within the education estate but also across future consultation and engagement activity associated with service / policy change etc which the Council will be increasingly required to consider moving forward as part of addressing its financial sustainability challenges.</p>	February – June 2024	Head of Communications and Marketing
<p>The Commission is particularly concerned by the council’s failure both to transparently consider alternative options in relation to expanding secondary school capacity in the area, and to consult or engage appropriately with the community, whom their decision directly affects.</p>	<p>It is accepted that the report to the Education and Children’s Services Policy Board in May 2023 could have articulated the reasons why no other options to address secondary school capacity beyond an extension to Park Mains High School were deemed viable for detailed consideration.</p> <p>Additionally, although engagement in relation to updated school projections and developing plans for a larger extension to PMHS were shared and discussed with the PMHS parent council prior to the May report, plans to expand this engagement process to a wider group to encapsulate all feeder primaries following the board meeting could have</p>		



**APPENDIX 2**  
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Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>been outlined in the report and or considered earlier in the process.</p> <p>Council officers have since May 2023 been progressing positive and ongoing community engagement in relation to the Park Mains extension, principally through the Park Mains Liaison Group which was established to provide a single engagement forum with representatives from the Parent Councils of Park Mains High School and all associated feeder primaries.</p> <p>This engagement process has shared and explained detailed pupil projection data, the underlying rationale for the proposed extension decision as well as listening and responding to concerns and or requests for further information from the wider parent and carer community. This included sharing detailed information on an option promoted by some community representative from Dargavel and Bishopton for a new secondary school for Dargavel, Bishopton and Langbank. As reported through the Education and Children’s Services Policy Board in August 2023, such an option had significant negative implications from a financial, educational, value for money and school estate perspective that discounted it as a credible option for detailed consideration.</p> <p>The Park Mains Liaison Group is proving to be a highly valuable engagement forum, providing a single route of engagement across the wider community as well as a key route to assist the Council to disseminate consistent key</p>	<p>This engagement activity will remain ongoing as part of the PMHS extension project through to August 2027 and beyond recognising the long-term monitoring of school roll projections at the high school.</p>	<p>Director of Children’s Services</p>

**APPENDIX 2**  
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Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>messages and information updates across communities through trusted Parent Council communication channels. This engagement approach will inform how non statutory and informal engagement in relation to potential school estate changes and long-term strategic learning estate work may be taken forward in the future by the Council.</p> <p>Additionally, high levels of positive engagement are being secured as part of the space planning process for the new extension, supporting active parental and carer participation and influence in the design process of the new extension and wider changes to the school that are planned to be delivered. This is increasingly building a positive community commitment and level of direct participation in the delivery of the school extension and improvement project.</p> <p>The review of the Council's engagement strategy as referred to above will include a qualitative assessment of the effectiveness of the Park Mains Liaison Group.</p> <p>Lastly, work is being progressed by officers to research how other councils have approached school extension projects, where a statutory consultation process is not required. The objective of this work is to inform the design of a framework to inform any future approach to early informal engagement that can be adopted by the Council in relation to school estate considerations or changes.</p>		

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**Council Response and Planned Actions**

Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>Desk top work completed to date has identified a mixed picture with several councils having adopted a similar approach to that employed by the Council for the PMHS extension. However, there are some examples of the use of published options appraisals as part of Council reports and identified examples of planned informal engagement strategies deployed as part of long-term strategic school estate planning which provide some good practice approaches for reference.</p> <p>These individual elements of good practice that are evident across other councils can be collectively brought together and used to inform and guide the development of a proposed framework for use by the Council in its future strategic school estate planning programme (where appropriate this will pay due regard to the Scottish Government guidance on informal engagement that may occur prior to a statutory consultation process).</p> <p>In completing this work consideration will be given to sharing the output across the local authority sector given what appears to be a level of mixed and inconsistent approaches deployed across the country.</p>	August 2024	Director of Children's Services

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**Council Response and Planned Actions**

<b>Accounts Commission Finding</b>	<b>Council Response and Actions</b>	<b>Timeline</b>	<b>Responsibility</b>
<p>We note that the new primary school is subject to a full public consultation.</p> <p>We expect the council to engage meaningfully with the community on this issue, and other decisions on the school estate.</p> <p>Again, we ask that the Controller monitors this situation, and reports to us in June 2024 on progress and earlier if necessary.</p>	<p>The Education and Children’s Services Policy board approved the planned consultation programme in January with a report on the outcome of the consultation planned to be brought back to Policy Board in May.</p> <p>A full programme of planned consultation and engagement activity has been developed with input from the Institute of Consultation to bring to the design process experience of recognised best practice deployed across the UK.</p> <p>Full details of the planned consultation process and activity will be provided to the external auditors as well as the opportunity to observe any of the planned information events and or formal consultation meetings.</p> <p>The approach specifically developed for this consultation process as well as the evaluation of its effectiveness will be used to inform a best practice approach for use in any future statutory and non-statutory school consultation processes as well as wider consultation and engagement activities the Council may undertake in relation to any future service or policy changes.</p>	<p>Consultation process has commenced and will fully complete with a report to the Education and Children’s Services Policy Board in May 2024</p>	<p>Director of Children’s Services</p>

**APPENDIX 2**  
**Council Response and Planned Actions**

Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
<b>Learning lessons and building capacity</b>			
<p>While the council’s initial response to the Bowles report was high level, we are assured by the Controller that its action plan in response is now sufficiently detailed and includes SMART objectives</p> <p>It will be important that this action plan is well-managed by senior officers and closely scrutinised by elected members of the council.</p>	<p>The action plan is regularly monitored by senior officers through existing officer governance arrangements in relation to Dargavel with an update on progress reported to each cycle of the Audit Risk and Scrutiny Board and updates will be shared with the external auditors on an ongoing basis.</p>	<p>Ongoing</p>	<p>Director of Finance and Resources</p>
<p>However, there are still significant uncertainties relating to</p> <ul style="list-style-type: none"> <li>• the capacity needed in the long term, and</li> <li>• to the completion of the two building projects – the new primary school and the secondary school extension.</li> </ul> <p>We therefore request that these matters are closely monitored in the annual audit work, and the Controller uses her powers to report any slippage or other issues to us if necessary.</p>	<p><b>Managing the Risk of Future Capacity Uncertainty</b></p> <p>The inherent uncertainty in relation to long term (15 year) pupil growth projections has been widely reported by the Council over the past year as an ongoing risk through both formal board reports, as well as engagement and communications with communities and in sharing data and reports with the external auditors. This is particularly recognised by the Council in the context of Dargavel Village having approximately 10 years of development still to deliver before achieving completion. It has also been trailed that the Council’s projection work to date with Edge Analytics has identified an expectation of a peak in demand to be reached which will then fall to a stabilised long-term level of demand – a similar pattern of demand growth has been evidenced across other similar long term community growth areas in the UK.</p>		

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**Council Response and Planned Actions**

Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>The Council has heavily trailed the need to regularly monitor actual pupil numbers and update long term projections on a regular basis over coming years as a key response to being able to pro-actively manage this risk moving forward.</p> <p>This monitoring process will be key to assess the extent to which actual demand and revised projections is or is not tracking against the current projections that have informed the planned capacity levels that will be delivered by the current learning estate interventions and provide early indication of any risk of material deviation. The planned annual monitoring and updating approach that will be deployed over coming years will be shared with the External Auditors.</p> <p>Long term projection work completed to date has already modelled a range of potential demand scenarios for the primary sector and identified an expected peak of demand in 2033/34. Options that can be considered for deployment in future years to manage upper demand scenarios that would be exceed the planned capacity being delivered for primary sector education within Dargavel village, have already been identified and reported through the Education and Children's Services Policy Board in November and shared with community representatives.</p> <p>Should the monitoring arrangements over the coming years highlight projection of sustained demand trending towards the upper demand scenarios, an appraisal will be required to assess which of the options is most appropriate for</p>	<p>March 2024</p>	<p>Director of Children's Services</p>

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	<p>consideration to be deployed to meet the scale and nature of the additional future demand. This process will include early community engagement with school communities and will require timely assessment and associated decision making to allow planned delivery of any additional intervention well ahead of the developing need.</p> <p>In relation to the secondary sector, the impact of higher demand scenarios will take longer to emerge (mid to late 2030s) and similarly it has been well trailed in Council reports and with the community that long term monitoring and projection modelling may identify the need to consider options at an appropriate future point in time in respect to any further intervention and or decisions in relation to secondary sector provision across West Renfrewshire.</p> <p>Similarly, the long-term monitoring arrangements will facilitate early identification of such risks and will support early engagement with the appropriate primary and secondary schools that may be impacted by any future school estate changes.</p> <p><b>Delivery of New School Facilities</b></p> <p>It has been recognised by the Council that as a result of the very late identification of the significant under-capacity problems within both the primary and secondary sectors serving Dargavel, the Council has since late 2023 been operating within a highly compressed non-typical timeline to undertake all the associated capacity planning, land</p>		

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Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>assembly, community engagement, statutory consultation, space planning, procurement arrangements before moving into project delivery in order to achieve operational delivery of the new facilities by August 2027.</p> <p>In broad terms, the Council is seeking to achieve all that is associated with the long-term strategic planning, engagement, consultation and operational delivery of a new school and major extension of a secondary school in a 4 ½ year period, when such an end-to-end process would normally run over a much longer period – a timeline of around 6-8 year would not be an untypical period of timeframe. Consequently, the Council is parallel running several activities that would in most circumstances be delivered in a broadly consecutive manner.</p> <p>The Council has established governance, programming, and resource arrangements in place to support the delivery of the new primary school and secondary school extension over the remaining 3 ½ year period through to the operational target date of August 2007.</p> <p>To date the external auditors have not undertaken any detailed scrutiny of the delivery programme or the arrangements in place. To provide assurance officers will provide a full overview of the current arrangements for the external auditors for their review and will support whatever audit work is required to allow them to assess the Council's current approach.</p>	<p>March 2024</p>	<p>Director of Children's Services</p>



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**Council Response and Planned Actions**

Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
<b>Impact on service provision</b>			
<p>We note that the council has assessed that currently there has been no detriment to either teaching delivery or pupil education in the Dargavel and Bishopton areas from the interim measures introduced.</p> <p>We consider it critical that the council reports the results of these assessments publicly, regularly and in an accessible way, to maintain and rebuild community confidence.</p>	<p>Renfrewshire Council has a robust Quality Assurance framework involving regular meetings with Education Managers and school staff and planned school visits which focus in on the national quality assurance indicators (reviews).</p> <p>DPS had a visit in January as part of this process where key strengths under the national Quality Assurance indicators from How Good is Our School were evaluated, self-improvement and self-evaluation and Learning, Teaching and Assessment and a report was produced. In addition, Bishopton primary School and Park Mains High School were both recently inspected by HMI, receiving very positive reports.</p> <p>Further, every school submits a school improvement plan and a school improvement report (published on website) and their evaluations under the 4 key Quality Indicators (QIs) of their performance, based on data gathered through self-evaluation, HMI visits, internal visits and stakeholder input is submitted to Children’s Services in April.</p> <p>These are shared with the parent councils and will also be published on the school website as part of the self-evaluation process. This is in line with Education Scotland guidelines, the National Improvement Framework and statutory requirements.</p>	<p>Ongoing as part of the Service’s Quality Assurance Framework</p>	<p>Director of Children’s Services</p>

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Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>The opportunity will be taken through the wider engagement channels established with the Dargavel, Bishopton and wider PMHS communities to sign post and raise awareness of parents and carers to this information to provide an ongoing understanding and reassurance in respect to the school evaluation arrangements and outputs.</p>	<p>Ongoing and will be incorporated into parent and school newsletters at appropriate points.</p>	<p>Head of Marketing and Communications</p>
<p>The Commission is also concerned at the possible wider impacts of the council's failings regarding the estimation of pupil numbers and whether this has had any impact on services provided by the council in the Dargavel area.</p> <p>We request that the Controller seeks further information on these issues so that we can understand the work that the council has done to understand these impacts.</p>	<p>The Council has considered a range of service provision and other issues for Dargavel Village in addition to addressing both primary and school provision. This has included the following which will be shared with the external audit team as part of their audit work:</p> <p>Leisure provision – the new primary school is planned to incorporate a full-sized floodlight synthetic pitch with associated changing facilities appropriate for community use recognising the removal of similar facilities through the history of the S.75 process since 2009, and the growing scale and demand for such facilities from children, youth and ultimately adult football within Dargavel and Bishopton which is expected to expand further as Dargavel develops. This facility will complement the resurfacing and improvement of two floodlight synthetic pitches at PMHS which will also serve the area as well as working with the local Community Trust to progress their sport provision ambitions within Bishopton. Beyond organised football, it would be expected that this facility would be capable of</p>	<p>In line with requests emerging from defined audit programme to be set by Azets</p>	<p>Chief Executive</p>

Accounts Commission Finding	Council Response and Actions	Timeline	Responsibility
	<p>supporting a range of potential community uses in the future.</p> <p>Community Facilities &amp; planned play and recreation space – a key part of the planned design ethos of the new primary school is to create maximum flexibility to support delivery of a community asset that will be able to offer facilities for a wide range of community uses for all ages outwith school hours. This was identified through the space planning engagement stage and will address the failure to incorporate wider community use into the design of the existing Dargavel Primary School. This also recognises the future demand for such facilities as the development progresses and will provide useful insight for the Council as to how community use can be more effectively incorporated into the design of a new school and position such new facilities as attractive community hubs for active use beyond the school day.</p> <p>A review of planned play and recreation spaces within the masterplan / S.75 Leisure Strategy was also undertaken – although there have been issues identified with the scale and quality of play equipment provided to date at individual designated play park areas that has been raised with BAE Systems, the overall scale of provision was not influenced by the Council’s calculations of school roll projection.</p> <p>Transport and travel infrastructure and bus service provision – the Council has commissioned an external review of active travel and traffic modelling as part of planning for a second school within the masterplan area. A range of</p>		

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	<p>recommendations for consideration in relation to the masterplan infrastructure have been made and which will be progressed in discussion with BAE systems to enhance and improve the opportunity for active travel.</p> <p>In addition, detailed engagement has been undertaken with the Community to adapt proposals to utilise a financial contribution from the S.75 to establish a bus service, partly reflecting consideration of the anticipated number young people that will emerge from the development and the range of facilities they would most likely wish to travel to by public transport.</p> <p>Support to schools – arrangements to provide appropriate enhancement to management support to the school recognising the additional demand being placed on the school management teams were put in place early in the process. Moving forward, normal arrangements to assess and align both central support services to school as well as school management teams as school rolls expand will be undertaken in years to come.</p> <p>By way of example, there is a CAMHS officer who works as the link for Children’s Services and who is currently working with a group of schools in Linwood as part of a pilot to assess demand and how that is being met. The next cluster identified to receive this additional support will be Park Mains and we are working closely with Educational Psychologists and Family Wellbeing teams to ensure that, if</p>		

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**Council Response and Planned Actions**

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	<p>there is an increase in expected demand, that this is being met and indeed planned for as the school roll expands over future years. Education Managers are monitoring and working closely with the school and the CAMHS officer will provide us with the data.</p> <p>NHS facilities and services – engagement has taken place with IJB/HSCP colleagues as the Dargavel review unfolded. In terms of data, pupil projection data relies on NHS data flowing to support the pupil projection modelling – pupil data does not conversely inform or influence NHS data and planning and therefore there was no identified risk to any under sizing of NHS planning as a consequence of pupil projection errors by the Council. IJB/HSCP colleagues have however considered the issue of planning for uncertainty in respect population growth at Dargavel in terms planning the design and delivery of the new health facility which will be future proofed for potential future extension if required.</p>		
<b>Financial management and consequences</b>			
<p>The financial impact of these failings on the council is significant. The council capped the risk and contributions from BAE Systems under the Section 75 agreement, and as a direct result faces estimated net additional capital costs of £60 million, to be met by borrowing. This is a substantial sum of public money. The council needs to clarify the opportunity costs of this in terms of its overall capital programme. The council projects that it will have a revenue budget deficit of up to £50 million by 2026/27 and will</p>	<p>The Council will be required to manage the financial impact of the unplanned delivery of a new primary school and larger extension at PMHS through the delivery of its wider financial strategy and any opportunity costs articulated as part of developing and delivering that strategy.</p>	<p>Will be considered in February 2024 as part of the Council’s annual budget considerations and updated</p>	<p>Director of Finance and Resources</p>

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**Council Response and Planned Actions**

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<p>need to make difficult decisions on prioritising its spending, compounded by the financial consequences of this issue</p> <p>The council has recently negotiated a transfer of land from BAE for the construction of a new primary school. The Controller’s report indicates that this was in exchange for amendments to the extent and composition of the housing units for which planning permission has been granted.</p> <p>Given the reported determination of BAE to fully protect their commercial interests in the development, and the absence of alternative solutions for the council, it will be important to ensure and demonstrate that this exchange represents Best Value for the public purse.</p>	<p>The financial and wider factors considered by officers as part of the negotiation process with BAE systems to secure the associated land agreement and adjustments to the S.75 agreement will be set out in detail and shared with the External Auditors and will be reported through updates to the Audit Risk and Scrutiny Board and subsequently.</p>	<p>financial strategy.</p> <p>March 2024</p>	<p>Head of Economy and Development</p>
<b>Council leadership, governance, and culture</b>			
<p>The council’s action plan will be hugely important in further embedding improvements in this area. In particular, the following elements must be progressed urgently and transparently:</p> <ul style="list-style-type: none"> <li>• the council’s review of its scrutiny arrangements against CIPFA good practice guidelines</li> <li>• the council’s review of its approach to risk management</li> </ul>	<p>Officers will provide the current scope and timings of the associated actions and current progress in relation to each action being progressed through the Council’s existing action plan to the Audit Risk and Scrutiny Board and where required will also be reported through any other appropriate governance route within the Council.</p>	<p>February 2024 and ongoing in relation to the outcomes associated with each action.</p>	<p>Director of Finance &amp; Resources</p>

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<ul style="list-style-type: none"> <li>• the council’s leadership development programme for officers.</li> </ul> <p>To be satisfied of progress in these areas, the Commission requires the Controller to request further information from the council on the scope and timing of these actions, and report back to the Commission in the update requested for June 2024, or earlier if she thinks necessary.</p> <p>We also expect these issues to be covered in the accelerated Best Value report.</p>			
<p>The Commission is also concerned about the culture of the council and whether it has truly learned the lessons it needs to.</p> <p>We expect organisational culture to be an area of focus in the accelerated Best Value report.</p> <p>In particular, we request an update on whether the</p> <ul style="list-style-type: none"> <li>• culture of the organisation is appropriately open and transparent,</li> <li>• encourages continuous improvement,</li> <li>• effective joint working between officers and members, effective scrutiny and challenge (especially by elected members), and</li> <li>• engagement and discussion with stakeholders.</li> </ul>	<p>The council’s auditors concluded that the council has appropriate governance arrangements in place with improvements over the years in member and officer relationships and effective leadership overall and were satisfied through their detailed audit work that the Council had demonstrated that the governance failings identified by the Bowles report were limited to the historic handling of Dargavel.</p> <p>The auditors did not highlight any concerns over the wider organisational culture in the Council or in its approach to managing major capital programmes but did identify that the role of the Audit, Risk and Scrutiny Board in ensuring effective scrutiny is not sufficiently clear and the Council has recognised this and is already significantly progressed with a review of the Audit Risk and Scrutiny Board and the outcome of this review will be shared with the local audit team.</p>		





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**Council Response and Planned Actions**

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<p>factors taken into account by the council in considering disciplinary action against staff involved.</p> <p>In addition, and looking forward, the Commission asks for information on</p> <ul style="list-style-type: none"> <li>• the council’s approach to performance management and</li> <li>• its current policy on disciplinary action,</li> </ul> <p>so we can be assured that appropriate arrangements are in place to ensure that staff have the necessary skills and that senior officers are properly accountable for their areas of responsibility.</p>	<p>request that may emerge from their planned audit work in this regard.</p>		





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**To: Council**

**On: 29 February 2024**

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

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**Heading: Cross Party Working Group: Review of Governance Arrangements**

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## **1. Summary**

- 1.1 At the Council's Meeting of 22 June 2023 the Council noted the content of the Independent External Review Report ("the Bowles Report") and further noted the Chief Executive's response to the findings and recommendations of the Report.
- 1.2 Council further agreed that a cross-party body to discuss and review existing governance arrangements of Renfrewshire Council should be convened, and that authority would be delegated to the Head of Corporate Governance to make the arrangements for the cross-party body.
- 1.3 A Cross Party Working Group ("the Group") was subsequently convened. The Group set its own agenda and reviewed and examined all areas of interest to it. The Group also invited officers to address them on key areas. The findings and outcomes of their review are set out within the body of this report.

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## **2. Recommendations**

Council is asked to:

- 2.1 Note the work of the Cross Party Working Group and the findings of their review;
- 2.2 Approve the actions set out in the Report;
- 2.3 Approve the revised Protocol for Relationships between Political Groups, Elected Members and Officers as set out in Appendix 1 to this report.
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### **3.0 Background**

- 3.1 At the Council's Meeting of 22 June 2023 the Council noted the content of the Bowles Report and further noted the Chief Executive's response to the findings and recommendations of the Report. Council agreed that a cross-party body would be established to discuss and review existing governance arrangements of Renfrewshire Council should be convened. The Head of Corporate Governance received delegated authority to make the arrangements for the cross-party body.
- 3.2 The Head of Corporate Governance proposed to each of the political group leaders and to the independent Members that a Cross Party Working Group be established with one Member from each political group and one independent Member. This was to ensure genuine cross-party representation and balance. This proposal was agreed and each political groups nominated one Member. The Group Members appointed by each party were Councillor Nicolson (SNP), Councillor Clark (Labour), Councillor Leishman (Conservative) and Councillor Hannigan (Liberal Democrats). Councillor Devine was nominated by the three independent Members.
- 3.3 The Head of Corporate Governance further proposed that at the initial meeting the Group should discuss the specific findings the Bowles Report on the question of governance, and that the Members of the Group would then agree what areas of interest that Members would wish to cover as part of the review. Again, this approach was agreed.
- 3.4 At the initial meeting of the Group the Members agreed that the focus of the group would be on a number of key areas:
- a) A review of the Bowles Report findings
  - b) An examination of the Council's Scheme of Delegations including the terms of reference of the Council's boards, and the powers of officers. This was to include the Protocol for Relationships between Political Groups, Elected Members and Officers
  - c) The culture and capacity of management within the Council
  - d) Planning and s75 Agreements

Each of these areas were considered by the Group and their findings and proposed outcomes and actions are set out below.

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### **4.0 Bowles Report Findings**

- 4.1 The Group noted that the Bowles Report specifically mentioned the word "governance" on only three occasions. None of these were in a context of a finding by Mr Bowles of a failure of corporate governance. What the Report found was a failure of management oversight and reporting. It was clear that senior officers within the Education and Planning Services did not adequately supervise and scrutinise the work of staff. They did not escalate key decisions through established structures within the Council including the Corporate Management Team or to Elected Members.

- 4.2 The Group noted the references in the Bowles Report to “professional arrogance” by those senior officers in the handling of queries and concerns from local residents and Elected Members. Those Members of the Group who were Elected Members during the period in question stated that they recognised this description of the officers involved. Members should be entitled to rely on the advice received from officers and to have their concerns addressed when they raised them. It was clear that those concerns were brushed aside. Their view was that Members had been failed by those officers. This contrasted with the Members of the Group who were first elected in May 2022. They found the description within the Bowles Report at odds with their experience of Council officers.
- 4.3 However, Members did not wish the focus of the work of the Group to be a historical re-examination of the matters in relation to the Dargavel development that had been examined in great detail by the Bowles Report. The Council had accepted the findings of the Bowles Report in full. The Group also noted that the report by the Council’s External Auditors confirmed that the Council had demonstrated that the Bowles Report findings were limited to the Dargavel School project and that the Council had appropriate governance arrangements for managing major investment programmes such as its City Deal Programme and Community Investment Programme. The Group therefore agreed that their focus should be on the current and future position in the Council and assurance that they agreed with the view reached by the Council’s External Auditors.
- 4.4 Accordingly the Group thought it was important that they reviewed the Council’s Scheme of Delegations with a particular focus on powers delegated to officers and the terms of reference of the Council’s boards. The Board also wished to be addressed by the Chief Executive of the Council on the structures in place in respect of major capital projects, and on the existing capacity and culture among the Council’s management structures. The Group had particular concerns around the Planning function and wished to be addressed on that.
- 4.5 It was therefore agreed that a session would be held focussing on the key governance documents of the Council, and thereafter further sessions would be held with the Chief Executive and the Head of Economy & Development Services.

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## **5.0 Review of the Council’s Governance Documents**

- 5.1 The Members of the Groups were supplied with copies of the Council’s Scheme of Delegated Functions which sets out the specific functions of the Council delegated to individual officers. It also establishes the terms of reference of each of the Council’s boards.
- 5.2 Members were also supplied with the Protocol for Relationships between Political Groups, Elected Members and Officers. This document sets out in detail the responsibilities and entitlements of Members and Political Groups, and how Members and Officers should relate to each other. Members were asked to provide any feedback they or their political groups had on the content of the Scheme of Delegated Functions and Protocol.

- 5.3 The Group then undertook a detailed session looking at both the Scheme of Delegated Functions and Protocol. In respect of the Scheme of Delegated Functions the Group firstly considered the terms of reference of the boards. The Group noted that changes to the terms of reference were entirely a matter for full Council to set and could be subject to change by the Council at any time. They agreed that the current boards and their remits were appropriate. The Group felt that the current main policy boards provided a forum for open and transparent decision making and gave a platform for detailed and robust scrutiny by Elected Members.
- 5.4 However, the Group noted the comments made by the Council's external Auditors on the role of the Audit, Risk and Scrutiny Board in respect of scrutiny of the Council's action plan following the Bowles Report. The Group thought it had been entirely appropriate for the Bowles Report itself to be presented to the full Council giving all Elected Members the opportunity of considering and commenting on its findings. The Group did feel that it was now appropriate that the Audit, Risk and Scrutiny Board should be the forum for further scrutiny of the delivery of the action plan, particularly given the non-political nature of that Board.
- 5.5 The Group considered that the current terms of reference of the Audit, Risk and Scrutiny Board were appropriate. The Group did feel that the focus of the Board's annual audit plan required some examination, with some of the matters considered in recent years by the Board perhaps not having been of a significant nature. The Group felt that the Board should refocus on areas of significance to the Council's risk register, financial challenges and major capital projects. The Group also suggested that additional support to the Board, perhaps through external independent membership, particularly from a finance/accounts background, may be appropriate. However, they noted that the Board was currently undertaking a self-assessment with reference to the most recent CIPFA guidance on the operation of audit committees. The Group therefore agreed it was important to allow the Board to conclude that process and make its own appropriate recommendations to the Council rather than the Group make specific recommendations at this time.
- 5.6 In respect of the delegations to officers, the Group noted these were kept under regular review with the most recent changes having been made in June 2023. The Group agreed the authority given to officers was appropriate and no changes were proposed to current delegations.
- 5.7 However, the Group did wish assurance that officers fully understood the limits of their delegations and the need to seek Member approval, whether at Council or at a board, where no delegation was in place.
- 5.8 The Group also sought assurance that officers understood that boards could not delegate powers to officers. While the Group agreed that it was appropriate that board reports would set out specific powers sought by officers to allow them to implement specific actions approved boards, such powers only took effect when the minutes of those boards were approved by Council.
- 5.9 It was therefore agreed that refresher training for management teams across all of the Council's directorates on the operation of delegated authority should be implemented.

- 5.10 With regard to the Protocol for Relationships between Political Groups, Elected Members and Officers, the Group noted that the content of the Protocol had not been reviewed since 2014. While the view of the Group was that the content was appropriate, it was felt that the content should be considered again by Members and that it be refreshed. The Group also thought that the awareness of the Protocol among Members and Officers was not as high as it should be.
- 5.11 It was therefore agreed that refresher training for management teams across all of the Council's directorates on the operation of Protocol should be implemented. It was also agreed that the content of the Protocol should be refreshed. Members are therefore asked to agree the contents of the revised Protocol that appears as Appendix 1 to this report.
- 5.12 The Group also considered the Information Bulletin. The Group noted that the purpose of the Bulletin was to provide Members with a concise summary of significant decisions and action taken by officers in the exercise of their delegated powers, and to provide details of issues which do not require a decision. The Group agreed that the Bulletin was accordingly an important document, but that it did not have a profile that accorded with that importance. Therefore steps were required to elevate the awareness of the Bulletin.

**Actions:**

- a) Refresher training for management teams across all of the Council's directorates on the operation of delegated authority should be implemented.
- b) Refresher training for management teams across all of the Council's directorates on the operation of the Protocol for Relationships between Political Groups, Elected Members and Officers should be implemented.
- c) The content of the Protocol for Relationships between Political Groups, Elected Members and Officers be refreshed.
- d) That the Bulletin be issued with the minutes of each Council and board meeting for the meetings of Full Council.

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**6.0 Culture and Capacity of Management Within the Council**

- 6.1 The Group met with the Council's Chief Executive. They sought assurance from the Council's Chief Executive. He advised the Group on the overall corporate governance arrangements for the Council. There were a wide-ranging set of arrangements to support the running of the Council. These were reassessed each year by Internal Audit and reported through the Audit Risk and Scrutiny Board. He highlighted the External Auditors' report to the Council for the year. He noted that the Council's external audit arrangements have never flagged any material issues with governance arrangements in the Council and that the Group could take reassurance from this latest external assessment of the Council. However, he recognised that there are always opportunities to improve and strengthen governance arrangements.
- 6.2 With regards to the governance of major capital projects and programmes the Chief Executive set out how the Council manages major programmes now. The Group were addressed in detail on the differing levels of governance and internal control exercised on how major capital and programmes operated. There was a commitment to undertake health checks on all these major

projects and once completed they would be shared with Members through appropriate board reporting. The Chief Executive advised that this has been a helpful process for the relevant management teams to take those major programmes through a health check. It had identified some small areas for improvement such as how regularly were reports going to boards. He thought a greater consistency on that would be of benefit to Members and Officers alike.

- 6.3 The Chief Executive took the Group through the governance structure for the City Deal and Infrastructure programme as an example of the structures in place. That illustrated the complexity of that programme and provided the Group with the scale of the officer programme governance arrangements in place. He advised that the internal governance arrangements are strong, highly collaborative and recognise the scale and complexity of these major programmes. He advised there are a significant number of capital projects running concurrently at the same time with a highly complex set of arrangements supported by key officers such as the Programme Director (City Deal & Infrastructure) and the Strategic Programme Manager. The team are also supported by multi-discipline officers, all embedded within the team so that the team is enabled to run all of these projects. Each project is supported by its own technical project manager who runs the project. This reflects a significant investment to deliver a complex set of capital projects.
- 6.4 In terms of corporate oversight, externally the City Deal project feeds into the Glasgow Region governance arrangements. Internally the Infrastructure Programme Board meets every 6 weeks and is chaired by the Chief Executive and attended by a wide range of senior officers including a majority of the members of the Council's Central Management Team. Accordingly, a significant cross section of senior officers are managing the delivery of this major project and ensuring corporate oversight. The Group noted the significant contrast with the historic position regarding the Dargavel development where it was acknowledged that there was very little corporate oversight.
- 6.5 The Group noted that the City Deal project has been running for about 10 years and that it has on average reported to board around twice a year. However, the Chief Executive acknowledged that the pattern of reporting has been driven by the requirement for decisions by board. He agreed that Members should be more regularly updated on major projects even where board decisions were not required. The Group agreed that this example of the level of internal governance implemented in the Council's major programmes and projects provided suitable reassurance to them. In addition, the Group agreed that going forward, there should be at least two reports per year going to board from these major projects and programmes.
- 6.6 While the Group also thought that while the current internal management arrangements were entirely appropriate, a greater visibility of the officers who were involved would be of benefit to Elected Members. It was therefore agreed that board reports as set out at para 6.5 above, should also include a note of the project groups involved.
- 6.7 While recognising the enhanced levels of internal governance in place, the Group also sought assurance from the Chief Executive on whether he thought an error such as that which occurred in respect of the Dargavel development could occur now. The Chief Executive advised that one of the key issues



identified as part of the Bowles Report was that just because a group is established it does not mean that it will provide assurance; if that group does not operate effectively, it will serve no purpose. Therefore, the objective of the health check process currently being undertaken was to give Elected Members the reassurance that the governance in place now was appropriate. Moreover, the Chief Executive highlighted that where the Council identifies the need for specialised support, we go outwith the organisation to secure that specialist expertise. This was a major failing with Dargavel where there was no understanding that officers lacked the necessary skills to complete the work they were undertaking.

- 6.8 The Group sought reassurance that officers were working together collaboratively and that there was an appropriate culture across the Council's management with learning and training across the Council. The Group identified the challenges posed by the financial position faced by the Council and the rationalisation within management. The Chief Executive advised there was a good understanding of how the Council has changed at officer level.

His view was that the level of collaborative and corporate working has never been better, and his experience was that this has not always been the case to the same degree. The agenda being managed by the Council is of such a scale there is no way it could be advanced without officers working in a highly collaborative and supportive manner. He believed the Council now had a highly developed culture of support. Notwithstanding this, he recognised there has been a significant turnover of senior officers and managers. Therefore, he had identified the need to refresh training and development for officers, particularly those in new roles. He advised the Group on the programme of training and development happening across the management tiers which is not just about competence, but the need to help reinforce the right culture in the organisation on how we work collectively. He advised on the modules being undertaken; Effective Communication, Strategic Project Management and Managing Change Governance, Risk Management and Financial Accountability, Creating Team Values/Key Leadership Skills and setting the culture and values in how we work. He advised that this would be followed up in the New Year with more detailed training regarding the Protocol for Relationships between Political Groups, Elected Members and Officers, the Scheme of Delegated Functions, the Council's financial regulations and contract standing orders etc.

- 6.9 The Chief Executive advised the Group that the culture within officers is strong, with good collaboration and corporate working. This was how he worked and how he expected people to work within the Council. He believed the Council has the right officers with the right values, and a real supportive corporate culture and a collective sense of responsibility to deliver for the Council exists.
- 6.10 The Group noted that the training programme instigated by the Chief Executive was part of the agreed action plan to be considered by the Audit, Risk and Scrutiny Board. The progress of that training programme, and an assessment of the outcomes would be report to that Board.

- 6.11 The Group identified that one issue faced by Elected Members arising from the turnover of Senior Officers and other senior managers, and also through service reorganisation, was that Members were not always aware who the responsible officers were for certain services. It was therefore agreed that a structure chart should be circulated to all Elected Members and that this should be regularly updated.

**Actions:**

- a) A health check of all major projects will be completed and reported through the Audit, Risk and Scrutiny Board
- b) All major projects and programmes will report to the appropriate board at least twice a year.
- c) Any such reports will include a note of all project groups involved.
- d) The outcome of the management training programme will be reported to the Audit, Risk and Scrutiny Board.
- e) A structure chart for all Council directorates should be prepared and circulated to all Elected Members. This should be regularly updated and recirculated as necessary.

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## **7.0 Planning and s75 Agreements**

- 7.1 The Group met with the Head of Economy & Development Services to consider how the Planning process operated within the Council and to consider areas for improvement.
- 7.2 The Group first considered where decisions on planning applications lay within the Council. They noted the agreed levels of authority to the full Council, the Planning and Climate Change Policy Board and the delegations to officers. Having assessed those, the Group were of the view that the decision making did lie at the correct levels within the Council.
- 7.3 However, the group were of the view that s75 Agreements and the negotiation of developer contributions were an area of particular concern. The Head of Economy & Development Services agreed with that view, and he advised the Group that this was an area that he and the Chief Executive had identified required to be addressed prior to the issue with Dargavel being identified. However, clearly resolving the situation in Dargavel had then become the priority. Accordingly, he had only recently recommenced work on a new developers' contribution policy for the Council. He was clear that there had been a historical disconnect between the Planning Team and Childrens' Services. Both services were now working well together to ensure that the review of the School Learning Estate Strategy and the Council's Local Development Plan were both linked.
- 7.4 In respect of the new developers' contribution policy the Head of Economy & Development Services advised an update report would be going to the 23 January meeting of the Planning and Climate Change Policy Board. He advised the Group on the broad outline of the matters that were being assessed in respect of that new policy. The Group agreed that it was appropriate for the policy development to run through that Board.

- 7.5 The Group advised the Head of Economy & Development Services that they were concerned as to how the negotiation of s75 Agreements were conducted. The Group agreed that the current process where the report in respect of a planning application would set out what areas the officers thought would be appropriate to cover in a s75 Agreement functioned well. However, their concern was around what happened subsequently if the officers could not reach an agreement with a developer within those parameters. The Head of Economy & Development Services agreed that officers' delegations to negotiate the terms of the s75 Agreement were limited to the parameters agreed by Members. If officers could not reach agreement on substantive matters, then that should be reported back Members.
- 7.6 Further the Head of Economy & Development Services agreed that more could be done to keep Members sighted on how specific s75 Agreements had or were progressing. Currently there was little or no feedback to Members on specific agreements. It was therefore agreed that a new Chief Planning Officer report would be brought to the Planning and Climate Change Policy Board at least twice a year, or where any situations as set out in section 7.5 above arise. This would keep Members of the Board up to date on the progress of s75 agreements, including the delivery of any contributions secured under them. It was understood that this could not be a mechanism to reopen a planning application, but it was important for officer accountability and authority.

**Actions:**

- a) That a Chief Planning Officer report brought to the Planning and Climate Change Policy Board at least twice a year advising on the position in respect of s75 Agreements, or where officers cannot not reach agreement on substantive matters in a specific s75 Agreement negotiation.

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**Implications of the Report**

1. **Financial** – none
2. **HR & Organisational Development** – none
3. **Community/Council Planning** – none
4. **Legal** – none
5. **Property/Assets** – none
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. (Report author to arrange this).

8. **Health & Safety** – none
9. **Procurement** – none
10. **Risk** – none
11. **Privacy Impact** – none
12. **CoSLA Policy Position** – none
13. **Climate change** - none

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### **List of Background Papers**

None

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# **Renfrewshire Council**

## **Protocol for Relationships between Political Groups, Elected Members and Officers**

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## **1 Introduction**

- The purpose of this protocol is to guide Members and officers of the Council in their relations with one another; to develop co-operative relationships between Members; assist with ward management; and to provide a framework within which members of political groups within the Council are able to operate individually and collectively.
- The protocol is informed by the Councillors' Code of Conduct (the Code) which provides that Members must respect all other Members and all Council employees and the role they play, treating them with courtesy at all times. In addition, the Code requires Members to follow the Protocol for Relations between Councillors and Employees which forms Annex A to the Code. The principles of the Code and this protocol should be applied to your informal dealings with the Council's employees, party political groups and others no less scrupulously than at formal meetings of the Council and its Boards. The protocol also reflects the Code of Conduct for Employees.
- In agreeing this protocol, political groups will seek to ensure that individual members of the Group will comply with its provisions. Where a breach of the protocol occurs, or in the case of a dispute between Elected Members, the political group shall attempt to address the matter with the member or members concerned and take such measures as it considers appropriate to prevent a recurrence. Political groups should also consider how they may wish to address complaints regarding alleged breaches of the Code with a view to reaching a satisfactory resolution of the complaint that would prevent a referral to the Standards Commission.

## **2 Members and Officers**

- In line with the Code, it is important that Members and officers have a mutual trust and respect, with neither taking unfair advantage of their position.

## **3 Officer Advice to Party Groups**

- Members of local authorities are organised, generally, into party groups, and it is common for these groups to consider matters of Council business before the matters are considered by the relevant Council decision-making body. Party groups may ask officers to support and contribute to these discussions.
- The support provided by officers can take many forms, ranging from a briefing meeting with a convener before a Board meeting to a presentation to a full party group meeting. Officer support is likely to be in most demand from whichever party group is in control of the Council, but it is available to all party groups.
- People involved in this process must understand certain points, including the following.

- *Officers must just provide information and advice in relation to matters of council business. Officers must not be involved in advising on matters of party business. Officers are not expected to be present at meetings, or parts of meetings, when matters of party business are discussed.*
- *Party group meetings are part of the process for making Council decisions, but they cannot make decisions on behalf of the Council. Conclusions reached at these meetings are not Council decisions.*
- *Where officers provide information and advice to a party group meeting in relation to a matter of Council business, this does not replace all information and advice the relevant Board may need when the matter in question is considered.*
- Officers who are involved in providing information and advice to a party group meeting, which includes people who are not members of the Council, need to take special care. These people will not have to follow the Code (in particular, the conditions concerning declaring interests and confidentiality), and for this and other reasons officers may not be able to provide the same level of information and advice as they would to a Member-only meeting.
- Officers must respect the confidentiality of any party group discussions at which they are present, and must not pass on details of any discussion to another party group.
- Any cases of difficulty or uncertainty in this area should be raised with the chief executive who will discuss them with the relevant group leader or leaders.

#### **4 Support Services to Members and Party Groups**

- The only way officers can legally provide support services (for example, stationery, typing, printing, photocopying, transport and so on) to Members is to help them in their role as Members of the Council. These support services must only be used on Council business. They should never be used in connection with party political or campaigning activity or for private purposes. However, the Code recognises that there may be occasional personal use of Council-provided facilities and indicates that when permitted by the Council's policies incidental personal use of Council facilities is permissible provided that this is authorised by the Council. Paragraphs 3.24 and 3.25 of the Code deals with the use of Council facilities.

#### **5 Members' Access to Information and to Council Documents**

- Members are free to ask any Council service for any information; explanation and advice (about that service's functions) that they may reasonably need to help them in their role as Members of the Council.



This can range from asking for general information about some aspect of a service's activities to asking for specific information on behalf of a constituent. Members can access personal information on behalf of constituents and do not need a signed mandate to do so, although UK GDPR and Data Protection Act 2018 may prevent Members from accessing information about third parties they are not acting for.

- Members have the option to request information specifically in terms of the Freedom of Information (Scotland) Act 2002. Members have the same legal right to access information held by the Council as the general public under the 2002 Act. However, Members should be aware of the statutory timescales for making the information requested available (20 working days).
- Members have a legal right to inspect any Council document *which contains material related to any business which is going to be discussed at a Council or Board meeting*. This right applies no matter whether the Member is a member of the Board concerned or not, and covers reports which are going to be presented at the meeting, and any relevant background papers. This right does not necessarily apply to documents relating to certain items. The items in question are those which contain exempt information relating to:
  - *employees;*
  - *people who use council property;*
  - *people applying for grants and other services;*
  - *caring for children;*
  - *contract and industrial relations negotiations; and*
  - *advice from council and criminal investigations.*
- These exemptions are listed in the Local Government (Scotland) Act 1973 (as amended). The Freedom of Information (Scotland) Act 2002 does not replace the 1973 Act. However, many of these exemptions will now have to go through a 'public interest' test. This means that there may be limited circumstances where an exempt item needs to be released under the 2002 Act.
- Finally, any Council information provided to a member, including anyone's personal information, must only be used by the member for the purpose for which it was provided. Personal information should only be used for authorised purposes, which means that Members must be careful about how they handle this. Each individual member has responsibilities as a Controller to process personal information fairly and lawfully. The importance of all confidential information which we provide to our Members is emphasised in the Code at paragraphs 3.21-3.23.

## **6 Relationships between Officers and Conveners**

- It is clearly important that there should be a close working relationship between the convener of a Board and the chief officer and other senior officers of any service which reports to that Board. However, these relationships should never be allowed to become so close, or appear to be so close, as to bring into question officers' ability to deal with other Members and other party groups fairly.

- While the convener of a Board will regularly be consulted as part of the process of drawing up the agenda for a future meeting, it must be recognised that in some situations a chief officer will have a duty to present a report on a particular matter. Similarly, a chief officer will always be fully responsible for the contents of any report presented in his or her name. Any issues arising between a convener and a chief officer in this area should be referred to the Chief Executive.
- In relation to action between meetings, it is important to remember that the law only allows for decisions to be made by a board or an officer. The law does not allow a convener or any other single member to make decisions. When decisions are made to take action between meetings, it is the officer, rather than the convener, who takes the action and is responsible for it.
- Officers within a service must answer to their chief officer. While officers should always try to help a convener (or indeed any Member), they must not go beyond whatever authority they have been given by their chief officer or by the Council's scheme of delegation.

## **7 Correspondence**

- Correspondence between an individual Member and an officer should not normally be sent to any other, unless specifically authorised by the Member or authorised by implication by the original correspondence being copied to the member or otherwise. If it is necessary to send a copy of the correspondence to another Member, this should be made clear to the original Member. In the copying of any correspondence the officer concerned must have particular regard to the issue of confidentiality and ensure that the confidentiality of the Member or any other party is preserved.

## **8 Meetings of the Council and Boards**

The procedures for meetings of the Council and its Boards are governed by the Procedural Standing Orders. As well as procedural matters, the standing orders also include a number of matters regarding the conduct of Members such as how to declare an interest and the consequences of disregarding the authority of the chairperson. Members should also follow the following basic rules of good conduct:

- During all meetings of the Council and its Boards, Members should address their fellow Members by their title of 'Councillor' and their surname.
- Members must never use offensive or inappropriate language, and should treat their fellow Members and officers with respect.
- Members who want to leave a meeting (other than for 'comfort breaks' or after they have declared an interest) must tell the chair before they leave the meeting.

- Any Member who wants more information about the Board reports should contact the relevant director prior to the meeting.
- While it is expected that the clerk and the convener will work closely together, it is important to understand that the clerk's job is to serve all Members and not just the convener. The clerk must be, and be seen to be, impartial in his or her dealings with the Board. It is important that conveners do not ask clerks to behave in any way that might jeopardise this impartiality. The clerk should never be asked to comment on matters of policy.
- At meetings, if a rule in standing orders is open to more than one interpretation, the clerk should state that, in his or her opinion that is the case, but should not be called upon to recommend which interpretation the convener should favour.
- No clerk should be asked how to circumvent the procedures set down in standing orders.

## **9 Responsibilities of Elected Members**

Members have the responsibility:

- To uphold the general principles enshrined in the Code.
- To treat each other and all employees of the Council with respect and dignity.
- To respect the authority of the Chair at any meeting of the Council or its Boards and comply with his or her rulings.
- To respect the confidentiality of information which has not been made public, not to breach any such confidences and to adhere to any embargoed agreements or confidential or sensitive issues.
- To respect the limitations on the disclosure of information because of the requirement of client confidentiality placed on some employees of the Council.
- To participate in training and other development events organised on their behalf by the Council.
- Not to raise matters relating to the conduct or capability of employees in public.
- When performing the duties of the convener or chairing a Board or other meeting to apply all Standing Orders impartially and to refrain from actions or statements that might bring their impartiality into question.

## 10 Responsibilities of Political Groups

- Political Groups have the responsibility not to require individual Members to vote on party lines in respect of decisions where group decision-making would be unlawful, contrary to the Code or against any Council approved guidance; in particular on planning applications, specific regulatory matters, employment issues affecting individuals, all matters coming before the Audit, Risk and Scrutiny Board or any matter which requires to be determined on the basis of evidence given to or the findings of a forum on which Members serve.

## 11 Constituency Matters

- All Elected Members within each multi-member ward have a duty to be accessible to their constituents and to represent their interests conscientiously.
- The wishes of constituents in respect of confidentiality of their enquiry are to be respected.
- All Elected Members have equal formal and legal status.
- Each ward is represented by 3 or 4 Members. No Elected Member should identify his/herself as the sole representative for a ward.
- In general an Elected Member should not deal with a matter relating to a constituent or constituency issue outwith his/her own ward, although there may be circumstances when this is relevant, for example, an area wide or policy issue.
- Members within each multi-member ward are all of equal status and each represents the whole of their ward. Members must not describe themselves as representing (or having a particular interest in) only part of the ward for which they were elected.
- Members should not claim to be the sole Member for their ward.
- Members will be provided with standard Council stationery based on a template approved by the Director of Finance & Resources including letter headed paper, compliment slips and business cards. Separate stationery will be provided for use by the Provost as the Council's civic head.
- Members' details and also contact details will be provided through a number of sources including the Council's website and the list of Elected Members.
- It is recognised that there are many ways in which constituents may make contact with Members e.g. at surgeries, via email, on social media etc. However, it is important that rules are set for calls directly to the Council. Members of the public calling the Council to find out who their local Member is will normally telephone the customer contact centre or the members' services section. Staff receiving a call will advise enquirers of the names of all the Members for a particular ward and will offer to provide contact details

for all or, if requested, a specific member. Members' details will be provided in alphabetical order by surname.

- Members of the public calling for a particular Member will be put through only to the Member concerned. If the Member is unavailable the person calling will be given the option of leaving a message. Only if the caller asks will the call be transferred to another Member.

## **12 Dealing with Individual Constituent's Cases**

- The basic principle is that the interests and wishes of the constituent are the primary consideration.
- An individual constituent has the right to approach any of the elected members representing his/her ward. A constituent may approach a particular elected member on the basis of location, political party or some other basis - the choice is entirely up to the individual constituent.
- Members dealing with constituents may be given personal information and must ensure that such information is handled sensitively and securely. Further advice on this is contained in the Good Practice Note – Advice for the elected and prospective members of local authorities issued by the Information Commissioner's Office ([www.ico.gov.uk](http://www.ico.gov.uk)).
- In the event of a Member receiving inappropriate, persistent, unreasonable or vexatious enquiries from a constituent by whatever means, the Member may decide to restrict further contact to written communication or terminate contact. Further advice on individual cases can be obtained, if required, from the Head of Corporate Governance.
- Members must not notify other Members representing the ward of enquiries which they receive from constituents, or copy constituents' correspondence to them, without the consent of the constituent concerned, as that would breach the confidential nature of the relationship between constituent and Elected Member. Members should be sure that they have a constituent's consent to the use or transfer of his/her personal information in dealing with a case. It may be that for a particular case or circumstance a Member wishes to ensure that he/she has written consent.
- All Members within a particular ward may agree amongst themselves to allocate responsibilities on the basis of subject matter. That would always be subject to the right of an individual constituent to expect a Member of their choice within their ward to progress a particular enquiry.
- A Member may suggest that a constituent refer a specific enquiry to another Elected Member. Such a referral should only be made with the consent of the constituent who may request that the enquiry be dealt with by the Member of their choice.

- Members may be approached by a constituent in relation to dealings with another statutory body such as the health board or Scottish Water. Each of these other statutory bodies is likely to have their own arrangements for progressing enquiries and dealing with complaints. Details of the relevant contact points will be provided to each Member.

### **13 Dealing with Ward Issues**

- Any Member is entitled to take an interest in or take up a matter affecting the ward for which they were elected. Members are likely to have a greater impact where they work collectively for a common cause, as their constituents would expect them to. That may not be possible in some instances because of perfectly legitimate political differences but Members may wish to contact one another, as a matter of courtesy, where they are involved or planning to become involved in a major local issue. Any exchange of information must comply with the data protection legislation and, in particular, Members should ensure that any constituent's personal details are not normally shared, in order to safeguard the constituent's right to privacy.
- When an officer writes to residents regarding matters of general concern in an area, all ward Members will be sent copies of the correspondence, e.g. traffic calming measures, bin collection cycles, etc. When a Member has been involved in a private matter affecting one household then the relevant officer should keep the Member informed of significant developments until the matter is concluded.
- Where an officer is calling a meeting with ward Members to discuss a ward issue which is of a non-personal nature, the officer will invite all ward Members to allow them to be briefed on the issue.

### **14 Dealing with Local Organisations**

- Boundaries of local organisations, including community councils, are unlikely to be coterminous with multi-member ward boundaries. Some organisations will straddle two or more of the multi-member wards and this is certainly the case with community councils. It is therefore likely that Members will receive cross boundary enquiries. These enquiries may require to be dealt with in conjunction with Member(s) from another ward(s). However, as with enquiries from individual constituents, information concerning cross-boundary enquiries should only be shared if the express approval is given by the organisation concerned (unless the information is of a general nature), who may request that the enquiry be dealt with only by the Member(s) of their choice.

### **15 Rights of Elected Members**

Members have a right to be consulted by officers on specific matters of interest to them as local Member, for example:

- Whenever a public meeting is organised by the Council to consider local issues, all Members representing the wards affected must be invited to attend. Similarly, whenever the Council undertakes any form of consultative exercise on a local issue the local Members must be notified and, where appropriate, the views of the Member should be requested;
- Members must be consulted on all significant new projects and initiatives in their ward at the planning stage in order that their views may be taken into account.
- Members must be advised of any major work being undertaken by the Council in their ward, or where it is known, by any other statutory undertaker, e.g., Scottish Water, which is likely to inconvenience the public for any significant length of time.
- Subject to any requirements imposed on the Council by law, Members must be consulted on any other issues which are likely to be of substantial or significant interest to the local community in their ward.
- Members have the right and as a matter of courtesy to be informed of visits to their ward by Ministers of the Scottish Government or UK Parliament where the visit is in connection with one of the Council's responsibilities.
- Any Elected Members in whose ward an official opening of Council premises is to take place should be invited to attend the opening.
- Members have the right to receive induction training, and to the continuing development of their skills as a member. Members should seek to identify their development needs through an Individual Development Plan (IDP). Councillors have the right to access online training resources delivered through the National Elected Members Portal and i-Learn to develop their skills as a Member.
- Subject to any decisions by the Council on the services to be provided to the office bearers of the Council or otherwise, members have the right to parity of service from the Council and its employees.
- Members who are not members of political groups have the right to be consulted on matters that are sent to all political groups for consultation and to be advised of information that is being communicated to all political groups.

## **16 Rights of Political Groups**

Political Groups have the right to

- Be notified of any major policy initiatives by the Scottish Government or the United Kingdom government.

- Receive and be timeously consulted on major consultation papers by the Scottish Government or the United Kingdom government.
- Appropriate cross party representation at civic events (including the official openings of buildings) organised by the Council.

## **17 Rights of Political Group Leaders**

- Political Group Leaders have the right to be informed/consulted in confidence by the Provost, Leader of the Administration and/or the Chief Executive on major or sensitive issues which might impact on the Council's interests or the Council's good name. Political Group Leaders must respect the confidence of such information.

## **18 Advice**

Further advice on the operation of the protocol can be obtained, if required, from the Head of Corporate Governance.



## Revision History

<b>Version</b>	<b>Meeting</b>	<b>Date</b>	<b>Document</b>
0.1	Council	2/10/97	Member/Officer Protocol
0.2	General Management	15/12/04	Member/Officer Protocol
0.3	General Management	10/8/05	Member/Officer Protocol
0.1	Council	28/6/07	Elected Member Protocol
0.2	General Management & Finance	14/1/09	Elected Member Protocol
0.1	Council	28/6/07	Inter Party Protocol
0.2	General Management & Finance	14/1/09	Inter Party Protocol
0.1	General Management & Finance	12/11/14	Member/Officer, Elected Member, and Interparty Protocol (combined)
0.2	Council	29/02/24	Protocol for Relationships between Political Groups, Elected Members and Officers





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**To: Council**

**On: 29 February 2024**

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

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**Heading: Governance Arrangements**

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## **1. Summary**

- 1.1 The report seeks approval from Council in respect of the appointment of the Council's representatives on the Board of the Park Lane Developments (Renfrewshire) LLP.
  - 1.2 The report sets out changes to Board memberships proposed by the Labour Group, and a consequential change to the Depute Convener of the Audit, Risk and Scrutiny Board.
  - 1.3 The report also sets out a change to the Children and Young People's Champion proposed by the SNP Group.
  - 1.4 Finally, the report sets out proposed amendments to the Scheme of Delegations in respect of decisions on major events to be marked by the flying of flags from Council buildings, and by the lighting of Council buildings/property.
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## **2. Recommendations**

Council is asked to:

- 2.1 Approve the appointment of Gordon McNeil and Louise Feely as directors of the Park Lane Developments (Renfrewshire) LLP.
- 2.2 Agree that Councillor Smith replaces Councillor Montgomery on the Audit, Risk and Scrutiny Board;
- 2.3 Agree that Councillor Montgomery replaces Councillor Smith on the Infrastructure, Land and Environment Policy Board; and

- 2.4 Agree that Councillor McDonald be appointed Depute Convener of the Audit, Risk and Scrutiny Board.
- 2.5 Agree that Councillor MacFarlane replace Councillor Campbell as the Children and Young People's Champion.
- 2.6 Approve the changes to the Scheme of Delegated Functions as set out in section 4 of this report.

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### **3. Background – Changes to Council Appointees and Board Memberships**

- 3.1 At the Council's Meeting of 17 December 2009, in respect of the development of the former Arnotts site in Paisley, it was agreed that Mary Crearie, the Council's then Director of Housing and Property Services would be appointed as one of the Council's representatives on the Board of the Park Lane Developments (Renfrewshire) LLP. At the Council's meeting of 28 February 2013 it was agreed that Fraser Carlin, the Council's then Head of Planning & Development would be appointed as another representative on the same Board. Given that Mary Crearie and Fraser Carlin have both left their employment with the Council, it is appropriate that the Council appoint two new representatives on the Board. It is proposed that Gordon McNeil, Director of Environment, Housing and Infrastructure and Louise Feely, Head of Housing Services, be appointed as the required replacements on the Board.
- 3.2 The Labour Group has intimated that it wishes to replace Councillor Montgomery on the Audit, Risk and Scrutiny Board with Councillor Smith and replace Councillor Smith on the Infrastructure, Land and Environment Policy Board with Councillor Montgomery.
- 3.3 Councillor Montgomery is currently the Depute Convener of the Audit, Risk and Scrutiny Board. The Labour Group has proposed that Councillor McDonald be appointed as the new Depute Convener of that Board.
- 3.4 SNP Group has intimated that it wishes Councillor MacFarlane to replace Councillor Campbell as the Children and Young People's Champion.

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### **4. Amendment to Scheme of Delegated Functions**

- 4.1 At the Council's meeting of 28 April 2022, the Council agreed a new delegation to the Director of Environment, Housing & Infrastructure to determine, in written consultation with the Heads of Corporate Governance and Facilities & Property Services, the Provost and political group leaders, which major events deserving of recognition in respect of which flags are to be flown from Council buildings.

4.2 The first request to exercise this delegation was received by the Council recently. In considering the said request it was noted that the delegation did not involve any consultation with any of the independent Members. Accordingly, it is now proposed that the delegation be amended to include such a reference as follows:

“To determine, in written consultation with the Heads of Corporate Governance and Facilities & Property Services, the Provost, political group leaders and independent Members, which major events are deserving of recognition in respect of which flags are to be flown from Council buildings.”

4.3 In reviewing this delegation, it was also noted that there is currently no delegation to determine any requests in respect of the lighting up of Council buildings and property. It is therefore proposed that Section 5D of the Scheme of Delegations be amended to include a new delegation to the Director of Environment, Housing & Infrastructure as follows:

“5. To determine, in written consultation with the Heads of Corporate Governance and Facilities & Property Services, the Provost, political group leaders and independent Members, which major events are deserving of recognition by way of the lighting up of Council buildings and property.”

And that the remaining paragraphs are renumbered accordingly.

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## Implications of the Report

1. **Financial** – none
2. **HR & Organisational Development** – none
3. **Community/Council Planning** – none
4. **Legal** – none
5. **Property/Assets** – none
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 as it deals with Member appointments to Boards.

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. (Report author to arrange this).

8. **Health & Safety** – none
  9. **Procurement** – none
  10. **Risk** – none
  11. **Privacy Impact** – none
  12. **CoSLA Policy Position** – none
  13. **Climate change** - none
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### **List of Background Papers**

None

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