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Renfrewshire Council

Notice of Meeting and Agenda
Council

Date	Time	Venue
Thursday, 03 March 2022	09:30	Teams meeting,

KENNETH GRAHAM
Head of Corporate Governance

Membership

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

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

Webcasting of 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. To find the webcast please navigate to
https://renfrewshire.public-i.tv/core/portal/home

24/02/2022

Items of business

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Report by Director of Finance & Resources

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Joint Report by Directors of Communities & Housing and Finance & Resources

5 Installation of Neurodivergent Community Approved Communication Boards in all Renfrewshire Parks — 113 - 116

Report by Director of Environment & Infrastructure

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Report by Director of Finance & Resources

7 Disasters Emergency Committee – Afghanistan Crisis Appeal — 121 - 124

Report by Chief Executive

8 Notice of Motion 1 by Councillors Graham and Sharkey

"Crash Barriers

Council agrees to install crash barriers at the Glasgow/Hawkhead/Arkleston road junction as a matter of urgency. In the last two months there has been two crashes at the same junction where vehicles have mounted the pavement and damaged residential property.

Council is thankful there has not been any serious injury to any of the drivers or pedestrians so far.

Council instructs our council officers to arrange the installation of crash barriers immediately to protect pedestrians.

Council further instructs officers to carry out a site visit with local ward Councillors along with representatives of Ralston and Paisley East and Whitehaugh Community Councils to hear and listen to concerns regarding the safety of the junction."

9 Notice of Motion 2 by Councillors Steel and J Cameron

“Council notes that during the lengthy trial of a temporary cycle lane on Beith Road, Johnstone, material changes have arisen since this council last considered this issue, specifically:

Ongoing difficulties in maintaining the lane free of debris and/or water, forcing cyclists out into the flow of traffic; road safety concerns regarding road users and pedestrians at the junction of Beith Road and Linn Brae; traffic going the wrong way on Beith Road due to uncertainty over road markings, and the impact on business along the route due to changes in parking layout.

Council also notes that public disquiet has remained regarding the installation and operation of this section of the cycle route. A requirement of the temporary cycleway was to gain and maintain public support during the trial period. This particular installation is not demonstrating that it is achieving that aim.

Council therefore agrees to the decommission/removal of the Beith Road section of the cycle lane with immediate effect and to examine alternative plans which would provide safe, off-road cycling provision for this area."

10 Notice of Motion 3 by Councillors Hood and Devine

"Refuse dump in Johnstone

Council instructs the Chief Executive to investigate the reported refuse dump operated in Johnstone. Council believes that this investigation should report back to full council, on the actions, and where appropriate take the advice of those public sector bodies concerned including SEPA, KSB and our own departments with a view to reassuring residents that contamination from the site has not reached them and that it will not in the future."

11 Notice of Motion 4 by Councillors K MacLaren and M MacLaren

"Tackling Fuel Poverty

Council calls on the UK Government to bring forward policies to tackle the massive increase in energy prices which has resulted in the energy regulator announcing the new energy bill price cap will rise by 54 per cent per cent from April. This rise will have a serious impact on all Renfrewshire residents, especially since recent information from Energy Action Scotland estimates that 22% of local households are suffering from fuel poverty. It's time that the UK Government put the public ahead of the greed of the fuel companies and their shareholders."

12 Notice of Motion 5 by Councillors McCartin and Andy Doig

"Council agreed the following motion in it's December 2020 meeting:

"DECIDED: Council recognises that new child and adolescent mental health waiting times statistics for April to June 2020 show a record 1,520 children waiting more than a year for treatment. Council further recognises that the Scottish Government's old strategy already wasn't working, because three years in, it had led to record numbers of children waiting over a year for the help they need. Council demands therefore that the Scottish government brings forward a recovery plan to meet existing and heightened demand for CAMHS services, including immediate new steps to seriously expand the workforce.”

Council thereafter wrote to the Health Minister of the time, Jeanne Freeman, to raise this matter. No response appears to have been sent.

Council recognises that some funding was provided in the council’s 21/22 budget to begin to tackle mental health issues, with most of this £1m was earmarked only for those with mental health problems which stemmed largely from addiction illnesses, a vital service.

Council further notes that an extra £250k was added to the budget to be directed to child and adolescent waiting times.

Council is requested to give full details of what actions have been taken in the last year to implement this decision of the council to support children and young people, how many extra qualified staff have been employed, and what levels of individual support have been given in the last year."

13 Notice of Motion 6 by Councillors K MacLaren and Mylet

"Resignation of Prime Minister

Council calls on Boris Johnston to resign as Prime Minister."

14 Notice of Motion 7 by Councillors J MacLaren and Graham

"Fly Tipping

This council agrees to write to SEPA urging them to clamp down on fly tipping and illegal dumping and landfill in Renfrewshire. The recent damning BBC documentary showing fly tippers and use of illegal landfills gave an example of a way of catching criminals. The reporter hid a tracking device in the rubbish. SEPA needs to look at ways of out-smarting these criminals including stopping and checking of licenses to collect and dispose of waste."

15 Notice of Motion 8 by Councillors Burns and K MacLaren

"Scotrail Ticket Office Closures

Council is concerned with ScotRail’s plans to reduce the opening hours of train station ticket offices across Renfrewshire and beyond. Council will contact both Scotrail and the Scottish Government to express our opposition to these changes due to the impact they will have on passenger safety and urge that these proposals are scrapped."

16 Notice of Motion 9 by Councillors Hood and Sharkey

"Beith Road Cycle Path

Council is dismayed at the effect of the cycle path on the Beith Road and instructs that all changes revert back to the initial set-up"

17 Notice of Motion 10 by Councillors Ann-Dowling and McCulloch

"Highways Repair

Pavements and pothole repairs are some of the most commonly raised issues with councillors in Renfrewshire and in Houston, Crosslee and Linwood and Bishopton, Bridge of Weir and Langbank in particular. All councillors will know how dangerous broken pavements and potholes can be to pedestrians, cyclists and motorists alike.

Council agrees that undertaking longer term road resurfacing work to prevent potholes from appearing in the first place must be given higher priority. Worsening roads and pavements show that repairs are not keeping pace with need.

Therefore, Council agrees to prepare for next meeting a comprehensive strategy to improve all of Renfrewshire’s roads, pavements and pathways to an acceptable condition."

18 Notice of Motion 11 by Councillors Devine and Graham

"Health and Wellbeing Survey

Council recognises the failure of the national Health and Wellbeing survey and its promoters to engage and explain both the purpose and the content of that survey.

As not all Councillors have seen that survey this Council and its officials will not participate in is distribution until a majority of Full Council have approved its distribution."

LOCAL GOVERNMENT FINANCE ACT 1992 - SECTION 112

RESTRICTIONS ON VOTING BY MEMBERS

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

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

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

1. Setting or adjusting the rate of Council Tax;

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

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

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

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

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

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

PROCEDURE TO BE FOLLOWED AT THE MEETING
OF RENFREWSHIRE COUNCIL
TO BE HELD ON 3 MARCH 2022
DURING CONSIDERATION OF ITEM 2 CONCERNING
REVENUE ESTIMATES AND COUNCIL TAX
FOR THE FINANCIAL YEAR 2022/23

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 3 March 2022.

1. The Convener of the Finance, Resources & Customer Services Policy Board (the Convener) will make his budget statement for financial year 2022/23 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 2022/23).

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

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

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

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

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

10. Due to the Council meeting taking place remotely on Microsoft Teams, there will be separate guidance issued ahead of the meeting regarding the conduct of the meeting and including details of how members may submit and circulate motions and amendments and how they may hold confidential discussions with other members.

Renfrewshire Council

To:	**Council**
On:	**3 March 2022**
Report by:	**Director of Finance & Resources**
Heading:	**Revenue Budget and Council Tax 2022/23**

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 2022/23. Members are expected to bring forward proposals to secure a balanced budget, and to assist in this, Directors have been providing details of the financial, service and equality implications of any changes to current service levels, as requested by Members.

1.2 Members will be aware that as a direct consequence of the COVID19 pandemic over the past two years, the Council has experienced a hugely challenging and complex set of circumstances. Additionally, it is recognised that moving into 2022/23 and beyond, the financial impact on the Council from COVID19 will continue through ongoing direct impact from the pandemic and the public health response in Renfrewshire. Longer lasting legacy impacts on service costs, service demands and income streams are anticipated; as well as a lasting impact on transformation plans. Further, the Council will continue to support the social and economic recovery and renewal process and this is now likely to be a feature within the Council's financial outlook over the medium term.

1.3 Members will be required to take these circumstances into account when setting the 2022/23 budget, recognising that the Council's immediate and medium-term context and challenges have shifted significantly in the last two years. As outlined in more detail in the report, the Council's medium-term outlook remains subject to considerable risk. Additionally, as reported to Members throughout the year and subject to decisions taken by Council, there will be a need for the budget position in 2022/23 to rely on the application of temporary financial flexibilities to address the reported budget deficit, with the need for the application of temporary financial flexibilities in this manner being a requirement to support the Council's annual budget over the medium term.

1.4 Furthermore, and as is always the case, the medium-term prospects for local government finance in Scotland in the context of the Scottish Government budget will continue to be important context that Members will wish to carefully consider. In this regard, the Scottish

Government has not provided detailed spending plans beyond their budget for 2022/23 but has, through the publication of its annual Medium Term Financial Strategy (MTFS), outlined significant challenges in terms of the national budget, if agreed priorities are going to be funded. The planned publication in May 2022 of the Scottish Resource Spending Review will hopefully provide increased certainty for the Council in terms of potential levels of grant.

1.5 Following the publication of the Scottish Government's draft budget for 2022/23, the key headlines confirmed are outlined below to provide context for the local government settlement and the Council's individual financial settlement, outlined later in this report:

Economic outlook

- The outlook for the Scottish economy has improved since the previous forecast in January 2021, with GDP set to return to pre-pandemic levels by the Summer of 2022 as opposed to Winter 2023. More rapid recovery is attributable to the success of the vaccine programme, which allowed restrictions to be lifted more quickly than anticipated; however, there may be some moderation of forecasts as the impact of the Omicron variant is fully understood (Scottish Fiscal Commission (SFC) forecasts were finalised prior to recent Omicron-related issues). GDP growth over the medium term is expected to average at 1.3% - slightly lagging behind growth in the rest of the UK. However, it is recognized that GDP forecasts in the current environment are highly volatile.
- Inflation is expected to remain higher than the 2% target until 2024/25, peaking in 2022/23 at an average of 3.7%. Inflationary pressures are driven by high energy prices and supply chain disruption. Higher inflation for longer, coupled with increased taxes, will potentially see household income eroded. It will also extend the current inflationary pressure being experienced on local government expenditure. Since the Budget was published in December this forecast potentially requires revision given the high levels of inflation currently being experienced and forecast to continue linked to increased energy prices.
- Income tax revenues are expected to grow more slowly than the block grant adjustments related to previous years' reconciliations, meaning that there will be a net funding shortfall of £190m in 2022/23, and shortfalls expected to continue in future years rising to £417m in 2026/27. This is despite income tax forecast receipts expected to be nearly £0.8bn higher in 2022/23 than previous forecasts. The Scottish Government has outlined that it intends to use resource borrowing to manage income tax reconciliations.
- The SFC expects the total Scottish Budget to increase by 10% between 2022/23 and 2026/27, equivalent to a 1% increase in real terms. Resource funding is expected to increase, while capital funding is expected to fall.

Expenditure commitments

- Above real terms increases in funding for the NHS aim to address both pandemic-related response costs and to improve outcomes for patients. Territorial NHS Boards will receive an increase in funding of 5.6% in 2022/23 compared to 2021/22, including specific funding related to increased employer national insurance costs. This is a reflection of the Programme for Government commitment to increase front-line NHS spending by 20% over the term of the current Parliament.
- The Draft Budget also sets aside £165m in 2022/23 towards the ongoing redesign and support for the social care sector, in line with current work programmes and new recommendations as set out in the Independent Review of Adult Social Care and in preparation for the implementation of the National Care Service. A further £200m is identified for an increase in commissioned adult care workers pay to £10.50 per hour.

- Social security costs are expected to total £4bn in 2022/23, increasing to £5.5bn in 2026/27. This increase is predominantly related to the introduction of the Adult Disability payment and Child Disability payment; and the costs of the Scottish Child Payment are expected to increase from £56m in 2021/22 to £362m in 2023/24, related to the doubling of the payment to £20 per week but more significantly to the extension of the payment to under-16s. The SFC forecasts that by 2024/25, spending on social security will be £750m more than the corresponding amount received from the UK Government.

Local government settlement

- The core local government revenue settlement reflects a flat cash position, and therefore a real terms reduction. There is additional funding transferred to the local government settlement from other portfolios, which increases the overall settlement; however, the majority of these transfers relate to Scottish Government priorities in relation to teacher numbers, adult social care and delivery of an increase in the minimum wage for adult social care staff and will therefore not be available to address core cost pressures within councils. No funding has been included in relation to the introduction of the Health and Social Care Levy by the UK Government from April 2022.
- The previous cap on increases in Council Tax has been removed, with councils having full flexibility to set a rate that is appropriate to their area.
- The Scottish Government has indicated a number of flexibilities that will be discussed with local government in order to address the recognised pressures the sector is facing. Officers will examine these options; however they are expected to be of marginal benefit to the budget position in 2022/23.

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

(i) On the face of it, the headline increase (in cash terms) in the Council's Revenue Grant Settlement is £13.935 million (4.0%)

(ii) Critically however, the Council's settlement includes approximately £4.006 million of resources for Scottish Government priorities and commitments, which drives a corresponding growth in Council spending (most notably in relation to funding for teachers). These resources are not therefore available to support existing council service levels.

(iii) In addition, the Council will also be required to pass through circa £11.655 million of funding for Social Care to the IJB. Similar to previous years, as Children's Social Care and Criminal Justice Services are not delegated to the IJB in Renfrewshire, the Council is not able to direct any of this resource to offset pressures in Children's Services.

(iv) After adjusting for these areas of growing responsibility and other conditional aspects of the settlement, this provides a like for like comparison to 2021/22 where the Council's underlying core grant has decreased by £1.359 million (0.4%).

1.7 In addition to the normal revenue settlement, the Scottish Government has also confirmed non-recurring funding for local government as part of its 2022/23 budget settlement of £120 million. Renfrewshire's share of this funding is £3.982 million. There are no specific directions with regards this non-recurring funding, and Councils may allocate it as they wish. This funding is possible as a result of unanticipated consequentials from the UK Government in 2021/22, which the Scottish Government will carry forward to 2022/23 through the Scotland Reserve. Given the resource is clearly non-recurring, it is not considered appropriate to direct this funding to any recurring investments.

1.8 The Scottish Government also announced a Public Sector Pay Policy for 2022/23. Although not directly setting local government pay (which is negotiated by local government separately) the policy nevertheless provides important context for the ongoing negotiations with trade unions. Notwithstanding, COSLA in terms of their ongoing engagement with the Scottish Government has raised the issue that the underlying movement in the core local government settlement will be insufficient to fund a pay settlement at this level. The policy sets a flat rate increase of £775 for those earning a salary up to £25k, £700 for those earning £25,000 to £40,000 and £500 for those earning above £40,000. At this juncture, pay negotiations across the local government employee groups are ongoing and therefore no agreement has yet been reached. Given the high levels of inflation currently being experienced, and which are forecast to remain high for some time, this is going to present a challenging environment in which to reach agreement on pay levels.

1.9 The medium-term outlook for the Council continues to remain highly uncertain, and is likely now to be even more challenging than previous financial outlook reports to Council have reflected. There are now expected to be permanent cost impacts from the pandemic; however, pay and grant will continue to be the two biggest determinants of the Council's financial outlook. Members have previously been advised that the Scottish Government block grant increased substantially in 2022/23, with only very moderate increases over the remainder of the spending review period. In this context, the fact that the local government settlement reflects a like-for-like cut in 2022/23 does not provide confidence that the settlement in future years will reflect a sufficient degree of increase to address core budget pressures.

1.10 This risk has been clearly illustrated by settlements in each of the past three years. In 2020/21 a headline grant increase of circa 6% translated into a broadly flat cash core grant position. In 2021/22 the settlement headline 2.7% growth translated into underlying growth on core grant of 0.5%; and in the 2022/23 settlement, where claimed growth in the local government settlement of 7.5% translates into a like-for-like core grant reduction of 0.4%. As outlined in the main body of the report, this risk coupled with future pay increases, will remain the two most significant influencing factors on the scale of the future financial challenge for all councils in Scotland.

1.11 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. However, given the significant disruption to the Council's Right for Renfrewshire (RFR) programme arising from COVID19, there are no further transformation savings arising in 2022/23 outwith the full year impact of those RFR changes approved prior to the emergence of COVID19 and those reviews agreed by the Leadership Board in June 2021. There remains significant uncertainty as to when a refreshed transformation programme will be capable of being remobilised at scale, due to capacity being directed towards the ongoing COVID19 response and the subsequent requirement that will emerge to support the organisational, social and economic recovery and renewal process. Consequently, and as reported in previous financial updates to Members, the Council's pipeline of transformation savings has now fallen behind the pace at which the Council's budget deficit is expected to emerge. What is now apparent however, is that transformation activity alone is unlikely to fully address the financial pressures the Council is facing over the medium term.

1.12 As mentioned above there are expected now to be permanent cost impacts from the pandemic, however pay and grant will continue to be the two biggest determinants of the Council's financial outlook. Applying a scenario-based approach varying the major influencing elements of the projections under optimistic, central and pessimistic scenarios for the three-year period beyond 2022/23 derives a forecast budget deficit range of broadly £25 million - £58 million over this period (before any decisions on the level of Council Tax or any other mitigating action), with a central forecast of £41 million of a cumulative deficit. This forecast scenario outlook is based on relatively tight grant and pay assumptions informed by the current financial settlement and the Governments MTFS, as well as likely affordability constraints in relation to future pay awards. Factoring in an assumption of 3% increase each year in Council Tax levels would reduce this range to £18 - £50 million.

1.13 For 2022/23, budget assumptions have been updated as appropriate, including most notably the confirmed grant available to the Council and associated conditions, the impact of new statutory obligations, the likely impact of increasing demographic and demand pressures and expected Council Tax yield levels for 2022/23. After taking account of the cumulative impact of each of these issues, there is a recurring budget deficit for 2022/23 of £2.881 million, before the addition of the £3.982 million non-recurring resource allocated at Stage 2 of the Budget Bill process, and subject to any further decisions taken by Members. Adding this non-recurring resource results in a temporary budget surplus of £1.101 million.

1.14 Members should note that the budget position for 2022/23 outlined above is only possible through the deployment of financial flexibilities at significant scale. Members have previously approved the use of these flexibilities to provide temporary support to balance the annual revenue budget position each year over the medium term. However, these are not a permanent solution to the core budget pressures faced by the Council. It is hoped that the publication of the Scottish Government Resource Spending Review in May 2022 will provide materially greater certainty over potential movement in the core local government grant. In such a scenario, the increased funding certainty would provide conditions that may support the potential for multi-year pay agreements to be secured. If outcomes of this nature emerge on both grant and pay, it would lock in significantly greater financial planning certainty for local government over the medium term.

1.15 In setting the 2022/23 budget, Members should remain aware that any commitments to additional recurring expenditure will increase the projected medium-term deficit in future years unless they are offset by sustainable savings or increased resources arising from an increase in Council Tax. Finally, Members are encouraged to take a holistic view of the Council's total resources, covering both capital and revenue. In coming to final budget decisions, Members' attention is drawn to unallocated capital resources available to the Council of £1.800 million, as detailed at Item 3 of this agenda.

2. RECOMMENDATIONS

Members are asked to:-

2.1 Submit for approval proposals for any savings, investments, and service changes as part of delivering a balanced budget for 2022/23, and in doing so: -

- to consider the equality impact of any proposed service changes as referred to at paragraph 7.11
- to assess whether adequate provision is being made in the 2022/23 budget to deliver against the specified commitments linked to the Council's grant settlement for 2022/23, as detailed at paragraph 3.2

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

2.3 Approve the use of financial flexibilities to support the Council's budget position in 2022/23, as outlined in section 6.

2.4 Approve the revenue estimates for all services for 2022/23 subject to adjustment for the allocation of specific grants, inflationary allowances and any proposals for service changes approved by Council.

2.5 Approve the release of additional resources being made available in 2022/23 to Renfrewshire Health and Social Care Partnership as set out in paragraph 4.5

2.6 Submit for approval the Council Tax banding levels A to H inclusive to apply for 2022/23.

3. GRANT SETTLEMENT

3.1 On 9 December 2021 the Scottish Government published its draft budget for 2022/23, which was subject to parliamentary approval over the course of January and February 2022 (the Stage 3 debate occurred on 10 February). On 20 December, the draft local government finance settlement was published, as set out in the Local Government Finance Circular 9/2021, which provided details of the provisional revenue and capital funding allocations for 2022/23 for local government across Scotland.

3.2 Circular 9/2021 confirmed Scottish Government revenue grant funding in 2022/23 for the Council of £365.154 million. The Cabinet Secretary outlined associated conditions in a letter to all Council Leaders that set out specific commitments that should be read in conjunction with the detail of the financial settlement that make up the provisional funding allocation and which constitute: -

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

b) The continued prioritisation of financial support for social care. Included within the local government settlement, the Government has provided an additional £353.9 million nationally to support health and social care as delegated to Integration Joint Boards broken down as follows:

- £174.5m to support ongoing adult social care pay
- £124.0m for recurring care at home investment
- £20.0m for interim care
- £20.4m to support the improved rights and supports for carers
- £15.0m to uplift free personal nursing care rates

In addition, to ensure the social care workforce is supported and sustained, an additional £200m has also been allocated to deliver a £10.50 per hour minimum pay settlement for adult social care workers in commissioned services.

The government confirmed that taken together, the total additional funding of £553.9 million is to be additional to each Council's 2021/22 recurrent spending delegated to Integration Authorities and not be substitutional i.e. these allocations must be passed to the HSCP for these delegated services.

c) Within the grant settlement there is also £145m in relation to additional teachers and support staff, in effect baselining within the settlement additional funding received on a non-recurring basis to increase teacher and support staff numbers as a result of the pandemic. £68.2m was also allocated in relation to child bridging payments. These allocations will fund the additional costs associated with the implementation of these priorities and are not available to support core budget pressures.

d) The Cabinet Secretary has also agreed or committed to further discussion on a number of issues:
   - Councils will have full flexibility to set a Council Tax rate that is appropriate to their area
   - Councils are encouraged to consider the use of general fund reserve balances
   - A commitment to reviewing all ring-fenced funding as part of the forthcoming resource spending review
   - A refreshed approach to employability funding, including the carry-forward of unused funds between financial years
   - A commitment to work with COSLA to develop a rules-based fiscal framework to support future funding settlements
   - Agreement to allow the utilisation of capital receipts to fund the financial impact of COVID and transformational projects
   - Agreement to extend the period for the loans fund principal repayment holiday for one further year in 2022/23
   - A commitment to continue working with local government Directors of Finance on a change in policy on capital accounting for service concessions

3.3 The grant floor (which doesn't include all revenue funding but the majority) was set by the Scottish Government at a maximum decrease of 0.42%. Nine councils are immediately on the floor, with a further seven pulled down onto the floor once the floor calculation mechanism is applied. There are therefore sixteen of the thirty two councils on the grant floor with the grant change ranging from a grant increase of 0.66% to a decrease of 0.42%. Renfrewshire is 15th on the floor calculation table, one of the sixteen councils not on the floor, with an initial grant increase of 2.03%, which converts to a grant decrease of 0.16% after the application of the floor mechanism. This results in Renfrewshire surrendering £6.131 million of grant to support the floor compensation measures for the nine councils immediately on the floor.

3.4 The Council's settlement figure includes a number of adjustments for new spending burdens, responsibilities and conditional funding, totalling £13.473 million, linked primarily to the move to a formula distribution of funding supporting Early Years Learning and Childcare; a direct pass-through of funding to Integration Joint Boards; and the baselining of funding for additional teachers. There is also a range of differences in the planned timing of distribution of resources linked to discretionary housing payments.

3.5 After adjusting for these areas of new burdens funding, new responsibilities, conditional funding and timing differences in the distribution of funding, the Council's 2022/23 core grant figure as set out in the provisional local government finance settlement has, on a like-for-like basis, decreased by 0.4% from 2021/22, broadly in line with the like-for-like decrease nationally. The Council's share of the overall local government revenue funding settlement has remained constant at 3.21%.

3.6 At Stage 1 of the Parliamentary process to approve the Budget Bill on 27 January, the Cabinet Secretary announced that a further £120 million would be allocated to local government on a non-recurring basis. This increased allocation is related to the unexpected consequentials from the UK Government in 2021/22, which the Cabinet Secretary is proposing is carried forward through the Scotland Reserve mechanism and then allocated to the local government settlement in 2022/23. This additional funding is not ringfenced; however, the Cabinet Secretary is clear that the funding is one-off and the Resource Spending Review will need to address the long-term sustainability of local government alongside the rest of the public sector. Renfrewshire's share of this funding is £3.982 million.

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

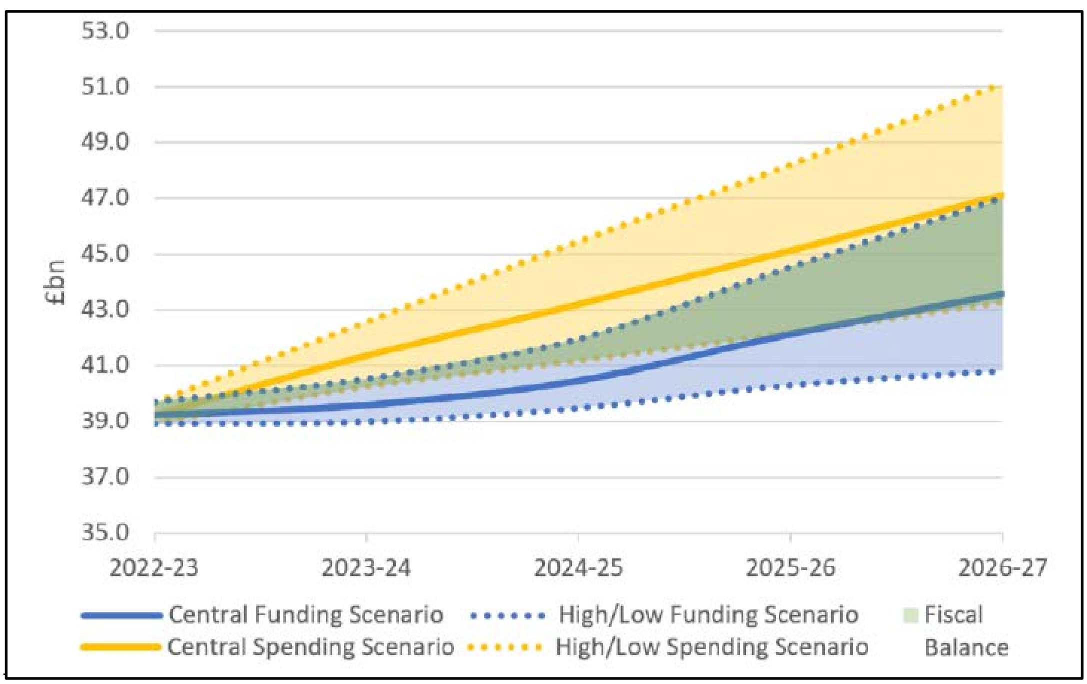
Table 1 – Grant Settlement 2022/23

Provisionally allocated Government Grant Funding	2022/23 £000
Specific Grants	25,589
Non Domestic Rate Income	108,076
Revenue Support Grant	231,489
Total Recurring Government Grant	**365,154**
One-off Revenue allocation	3,982
Total Government Grant	**369,136**

3.8 There are sufficient resources included within the proposed budget, along with the planned option to utilise financial flexibilities set out in this report, to meet the conditions set out as part of the offer to local government.

3.9 As previously reported to Members, 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 wide range of potential scenarios. The Scottish Government's published Medium-Term Financial Strategy, which accompanied the draft budget announcement, outlines that spending decisions over the period of the strategy will be informed by the Scottish Government's stated aims of meeting child poverty and climate change targets, and securing a stronger, greener, fairer economy.

3.10 The MTFS sets out a range of potential scenarios for future funding and spending. Rather than being based on assumed percentage increases, the funding scenarios are based on known information from the UK Comprehensive Spending Review; while spending scenarios reflect the Scottish Government's understanding of spending pressures in the medium term, including new commitments. Comparing the central funding scenario with the mid spending projection suggests a growing gap, which reaches approximately £3.5bn in 2026/27:



Source – Scottish Government MTFS

3.11 The key message in this scenario forecast is the increasing spending pressure within a relatively fixed block grant position. Members have been previously advised that the Scottish Government block grant increased substantially in 2022/23, with only very moderate increases over the remainder of the spending review period. In this context, the fact that the local government settlement reflects a like-for-like cut in 2022/23 does not provide confidence that the settlement in future years will reflect any degree of increase to address core budget pressures. On this basis and as outlined in further detail below, the Council's medium-term outlook has been revised to reflect a central planning assumption of 1% like-for-like revenue grant cuts over the period to 2024/25.

3.12 The Scottish Budget and the associated SFC publications outline significantly increasing spending on social security as benefits transfer from the UK to Scottish Governments to administer; and also from more generous levels of support through the benefits system, e.g. increasing the Scottish child payment. Increasingly, the Scottish Budget will need to support demand-led social security spending within a relatively fixed financial envelope. The Scottish Budget will also potentially experience increasing levels of volatility as a result of forecast error on devolved tax receipts or from block grant adjustments. Future demands may also lead to a greater level of protection being provided to the NHS than assumed in these scenario forecasts and, should unemployment rise at a higher rate than assumed and recover less slowly, fulfilling the commitment to fully fund demand-led Social Security benefits may cost more than forecast. Such impacts may lead to an inevitable squeeze on other areas of the budget, including local government. As the MTFS states: "With limited resources, increased investment in the Scottish Government's priorities will require efficiencies and reductions in spending elsewhere: we need to review long-standing decisions and encourage reform to ensure that our available funding is delivering effectively for the people of Scotland."

3.13 Additionally, and potentially more significantly, both UK and Scottish governments are continuing to manage their way through both the pandemic for which the longer term outcome and impact on how we will live is not yet fully understood, as well as the consequential impact on the economy and how the recovery may be impacted by what the "new normal" resembles. Therefore, the path to both social and economic recovery is far from certain. Critically, how the Scottish economy fares relative to the UK, given the importance of this relationship under the fiscal framework, will be a key determinant of public spending.

3.14 Further, even assuming that marginal growth and investment in local government spending by the Scottish Government does emerge over the medium term, what future demands, new burdens or asks of local government that accompany such growth may have a significant impact and limit any growth in the underlying core grant. This risk has been clearly illustrated by settlements in each of the past three years. In 2020/21 a headline grant increase of circa 6% translated into a broadly flat cash core grant position. In 2021/22 the settlement headline 2.7% growth translated into underlying growth on core grant of 0.5%; and in the 2022/23 settlement, where headline growth in the local government settlement of 7.5% translates into a like for like core grant reduction of 0.4%. Therefore, sustained headline growth in resources does not automatically provide sustained growth in the core grant which along with the relationship with pay increases are at the heart of the scale of the underlying financial challenge for all councils in Scotland.

3.15 The publication of the Scottish Government Resource Spending Review in May 2022 will provide greater financial planning certainty for local government in Scotland. Moving forward, Members will be kept appropriately briefed and informed as announcements are made by the Scottish and UK Governments during the course of 2022 and in addition, of any significant developments in the wider economy that are likely to materially change the future financial outlook for the Council.

3.16 The Scottish Government also published its Public Sector Pay Policy for 2022/23 alongside the 2022/23 Budget. Although not directly setting local government pay (which is negotiated by local government separately) the policy nevertheless provides important context for the ongoing negotiations with trade unions. Notwithstanding, COSLA in terms of their ongoing engagement with the Scottish Government have raised the issue that the underlying movement in the core local government settlement will be insufficient to fund a pay settlement at this level. The policy set a flat rate increase of £775 for those earning a salary up to £25k, £700 for those earning £25,000 to £40,000 and £500 for those earning above £40,000. At this juncture, pay negotiations across the local government employee groups are ongoing and therefore no agreement has been reached at this stage.

4. SPENDING PRESSURES, MANAGING DEMAND, AND AGREED SAVINGS

4.1 An analysis has been enclosed with this report detailing, for each service, the proposed budget changes between 2021/22 and 2022/23. The budget has been adjusted to reflect: -

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

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

4.2 Demographic, socio-economic and 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. Over the course of 2021/22 the impact of the COVID19 pandemic has continued to generate unprecedented additional pressures, many of which are anticipated to continue into 2022/23.

4.3 In relation to Adult Services, the HSCP over the course of 2021/22 has, as in 2020/21, been almost exclusively focused on responding to the unprecedented demands of the pandemic and has consequently incurred exceptional costs. Significant resources have been provided by the Scottish Government to help offset such costs to date; with the remainder expected to be fully reimbursed through the continuation of the local mobilisation plan reporting arrangements in place with the Scottish Government. Conversely, in terms of core Adult Services budget, the HSCP has reported an underspend throughout the course of 2021/22; with a year-end forecast underspend of £0.7m being reported. This year-end core underspend will be added to existing unallocated balances, which the HSCP will carry forward and have available to support future change and transformation, as well as addressing pressures in future years.

4.4 Over the course of 2022/23 Adult Services will again be exposed to expected cost pressures arising from the renewal of contractual arrangements, the financial impact of increases in the Living Wage and the minimum £10.50 minimum pay settlement for adult social care workers.

4.5 It is recommended that £11.655 million of a provision is made by the Council to uplift the recurring resources made available to the HSCP in line with the conditions set out in the financial settlement for the Council. This represents funding that the Scottish Government continues to pass through from the Health portfolio to support Social Care via the local government budget, and is exclusive of the Renfrewshire share of the £200 million, which is currently unallocated within the local government settlement linked to the improvement of adult social care pay and improved retention. This funding uplift is above the forecast flat cash position that has been incorporated into both the Council's and HSCP's financial planning arrangements, and it is expected that on this basis along with additional protection provided through accumulated balances a balanced budget position will be presented to the Integrated Joint Board for consideration later in March by the HSCP Chief Financial Officer. This position is exclusive of COVID-related costs expected in 2022/23, which are anticipated to be fully funded by the Scottish Government.

4.6 In relation to Children's Services, sufficient resources are available to manage core demographic and socio-economic pressures after the impact of ongoing demand and cost mitigation strategies are taken into account. Increased funding in relation to teacher numbers has been included within the grant allocation from the Scottish Government and this resource, along with education-specific reserve balances, will be utilised flexibly to address both additionality and roll related increases over the medium term. Similar to 2020/21 and 2021/22, it is anticipated that exceptional costs will continue to be incurred in relation to the delivery of education and early learning provision across Renfrewshire, linked to the impact of COVID restrictions, school operating requirements and the wider impact on learning. The scale, shape and extent of the cost pressure in this regard is likely to continue to develop over the longer term with potentially permanent changes in the costs of education delivery being possible, but at this stage being very difficult to estimate. Similar to 2020/21 and 2021/22 therefore, non-recurring resources will continue to be deployed to address such costs and therefore no provision in this respect has been made within the core service budgets, with the exception of those relating to contractual inflation.

4.7 Table 2 below summarises the recommended base budget adjustments to reflect the pressures facing the Council in 2022/23.

Table 2 - Summary of Recommended Base Budget Adjustments 2022/23

	2022/23	
	£000	**£000**
Impact of previous Council and Board Decisions		
Reversal of 2021/22 single year investments	(250)	
Debt Smoothing Saving against Financing Costs	(7,500)	
Right for Renfrewshire programme	(2,286)	
Total Reductions	**(10,036)**	
Add Unavoidable Pressures:		
Financial Settlement adjustments Health and Social Care	11,655	
Financial Settlement adjustments Other	4,006	
Pay/staff related	1,151	
Contract Payment Adjustments	1,580	
One-off investment: Local Government Election	500	
Requisition Adjustments	498	
Other Unavoidable Pressures	379	
Total Unavoidable Pressures	**19,769**	
Net Base Budget (Reduction)/Increase		**9,733**
Net Increase in Provision for inflationary pressures		**8,920**
Net Base Budget (Reduction)/Increase		**18,653**

5. PAY AND PRICE PRESSURES

5.1 The 2022/23 budget position detailed in Table 3 at paragraph 7.1 includes a provision for pay inflation that broadly reflects the public sector pay policy announced by the Cabinet Secretary on 9 December 2021. At present, pay negotiations across all employee groups within local government are ongoing with no agreements yet secured, indeed the teachers settlement for 2021/22 still remains to be agreed as at the time of writing. As outlined above and as agreed with the HSCP Chief Financial Officer, no provision has been made for the pay settlement increase for HSCP staff, with this provision being accommodated within the recommended resources being transferred to the HSCP in line with the financial settlement conditions set out by the Scottish Government. Should the actual pay award agreements that are secured vary from the provision outlined above, this will be reported as part of the financial monitoring arrangements along with any required action during 2022/23 as well as the recurring financial adjustment required moving into 2023/24.

5.2 In setting previous budgets, the Council decided not to apply any general inflationary uplift to non-pay budgets. Given the increasing 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 2022/23 budget. The high levels of inflation currently being experienced are, however, an increasing cause for concern, and economic forecasts now reflect a “higher for longer” outlook for inflation as opposed to previous forecasts, which suggested a spike late in 2021 would be followed by a relatively sharp decline back to target levels. This revised outlook has the consequence of not just increased prices for goods and services, but will feed in to pay negotiations, potentially putting pressure on provisions that have been made.

5.3 The Financial Regulations require charges for services to be reviewed at least annually. The overview of the Council’s spending in Table 3 makes provision of £0.155 million for an inflation adjustment to charges at 3%.

6. FINANCING COSTS AND FINANCIAL FLEXIBILITIES

6.1 The provision for financing costs includes both debt charges payable as a result of the Council's capital investment programme and the interest gained on temporary investment of cash. In assessing financing cost requirements, an assumed average interest rate of 3.75% has been applied. This is a reduction is the rate applied in previous years which is possible as a result of the proactive debt smoothing strategy which has been employed by the Council over the past decade.

6.2 Members will recall that Council agreed to a number of corporate financing adjustments in order to both address the anticipated costs of the pandemic and the longer term financial outlook for the Council. Agreement on these flexibilities has been progressed between COSLA and the Scottish Government as outlined at 3.2 above. The flexibilities agreed have been examined and they will provide only marginal support to the Council to both manage the impact of COVID19, as well as provide temporary support to the Council’s medium-term financial strategy where this is required. However the utilisation of these flexibilities will continue to be examined in the event that they may provide additional capacity to compliment the corporate financing adjustment made to the Council’s financial strategy arrangements. In particular, the ongoing discussion with regards modified accounting arrangements for service concessions may provide welcome flexibility should this proposal be agreed by the Cabinet Secretary.

6.3 As previously reported to Council, the pausing of the Right for Renfrewshire programme during the pandemic has impacted on the level of planned savings over recent years, with the result that the Council has required to use longer term capital financing flexibilities to bridge the savings gap over the medium term. This approach will result in higher borrowing costs in the longer term, and this will require to be met through appropriate base budget adjustments in the coming years and the release of long-term flexibility resources. The required support to the Council's 2022/23 budget from this approach is significant at £7.5 million, and Members should be aware that this position will require to be unwound over the medium to longer term. Despite the deployment of these flexibilities on this scale, the position outlined below reflects a core deficit in 2022/23 budget, with a temporary surplus only being achieved through the allocation of non-recurring grant from the Scottish Government.

6.4 In addition to the capital financing flexibilities outlined above, it is also proposed that the Council agrees to utilise COVID-specific reserve balances of up to £2.188 million in order to support the budget position in 2022/23. As outlined in section 9 below, the Council anticipates that as at the 2021/22 financial year-end there will remain £12.939 million in COVID specific reserves, which will be deployed over the medium term to assist with the ongoing increased costs of the pandemic response by a range of services; and utilising these reserve balances will enable a full assessment of the potential longer term financial impact of permanent changes in service provision as a result of the pandemic; and for a sustainable solution to these costs to be developed within the medium-term financial plan.

7. SPENDING OVERVIEW

7.1 The Council approved spending for 2021/22 of £449.822 million. This included a one-off use of reserve balances of £1.692 million. It is estimated that £466.287 million (as detailed in Table 3) is needed to fund the costs of maintaining present service levels, provide for new responsibilities and conditional funding commitments provided as part of the financial settlement, new cost burdens and addressing known pressures and demands in 2022/23.

Table 3 – Estimated Spending Need 2022/23

	2022/23 £000
Spending approved 2021/22 budget	448,130
Approved use of reserve balances (non-recurring)	1,692
Spending approved 2021/22 budget	**449,822**
Add:	
Recommended Budget Adjustments (per Table 2)	19,769
Net reductions Applied (per Table 2)	(10,036)
Temporary application of COVID Reserve	(2,188)
Revised Budget per Appendix 1	**457,367**
Net Increase in Provision for inflationary pressures	8,920
Estimated spending need for 2022/23	**466,287**

7.2 As is well recognised by Members, significant cost pressures are anticipated to persist beyond 2022/23 for the Council. Some cost pressures, such as those related to some contractual commitments are easier to predict for future years; however, these are also becoming more of a risk as inflationary concerns abound. Uncertainty will once again emerge in relation to future pay pressures with potentially only a single-year agreement being possible; however, the publication of the Scottish Government Resource Spending Review in May 2022 may provide the conditions for a multi-year agreement to be reached. There remains less certainty about pension costs moving forward particularly in the context of the impact of an agreed remedy to address the "McCloud case", which was a successful equality challenge that affects all public sector pensions across the UK, as well as the operation of the cost cap mechanism across public sector schemes for the first time – which in itself was delayed pending the outcome and subsequently agreed remedy for the McCloud case being resolved. Both issues have the potential over the medium term to result in increases in employer contributions.

7.3 Other cost pressures, such as the impact of legislative and national policy changes, movement on key commodity prices and increasing demand-led pressures, are more difficult to estimate and are not necessarily within the direct control of the Council. In recent years, the overall scale of cost pressures has been as high as 5% per annum growth, which Directors have been actively mitigating through a range of cost containment measures. Moving forward, it is expected that increasing inflationary pressures will make this more difficult to maintain and increasing levels of financial provision will need to be made for core cost pressures.

7.4 Members will recall that some limited provision was made in 2021/22 for the potential recurring legacy impacts of COVID19 on costs and income streams, as well as cost pressures and service demands arising from the post-Brexit environment. The intention in making this provision had been that this would be required on a non-recurring basis, however it is becoming increasingly apparent that there will be longer term and potentially permanent increased costs from both of these issues, and therefore the budget proposed baselines the provisions made in 2021/22 in order to address these costs over the longer term. Household waste collection and disposal costs in particular would appear to be permanently increased as many individuals move to home or hybrid working; and there are likely to be permanent habit changes in terms of leisure services which may impact on the commercial income available to OneRen which the Council may need to support. In addition, there is likely to be income pressure in relation to parking; and potentially increased costs in children's' social care as the impact of the pandemic on households and individuals is reflected in increasing demand for family social care and mental health support.

7.5 The medium-term outlook for the Council continues to remain highly uncertain, and is likely now to be even more challenging than previous financial outlooks reports to Council have reflected. As mentioned above, there are now expected to be permanent cost impacts from the pandemic, however pay and grant will continue to be the two biggest determinants of the Council's financial outlook. Applying a scenario-based approach varying the major influencing elements of the projections under an optimistic, central and pessimistic scenario for the three year period beyond 2022/23, derives a forecast budget deficit range of broadly £25 million - £58 million over this period (before any decisions on the level of Council Tax or any other mitigating action), with a central forecast of £41 million of a cumulative deficit. This forecast scenario outlook is based on relatively tight grant and pay assumptions informed by the current financial settlement and the Governments MTFS, as well as likely affordability constraints in relation to future pay awards. Factoring in an assumption of 3% increase each year in Council Tax levels would reduce this range to £18 - £50 million.

7.6 The Scottish Government is currently consulting stakeholders with regards the planned Resource Spending Review which should be published in May 2022. This Review should provide local government with more certainty as to the grant settlement over the period from 2023/24 to 2026/27, however there may be risks in the final years of the Review as this extends beyond the current UK Comprehensive Spending Review which ends in 2024/25. This improved certainty over the Scottish Government spending plans may unlock the potential for multi-year pay agreements to be secured. If outcomes of this nature emerge on both grant and pay, it would lock in significantly greater and welcome financial planning certainty for local government over the medium term, something which has not existed for a very considerable period of time.

7.7 The Resource Spending Review consultation document outlines three priorities, which will inform funding decisions:

- To support progress towards meeting child poverty targets
- To address climate change
- To secure a stronger, fairer, greener economy

7.8 There is therefore the potential that greater certainty as to the scale of the of the Council's underlying budget deficit over the medium term may emerge as the Council moves towards 2023/24. Notwithstanding the eventual scale of budget deficit to be addressed beyond 2022/23, it is likely that service transformation activity, while key to financial sustainability, in itself will not be sufficient to fully address the projected deficit, and a range of other measures are likely to be required. These may include, for example, a reassessment of income and the associated levels of fees and charges, a review of Council property assets and increasing the Council's digital capacity to further improve service efficiency. All of these measures will need to be considered in the context of not just financial sustainability, but the priorities agreed by the Council as it considers refreshing and updating its Community and Council Plans. In this context and as mentioned above, it is expected that financial flexibilities available to the Council may be required to provide temporary support to balance the annual revenue budget position each year over the medium-term.

7.9 The Council will therefore continue to operate with a medium-term financial outlook that is currently inherently uncertain, both in scale and potential for variability at least in the short term, with hope that greater certainty may emerge in over the course of 2022/23. Re-establishing and remobilising a transformation programme will become a major priority for the Council once the demands of COVID on organisational capacity have subsided, in order to prepare for what is anticipated to be a continuation of a highly challenging and uncertain financial period for the Council.

7.10 Members will continue to be updated on developments for future years, but should be aware that in setting the 2022/23 budget any commitments to additional recurring expenditure will increase the projected deficit in future years, unless they are offset by recurring savings or increases in Council Tax. Similarly, any 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.

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

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

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

8. RESOURCE ALLOCATIONS

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

9. PROBABLE OUTTURN 2021/22, BALANCES AND RESERVES

9.1 Appendix 1 to this report details an overview of the Probable Outturn for 2021/22.

9.2 The Council's general fund balances as at 1 April 2021 were £88.458 million and, as outlined in Table 4 below, the significant majority of this was earmarked for specific purposes. This balance also reflects the previously agreed increase in unallocated balances to a minimum of £10 million, reflecting the heightened financial risks over the course of the pandemic. As reported to Members during the course of 2021/22, a year-end overspend position is projected for the Council, with an expectation that COVID-specific balances would require to be utilised to offset the residual impact of COVID19 disruption on the Council's finances. The anticipated draw on balances has been diminishing as the year has progressed, due to a wide range of factors including additional funding announced by the Scottish Government, reducing support required for OneRen as a consequence of leisure facilities being used as vaccination centres and the general impact of mitigation measures employed with Directors to redirect existing budgets to offset COVID19 specific costs.

9.3 Members will recall that significant one-off funding was allocated to councils by the Scottish Government in closing the 2020/21 financial year, resulting in an increase in ringfenced reserve balances. It is anticipated that the Council will incur COVID related costs in 2021/22 of approximately £8-9 million, which will be addressed through the use of these COVID specific reserve balances. This anticipated draw excludes the use of education-specific COVID funds, which will also be deployed to mitigate additional costs being incurred in schools estimated at £4-5 million. The use of these balances should therefore negate any requirement to draw on unallocated balances as at the 2021/22 financial year-end. It is expected that the year-end outturn will report an underspend on the core budget, with a level of general and specific COVID-related funding streams planned to be carried forward to assist in supporting COVID-related costs still being incurred in 2022/23.

9.4 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.

9.5 It is recognised that the financial risk profile for the Council has shifted and increased significantly over the past 24 months and in this context the Council previously approved, as part of the updated financial strategy, to refresh unallocated balances to £10 million moving into 2021/22. The actual outturn on unallocated balances in 2020/21 of £10.887 million represents 2.5% of the Council's budgeted net expenditure, a level that remains both prudent and appropriate for the Council's individual circumstances and still below the average 3.5% across Scotland as a whole for 2020/21. As always, Audit Scotland 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.

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

Table 4 – General Fund Balances 2022/23

	Balances at 1/4/2021	Forecast In-Year Movement	Forecast Closing Position at 31/03/2022
General Fund Balances	**£000**	**£000**	**£000**
Alcohol and Drugs Commission	2,000	(225)	1,775
British Sign Language	81	(81)	-
City Deal	659	(659)	-
Climate Change Fund	742	(264)	478
Community Empowerment Fund	375	(36)	339
COVID-19 Education Recovery Fund	6,149	(1,100)	5,049
COVID-19 General Recovery Fund	11,390	(3,500)	7,890
Culture Bid Legacy	3,532	(650)	2,882
Development Contribution - Paisley Town Centre	1,057	(90)	967
Digital Infrastructure	375	(66)	309
Discretionary Business Grants	2,303	(1,906)	397
Early Years Strategy	1,900	-	1,900
Employability	8,095	-	8,095
Environment and Place	2,487	(850)	1,637
Invest in Renfrewshire	576	-	576
Leisure: Inclusive Play Facility	50	(50)	-
Paisley Town Centre Heritage Strategy	2,995	(2,227)	768
PPP Reserve	12,670	-	12,670
Private Sector Housing Grant	2,632	(692)	1,940
Public Wi Fi Project	93	(93)	-
Pupil Equity Funding	1,225	-	1,225
School Music Participation	375	(125)	250
Service Modernisation and Reform Fund	6,981	(2,470)	4,511
Children's Services Year-End Flexibility	2,798	(220)	2,578
Social Renewal Plan	2,706	(245)	2,461
Tackling Poverty	2,421	(1,035)	1,386
Villages Improvement Fund	292	(206)	86
Welfare Reform	612	(424)	188
Unallocated General Fund Balances	10,887	-	10,887
Total General Fund Balances	**88,458**	**(17,214)**	**71,244**

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

Table 5 – Specific Reserves 2021/22

	Balances at 1/4/2021	Forecast In-Year Movement	Forecast Closing Position at 31/03/2022
	£000	£000	£000
Insurance Fund	2,543	-	2,543
Reservoir Repair Fund	321	-	321
Education Capital Items Fund	1,400	-	1,400
Investment Programme Capital Fund	86,236	(1,091)	85,145
Total Specific Reserves	**90,500**	**(1,091)**	**89,409**
Total Usable Reserves	**178,958**	**(18,305)**	**160,653**

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

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

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

9.11 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 charged to the revenue account each year.

10. COUNCIL TAX

10.1 The Council's level of Council Tax (Band D) for 2021/22 is £1,315.42 and is £7.42 (0.5%) above the Scottish average. It is estimated that in 2022/23 each £1 of Council Tax will yield £74,389 gross (£62,238 net of adjustment for Council Tax Reduction), higher than 2021/22. The increase in the yield reflects anticipated growth in the Council Tax base in the context of some recovery from the pandemic being experienced in housing construction, and an assumed decreased level of bad debt based on the steady level of cash collection being experienced in 2021/22.

10.2 A maximum net gross yield of £97.852 million can be anticipated from the forecast Council Tax base and present Council Tax levels. Within the context of the current service resources, specific collection initiatives continue to be implemented to support the collection of Council Tax, including the recovery of arrears for prior years. It is anticipated that £0.400 million will be collected next year from prior years.

10.3 Members are required to determine the level of Council Tax for Bands A to H inclusive, which should apply for 2022/23.

11. BUDGET OVERVIEW – 2022/23

11.1 The overview budget position for the Council for 2022/23, prior to any changes in service levels or Council Tax levels, is outlined in Table 6 below. This overview position confirms a recurring budget deficit position, but due to the allocation of non-recurring funds by the Scottish Government, a temporary in-year revenue surplus for 2022/23 is outlined, subject to decisions by Members in setting the final budget for 2022/23.

Table 6 – Budget Overview 2022/23

	2022/23 £000
Confirmed Government Grant (per Table 1)	365,154
Council Tax Income	97,852
Council Tax / Community Charge Arrears Recovery	400
Total Income	**463,406**
Less: Estimated Spending need (Table 3)	(466,287)
Recurring Budget (Deficit)/Surplus	**(2,881)**
One-off Revenue allocation	3,982
In-Year Budget (Deficit)/Surplus	**1,101**

12. BUDGETARY CONTROL

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

13. FURTHER ACTION

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

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

Implications of the Report

1. **Financial** - The report and enclosures provide the background information on the 2022/23 budget, identifying a temporary in-year surplus position, with a significant budget deficit of up to £18-50 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 2022/23 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, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** - none

9. **Procurement** – none

10. **Risk** - As outlined in the report, the Council continues to be faced with risk and uncertainty in setting its 2022/23 budget, both in the context of pandemic related costs but also core operations. The financial outlook over the medium term also remains uncertain, principally in relation to factors out with the Council's direct control. In addition, the scope of change required within the Council and scale of ongoing budget reduction necessary to realign Council spending with available resources over the medium term brings with it additional risk for the Council. In recognition of this it is important that the Council's financial resilience is maintained and that decisions taken by the Council pay due regard to the medium-term financial outlook.

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

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

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

Author: Alastair MacArthur, Director of Finance & Resources

APPENDIX 1

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

	2021/22			2022/23
Net Expenditure	**Approved Estimates* £000**	**Revised Estimates £000**	**Probable Outturn £000**	**Estimates** £000**
Children's Services	222,092	219,621	219,859	222,413
Adult Services	74,358	74,356	73,412	86,011
Environment and Infrastructure	42,781	44,462	48,647	44,864
Miscellaneous Services	25,091	29,988	29,988	28,369
Finance and Resources	34,391	33,869	33,728	34,620
Communities and Housing Services	10,935	10,046	10,122	10,041
Chief Executive Services	9,575	10,529	10,292	10,783
Leisure Services	11,332	11,392	11,885	11,734
Loans Fund	10,907	10,827	10,827	3,627
Strathclyde Passenger Transport	3,168	3,168	3,168	3,248
Renfrewshire Valuation Joint Board	1,564	1,564	1,564	1,657
Net Expenditure	**446,194**	**449,822**	**453,492**	**457,367**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
ADULT SERVICES

Analysis of Change between 2021/22 and 2022/23

2021/22 Estimates		**74,356,535**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	11,655,000	
Transfers (PAPER 3)	-	
		11,655,000
2022/23 Estimates		**86,011,535**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

ADULT SERVICES

AS		£
1	Settlement adjustments Health and Social Care	11,655,000
2		
	Total Increase (Decrease) to Budget	**11,655,000**

PAPER 3

SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

ADULT SERVICES

AS		£
1		
2		
	Total Increase (Decrease) to Budget	**-**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
CHIEF EXECUTIVE SERVICES

Analysis of Change between 2021/22 and 2022/23

2021/22 Estimates		**10,529,178**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	253,700	
Transfers (PAPER 3)	-	
		253,700
2022/23 Estimates **(Before budget decisions)**		**10,782,878**

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

CHIEF EXECUTIVE SERVICES

CE		£
1	Economic Development budget realignment	250,000
2	Inflationary increase in Scotland Excel requisition	3,700
3		
4		
5		
	Total Increase (Decrease) to Budget	**253,700**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

CHIEF EXECUTIVE SERVICES

CE		£
1		
2		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
LEISURE SERVICES

Analysis of Change between 2021/22 and 2022/23

	£	£
2021/22 Estimates		**11,391,800**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	342,000	
Transfers (PAPER 3)	-	
		342,000
2022/23 Estimates		**11,733,800**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

LEISURE SERVICES

LS		£
1	Inflationary increase - OneRen requisition	342,000
2		
	Total Increase (Decrease) to Budget	**342,000**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

LEISURE SERVICES

LS		£
1		
2		
	Total Increase (Decrease) to Budget	**-**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
CHILDREN'S SERVICES

	£	£
Analysis of Change between 2021/22 and 2022/23		
2021/22 Estimates		**219,620,777**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	2,675,710	
Transfers (PAPER 3)	117,000	
		2,792,710
2022/23 Estimates		**222,413,487**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

CHILDREN'S SERVICES

ED		£
1	Settlement adjustment: Funding for teachers	2,695,000
2	Settlement adjustment: Early Learning Childcare expansion	(1,026,000)
3	Settlement adjustment: 1+2 Languages	(41,000)
4	Settlement adjustment: Mental Health Recovery and Renewal	115,000
5	Annual Contractual PPP Contract Indexation Adjustment	830,000
6	Loomwalk Respite Contract Price Increase	50,000
7	Dargavel PS support staff	38,710
8	SEEMIS development costs	14,000
	Total Increase (Decrease) to Budget	**2,675,710**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

CHILDREN'S SERVICES

CS		£
1	Dargavel PS - Non Domestic rates	117,000
2		
	Total Increase (Decrease) to Budget	**117,000**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
COMMUNITIES AND HOUSING SERVICES

Analysis of Change between 2021/22 and 2022/23

2021/22 Estimates		**10,045,934**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	(61,181)	
Transfers (PAPER 3)	56,560	
		(4,621)
2022/23 Estimates		**10,041,313**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

COMMUNITIES AND HOUSING SERVICES

CHAPS		£
1	Inflationary increase in payment to Glasgow Scientific Services	2,876
2	Water Safety Officer	36,943
3	Settlement adjustment: Rapid Rehousing Planning	(38,000)
4	Settlement adjustment: Environmental Health Officers	(63,000)
5		
	Total Increase (Decrease) to Budget	**(61,181)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

COMMUNITIES AND HOUSING SERVICES

OH		£
1	Licensing Enforcement staff from Corporate Governance	56,560
2		
	Total Increase (Decrease) to Budget	**56,560**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
ENVIRONMENT AND INFRASTRUCTURE

Analysis of Change between 2021/22 and 2022/23

2021/22 Estimates		**44,461,897**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	702,000	
Transfers (PAPER 3)	(300,000)	
		402,000
2022/23 Estimates		**44,863,897**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

ENVIRONMENT AND INFRASTRUCTURE

EI		£
1	Glyphosate weedkiller cessation - Pilot Programme	250,000
2	Streetlighting - Electricity Price Increase	100,000
3	Dargavel PS - soft FM staff	80,000
4	Road Salt price inflation	70,000
5	Removal of Red Diesel rebate	70,000
6	Festive Lighting	67,000
7	Inflationary increase in food costs	65,000
	Total Increase (Decrease) to Budget	**702,000**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

ENVIRONMENT AND INFRASTRUCTURE

EI		£
1	Roads investment supported borrowing	(300,000)
2		
	Total Increase (Decrease) to Budget	**(300,000)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
STRATHCLYDE PASSENGER TRANSPORT

	£	£
Analysis of Change between 2021/22 and 2022/23		
2021/22 Estimates		**3,167,700**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	80,000	
Transfers (PAPER 3)	-	
		80,000
2022/23 Estimates		**3,247,700**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

STRATHCLYDE PASSENGER TRANSPORT

SPT		£
1	Inflationary increase in SPT requisition	80,000
2		
	Total Increase (Decrease) to Budget	**80,000**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

STRATHCLYDE PASSENGER TRANSPORT

SPT		£
1		
2		
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
FINANCE AND RESOURCES

Analysis of Change between 2021/22 and 2022/23

	£	£
2021/22 Estimates		**33,868,861**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	691,061	
Transfers (PAPER 3)	60,139	
		751,200
2022/23 Estimates		**34,620,061**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

FINANCE AND RESOURCES

FAR		£
1	Microsoft Enterprise Agreement SCP Schools	169,000
2	Contract management legal support	133,157
3	Settlement adjustment: Scottish Disability Assistance admin	105,000
4	ParentPay admin support	63,886
5	City Deal recurring staffing	77,500
6	Systems optimisation support	78,218
7	Reduction in DWP Benefit Admin Subsidy	57,300
8	Actuarial fees - pension reports (Hymans)	5,000
9	New Dargavel PS telephony	2,000
	Total Increase (Decrease) to Budget	**691,061**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

FINANCE AND RESOURCES

FAR		£
1	Scottish Welfare Fund - staff transfer from WR resource	31,943
2	Apprenticeship Levy in Customer Services	42,300
3	Committee Services staff realignment	39,456
4	Customer Services equipment and uniforms	3,000
5	Licensing Enforcement staff to Trading Standards	(56,560)
	Total Increase (Decrease) to Budget	**60,139**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
RENFREWSHIRE VALUATION JOINT BOARD

Analysis of Change between 2021/22 and 2022/23

	£	£
2021/22 Estimates		**1,564,150**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	93,000	
Transfers (PAPER 3)	-	
		93,000
2022/23 Estimates		**1,657,150**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
1	Settlement adjustment: Barclay funding pass through	21,000
2	Inflationary increase in RVJB requisition	72,000
		93,000

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
1		
2		
		-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
MISCELLANEOUS SERVICES

Analysis of Change between 2021/22 and 2022/23

	£	£
2021/22 Estimates		**29,988,426**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	(1,386,000)	
Transfers (PAPER 3)	(233,699)	
		(1,619,699)
2022/23 Estimates		**28,368,727**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

MISCELLANEOUS SERVICES

		£
1	Local Government Elections (one-off)	500,000
2	Utility cost inflation	200,000
3	Human resources staff realignment - Change Fund	400,000
4	Settlement adjustment: National Trauma training	50,000
5	Reduction in CTR support	(250,000)
6	RFR Tranche 1 savings rephased - full year impact	(682,000)
7	RFR Tranche 2 savings - full year impact	(1,604,000)
	Total Increase (Decrease) to Budget	**(1,386,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

MISCELLANEOUS SERVICES

MS	Transfer of centrally held funding to services	£
1	Transfer to Business Services - Scottish Welfare Fund post	(31,943)
2	Transfer to Customer Services - apprenticeship levy and uniforms	(45,300)
3	Transfer to Corporate Governance - Democratic Services post	(39,456)
4	Transfer to Children's Services - New Dargavel PS Rates	(117,000)
	Total Increase (Decrease) to Budget	**(233,699)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
LOANS FUND

Analysis of Change between 2021/22 and 2022/23

2021/22 Estimates		**10,826,610**
Adjustment to Current Year Estimates		
Unavoidable Increase (Decrease) (PAPER 2)	(7,500,000)	
Transfers (PAPER 3)	300,000	
		(7,200,000)
2022/23 Estimates		**3,626,610**
(Before budget decisions)		

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

LOANS FUND

		£
1	Financial flexibilities application - capital and debt management	(7,500,000)
2		
	Total Increase (Decrease) to Budget	**(7,500,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2022/23 REVENUE ESTIMATES
TRANSFERS

LOANS FUND

LF		£
1	Roads investment supported borrowing	300,000
2		
	Total Increase (Decrease) to Budget	**300,000**

Renfrewshire Council

To: Council

On: 3 March 2022

Report by: Director of Finance & Resources

Heading: Non-Housing Capital Investment Programme, Prudential Framework and Treasury Management Strategy, and Capital Strategy 2022/23 – 2026/27

1. Summary

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

1.2 On 9 December 2021 the Scottish Government published the draft Scottish Government budget for 2022/23, with a provisional local government finance settlement as outlined in Finance Circular 1/2022, published on 20 December 2021. The capital grant for Renfrewshire Council in 2022/23 as outlined in the circular is £12.860m, of which £0.785m is specific grant relating to cycling and walking safer streets (CWSS) and £12.075m is general capital grant. This is broadly in line with the level of general capital grant allocated to Renfrewshire Council in 2021/22.

1.3 The level of general capital grant allocated to local government in the draft Scottish Budget for 2022/23 (£540m) remains broadly in line with that received in 2021/22, with the addition of £30m relating to the expansion of free school meals. The Scottish Government has previously indicated that the level of core capital grant over the medium term will remain at flat cash for the duration of this Parliament (excluding funding for flood risk management). Confirmation of no capital funding increases, while useful for capital planning purposes, will present challenges for the Council in terms of addressing asset lifecycle maintenance costs which generally equate to or exceed £12m annually. In addition, in the context of this funding environment

there will be little scope for any investment in assets other than rolling lifecycle maintenance, unless the Council is able to access and secure other sources of funding including, for example, realised capital receipts, sustainable prudential borrowing funded by recurring revenue savings, or external grant funding. The Council has had success in levering external funding in recent years as evidenced through grant awards in relation to Levelling Up funding, City Deal and Regeneration Capital Grant funds; and the Council will continue to build on this expertise in the coming years in an effort to sustain higher levels of investment.

1.4 There are also likely to be limited opportunities for capital receipts as a source of income to the capital plan; suggesting potentially a greater reliance on increased 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 2022/23, yet no capital grant from 2023/24 has been incorporated. Approved programmes already in place that are funded by other arrangements, e.g. prudential borrowing or specific funding related to the City Deal, are included. It should be further noted that this approach does not preclude the Council from taking further investment decisions as part of the budget process where separate funding arrangements are established.

1.6 The Prudential Code and Treasury Management Code play a key role in capital finance in local authorities; they require the Council to set Prudential and Treasury Management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities, while the Prudential Code also requires full Council approval of the Capital Strategy, setting out the long-term context within which capital investment decisions are made to improve capital, revenue and balance sheet planning. Details of the proposed Prudential Indicators and Treasury Management Strategy are attached at Appendix 4; and the proposed Capital Strategy is attached at Appendix 5.

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2. Recommendations

2.1 It is recommended that Council:

(a) Approves the Capital Investment Programme covering the period up to 2026/27 as summarised in Table 2 of this report and detailed in Appendices 1 and 2 attached;

(b) Notes that the level of core capital grant available nationally has been indicatively confirmed to remain at current levels over the medium term;

however, no assumptions are included within the planned programme beyond this financial year in respect to future grant levels;

(c) Delegates to the Head of Facilities Management, Head of Operations and Infrastructure, and Head of Schools in consultation with the Director of Finance and Resources, authority to adjust where appropriate resources across individual components of the lifecycle maintenance, roads and structures and schools investment programmes respectively;

(d) Approves the Prudential Indicators set out in Appendix 4 to this report, subject to any required adjustments arising from decisions taken by the Council in relation to the capital and revenue budget reports being presented to this Council meeting;

(e) Approves the Treasury Management Strategy Statement 2022/23, including the treasury management indicators, set out in Appendix 4 to this report;

(f) Approves the Capital Strategy set out in Appendix 5 to this report;

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

3. Overview of Capital Resources and Current Programme

3.1 The updating of the capital programme outlined in this report focuses on the 2022/23 financial year. It is against this background that this report is presented and includes:

- Confirmation of the roll forward of projects already approved as part of the existing Capital Investment Plan, including major projects already underway as part of the existing investment programme;
- In line with the Council's agreed medium-term financial planning principles, general capital grant for 2022/23 be directed in the first instance to maintain the delivery of the Council's rolling lifecycle maintenance programmes across the Council's key asset classes as follows:
    - the lifecycle maintenance programme for the Council's property portfolio (£3.5);
    - maintaining an annual replacement programme for the Council's vehicle fleet (£1.5m);
    - maintenance programmes for the Council's transport infrastructure covering roads & footpaths (£5.6m), bridges (£0.3m) and streetlighting/traffic lights (£0.4m).
    - Maintenance and refresh of the Council's ICT estate (£0.2m)
- Maintaining delivery of the private sector housing programme (£0.6m).

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

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 2022/23 - 2026/27

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Prudential Borrowing	67,759	64,943	30,236	2,200	2,200
Total Borrowing	67,759	64,943	30,236	2,200	2,200
Specific Grant	785	250	0	0	0
General Capital Grant	12,075	2,600	0	0	0
City Deal Grant	5,445	45,687	51,154	41,899	0
City Deal Interim Borrowing	32,745	17,214	654	1,513	0
Usable Capital Receipts	12,520	43,923	0	0	0
Capital Funded from Current Revenue (CFCR)	1,472	0	0	0	0
Total Resource Availability	132,802	174,617	82,044	45,612	2,200

Table 2: Programme 2022/23 - 2026/27

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Major Programmes					
Schools Estate Programme	13,359	15,010	25,250	400	400
Lagoon Internal Play Centre	0	1,000	0	0	0
Transformation & ICT	1,585	400	400	400	400
Private Sector Housing Programme	1,046	0	0	0	0
Renfrew Riverside to Paisley Active Travel Route	970	0	0	0	0
City Deal Projects	40,029	86,839	54,994	43,412	0
Regeneration	4,953	1,980	0	0	0
AMIDS South	0	38,725	0	0	0
Paisley Learning and Cultural Hub	3,642	898	0	0	0
Paisley Museum	20,109	9,669	0	0	0
Investment in Heritage Venues & Town Centre Infrastructure	18,346	12,540	0	0	0
Townscape Heritage 2	1,524	0	0	0	0
Town Centre Capital Regeneration	2,250	0	0	0	0
Community Empowerment Fund	293	0	0	0	0
Greenspaces and Parks	237	0	0	0	0
Asset Lifecycle Maintenance Programmes					
Vehicle Replacement	2,257	0	0	0	0
Roads & Footpaths	11,853	3,250	400	400	400
Bridges	481	0	0	0	0
Lighting Columns and traffic signals	798	0	0	0	0
Investment In Cemeteries	141	0	0	0	0
Parks Improvement Programme	1,183	0	0	0	0
Buildings Capital Lifecycle	5,090	4,306	1,000	1,000	1,000
Energy Efficiency Programme	102	0	0	0	0
Community Halls & Facilities Programme	754	0	0	0	0
Strategic Asset Management Fund - unallocated	1,800	0	0	0	0
Total Planned Spend	132,802	174,617	82,044	45,612	2,200

4. Lifecycle Maintenance of Existing Assets

4.1 The Council has committed to a financial planning principle that capital grant resources would be directed in the first instance to supporting appropriate lifecycle maintenance programmes to protect the Council's existing assets and infrastructure. Annual lifecycle investment across the Council's key asset classes during 2022/23 is included within the capital programme detailed in Appendix 2.

Property Lifecycle Maintenance

4.2 The Council's property portfolio was predominantly built prior to statutory and Health & Safety legislation and guidance and as such the current identified priorities focus primarily on undertaking investment to improve health and safety standards, compliance with statutory duties and improving energy efficiency across the property portfolio. In addition, priority investment is also required to deliver access improvements within Council properties. A summary programme, reflecting those projects considered to be of the highest priority is outlined in Appendix 3.

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

Roads and Footpaths

4.4 The investment level detailed in this report for 2022/23 was agreed by Council on 28 February 2019 as part of a sustained investment programme in the roads, cycling and pathway network over the medium term. The investment programme will deliver a stepped change in the condition of key routes and transport infrastructure. Members should note that the investment agreed commits a significant portion of capital grant over the next two financial years, in addition to prudential borrowing. Appendix 3 provides a breakdown of the proposed use of the resources across key programmes for 2022/23. Similar to property lifecycle maintenance, it is proposed that the Head of Operations and Infrastructure, in consultation with the Director of Finance & Resources, is delegated authority to adjust the allocation of resources within this programme.

Streetlighting, Bridges and Other Road Structures

4.5 It is proposed that in order to maintain the overall condition of street lighting columns, that a lighting column rolling replacement programme of £0.6m is continued. Surveys of the electrical infrastructure and cabling supporting streetlighting will highlight any remaining compliance issues.

4.6 Similar to the Council's property portfolio, a maintenance backlog has historically existed across the bridges and structures portfolio and it is recommended that a rolling maintenance programme of £0.5m is maintained.

Vehicle & Plant Replacement Strategy

4.7 The Council has invested significantly from capital resources over recent years to support a vehicle replacement strategy. Continued investment is required in order to sustain planned vehicle replacement cycles and maintain the ability of the existing vehicle and plant fleet to meet the needs of services and mitigate against increased revenue pressures arising from additional maintenance and temporary hire costs due to increased vehicle failure rates.

Private Sector Housing Grant (PSHG)

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

5. Prudential Framework for Capital Finance and Treasury Management Strategy Statement 2022/23

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

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

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

5.3 Their key objectives are to ensure that:

- capital expenditure plans and investment plans are affordable and proportionate;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- the risks associated with investments for commercial purposes are proportionate to their financial capacity; and

- treasury management decisions are taken in accordance with good professional practice.

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

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

5.6 Attached at Appendix 4 to this report are full details of the Council's Prudential Indicators and Treasury Management Strategy Statement for 2022/23 based on the details outlined in this report.

6. Capital Strategy

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

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

6.3 The Capital Strategy is attached at Appendix 5 to this report.

7. Equalities

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

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

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

Implications of the Report

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

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

3. **Community/Council Planning:**

   - **Reshaping our place, our economy and our future** – the Capital Plan outlines investment in facilities and infrastructure which will support the regeneration of the local economy.

   - **Creating a sustainable Renfrewshire for all to enjoy** – the Capital Plan outlines investment in council and community facilities which will ensure these remain available for community use well into the future.

4. **Legal:** none

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

6. **Information Technology:** the Capital Plan outlines investment in ICT assets that will ensure the Council continues to have access to secure, efficient ICT services.

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

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

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

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

11. **Privacy Impact:** none

12. **Cosla Policy Position:** none

13. **Climate Risk:** investment in Council assets improves energy efficiency and helps to reduce the Council's carbon footprint.

Author: Alastair MacArthur, Director of Finance & Resources

List of Appendices to this report:

Appendix 1	Summary of Capital Income and Expenditure 2022/23 to 2026/27
Appendix 2	Capital Investment Programme 2022/23 to 2026/27
Appendix 3	Lifecycle Maintenance Programmes: Property and Roads & Footpaths 2022/23
Appendix 4	Prudential Framework and Treasury Management Strategy Statement 2022/23
Appendix 5	Capital Strategy 2022/23 to 2024/25

Renfrewshire Council

Appendix 1

2022/23 – 2026/27 Capital Investment Programme

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Prudential Borrowing	67,759	64,943	30,236	2,200	2,200
Total Borrowing	67,759	64,943	30,236	2,200	2,200
Specific Grant	785	250	0	0	0
General Capital Grant	12,075	2,600	0	0	0
City Deal Grant	5,445	45,687	51,154	41,899	0
City Deal Interim Borrowing	32,745	17,214	654	1,513	0
Usable Capital Receipts	12,520	43,923	0	0	0
Capital Funded from Current Revenue (CFCR)	1,472	0	0	0	0
Total Resource Availability	132,802	174,617	82,044	45,612	2,200

General Services Capital Programme	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Schools and Early Years Investment	13,359	15,010	25,250	400	400
Leisure Estate	754	1,000	0	0	0
Environment and Infrastructure	17,683	3,250	400	400	400
Economic Development	45,871	23,107	0	0	0
City Deal	44,981	127,544	54,994	43,412	0
Corporate Projects	9,108	4,706	1,400	1,400	1,400
Private Sector Housing Grant	1,046	0	0	0	0
Total General Services Programme	132,802	174,617	82,044	45,612	2,200

Appendix 2

2022/23 – 2026/27 Capital Investment Programme by Project

Schools and Early Years Investment	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Paisley Grammar New Campus	10,950	9,555	19,850	0	0
Primary Schools Estate Programme (SEMP 2020)	0	5,000	5,000	0	0
Riverbrae School	59	0	0	0	0
Kirklandneuk PS Extension	880	55	0	0	0
Bishopton PS Refurbishment	750	0	0	0	0
Schools Estate (inc Early Years)	320	0	0	0	0
Total Schools Investment Programme	**12,959**	**14,610**	**24,850**	**0**	**0**
Other Programmes					
Technology Replacement Strategy ICT	400	400	400	400	400
Total	13,359	15,010	25,250	400	400

Leisure Estate	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Lagoon Internal Play Centre	0	1,000	0	0	0
Community Halls Refurbishment	754	0	0	0	0
Total	754	1,000	0	0	0

Appendix 2

2022/23 – 2026/27 Capital Investment Programme by Project

Environment and Infrastructure	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Programme Funded By Specific Grant					
Cycling, Walking & Safer Streets - Outwith Travel Plans	785	250	0	0	0
Total Programme Funded By Specific Consent	**785**	**250**	**0**	**0**	**0**
Asset Lifecycle Maintenance Programmes					
Vehicle Replacement Programme	2,257	0	0	0	0
Bridge Assessment/Strengthening	481	0	0	0	0
Roads/Footways Upgrade Programme	11,068	3,000	400	400	400
Lighting Columns Replacement	560	0	0	0	0
Traffic Management	100	0	0	0	0
Core Pathways & Cycle Network	138	0	0	0	0
Other Major Programmes					
Parks Improvement Programme	63	0	0	0	0
Investment In Cemeteries	141	0	0	0	0
Improvements To Outdoor Access And Play Area	1,100	0	0	0	0
Multi Pupose Bins	20	0	0	0	0
Renfrew Riverside To Paisley Active Travel Route	970	0	0	0	0
Total	17,683	3,250	400	400	400

Appendix 2

2022/23 – 2026/27 Capital Investment Programme by Project

Economic Development	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Paisley Venue and Town Centre Infrastructure					
Paisley Town Centre Infrastructure	1,283	5,291	0	0	0
Paisley Town Centre Infrastructure (4 Junctions)	1,200	800	0	0	0
Cycle Route and EV Charging Route	1,320	0	0	0	0
Paisley Arts Centre Redevelopment	1,774	746	0	0	0
Paisley Town Hall Redevelopment	11,729	1,649	0	0	0
St James Playing Fields Redevelopment	50	2,393	0	0	0
External Sports: ON-X Linwood	0	1,661	0	0	0
External Sports: Ferguslie Pavillion Upgrade	990	0	0	0	0
Paisley Museum	20,109	9,669	0	0	0
Town Centre Regeneration	2,250	0	0	0	0
Paisley Learning and Cultural Hub	3,642	898	0	0	0
Development and Housing Projects					
Townscape Heritage CARS 2	1,524	0	0	0	0
Total	45,871	23,107	0	0	0

Appendix 2

2022/23 – 2026/27 Capital Investment Programme by Project

City Deal	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
City Deal					
Glasgow Airport Investment Area	2,314	78	80	0	0
Clyde Waterfront & Renfrew Riverside	37,714	42,219	3,760	50	0
Airport Access	0	44,542	51,154	43,362	0
Total City Deal	**40,028**	**86,839**	**54,994**	**43,412**	**0**
City Deal Related Programmes					
GAIA Regeneration	0	1,500	0	0	0
Inchinnan Cycleway	220	480	0	0	0
AMIDS: Public Realm Phase	2,726	0	0	0	0
District Heat Network	2,007	0	0	0	0
AMIDS South	0	38,725	0	0	0
Total	44,981	127,544	54,994	43,412	0

Corporate Projects	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
ICT Programme					
ICT Infrastructure Maintenance and Renewal Programme	1,585	400	400	400	400
Other Corporate Programmes					
Strategic Asset Management Fund	1,800	0	0	0	0
Energy Efficiency Programme	102	0	0	0	0
Lifecycle Capital Maintenance (LCM) Fund	5,090	4,306	1,000	1,000	1,000
Community Empowerment Fund	293	0	0	0	0
Greenspaces and Parks	238	0	0	0	0
Total	9,108	4,706	1,400	1,400	1,400

Renfrewshire Council

Appendix 3

Lifecycle Maintenance Programmes 2022/23

Property Lifecycle Maintenance Programme	2022/23 £m
Minor Works and Roofing Programme	1.264
Electrical Installations Works – compliance with Electrical testing inspections	1.111
Paisley Arts Centre	0.444
Refurbishment	0.354
Gas Installations Works – compliance with Gas testing inspections	0.185
Miscellaneous	0.117
Total	3.475

Roads and Footpaths Lifecycle Maintenance Programme	2022/23 £m
Carriageway Resurfacing	2.694
Defect/area based Patching	1.200
Footway Resurfacing	1.006
Drainage Improvements	0.700
Sub-Total	5.600
Specific Capital Grant: Walking, Cycling and Safer Streets*	0.785
Total	6.375

Note – the totals above reflect only additional capital grant being allocated in 2022/23, and no other funding or resource carried forward from prior years, hence the difference from the figures in Table 2 of the report. The total Roads Maintenance Programme planned for 2022/23 amounts to £11.8m.

*based on level of CWSS specific grant per Finance Circular 9/2021

APPENDIX 4 - Prudential Framework for Capital Finance 2022 to 2025 and Treasury Management Strategy Statement 2022/23

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.

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

2.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out 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 three-year revenue forecasts as well as three-year capital investment plans. The capital plans are rolling scenarios; not fixed for three years.

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

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

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

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

2.14 The Prudential Code promotes transparency in decision-making by using information contained within the Council's 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 2022/23* 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 2022/23.

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 three financial years:

Estimated Capital Expenditure	2022/23 £m	2023/24 £m	2024/25 £m
Non-Housing	132.802	174.617	82.044
Housing	29.665	52.697	67.337
Total	162.467	227.314	149.381

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

3.6 After the year-end, the actual capital expenditure incurred during the financial year will be recorded for Housing and for Non-housing. These figures will be included in the Council's Annual Accounts, along with explanations of significant variations from expectations. The actual capital expenditure incurred in 2020/21 was £53.749m.

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 resource, 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	2022/23 £m	2023/24 £m	2024/25 £m
Non-Housing	363.564	441.117	466.396
Housing	122.061	160.177	210.822
Total	485.625	601.294	677.218

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 2021 the Capital Financing Requirement was £347.082m.

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. A review of the Council's loans fund advances was undertaken during 2021/22 to ensure that the Council continues to make a prudent provision each year.

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 exception to this, such as assets constructed under City Deal arrangements, that have differing asset lives and loans fund repayments are therefore proposed over 50-60 years for those.

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

It should also be noted that the Scottish Government does currently allow councils some flexibility in terms of loans fund accounting arrangements, in order to assist in meeting the current extraordinary spend related to the COVID-19 response and recovery. The Cabinet Secretary is also considering further proposals for revised accounting practice in relation to service concession arrangements.

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 2022/23 through 2024/25:

Operational Boundary	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	407.511	526.818	606.202
Other long-term liabilities	78.114	74.476	71.016
Total	485.625	601.294	677.218

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 approval by Council.

4.7 The Council is required to set for the forthcoming financial year and the following two years an authorised limit for its total external debt (gross of investments), identifying separately 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 2022/23 through 2024/25:

Authorised Limit	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	427.887	553.159	636.512
Other long-term liabilities	78.114	74.476	71.016
Total	506.001	627.635	707.528

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 2021 was £329.1m of which £254.7m related to borrowing and £74.4m 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 2022/23 through 2024/25 is detailed at section 10.3.

4.11 In December 2018 the CIPFA/LASAAC Local Accounting Board confirmed that from 1 April 2020 the CIPFA Code of Practice on Local Authority Accounting would be adopting the accounting standard IFRS 16 Leases. The practical effect of adopting IFRS will be to require any contract the Council has signed which provides the right to rent or lease exclusive use of an asset such as property or vehicles, to be recognised as an asset on the Council's balance sheet with a corresponding debt liability recognised at the present value of the future lease payments.

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. Owing to the impact of COVID-19 on the ability of councils to implement the new standard, the implementation date is currently deferred until 1 April 2022.

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 2022/23 through 2024/25.

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, amongst other things, that the Council approves, annually in advance, a strategy for its treasury management activities. The Treasury Management Strategy for 2022/23 is set out from section 8 of this report.

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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 2025 is £677m (section 3.13). Net external borrowing should not exceed this level and, indeed, the projected Operational Boundary at 31 March 2025 is also £677m (section 4.4). The Council had no difficulty in meeting this requirement at 31 March 2021 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 CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code") are designed to help demonstrate prudence. The prudential indicator is that the Council has adopted CIPFA's Treasury Management Code.

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)	2022/23 %	2023/24 %	2024/25 %
Non-Housing	3.47%	3.62%	3.48%
Housing	34.16%	30.10%	30.12%

Non-housing estimates for 2023 to 2025 are currently based on the 2022/23 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:	2022/23	2023/24	2024/25
Band D Council Tax	£0.00	£0.00	£0.00
Weekly Housing Rents	£0.35	£0.99	£2.20

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 CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code").

8.2 CIPFA published updated versions of the Treasury Management Code and the Prudential Code on 20 December 2021. CIPFA has stated that there will be a soft introduction of the Codes, whereby local authorities will not be expected to introduce the required reporting changes to the Treasury Management Strategy Statement or the Annual Investment Strategy for 2022/23. However, full implementation is required for the following financial year, 2023/24. In the meantime, it should be noted that financing capital expenditure on investments in commercial projects for yield has been closed for borrowing from the PWLB, and the new CIPFA Codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

8.3 This report covers the requirements of the 2017 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.

8.4 The Council's **Treasury Management Strategy Statement** for 2022/23 is set out here at sections 8 through 12, and constitutes the Council's annual strategy and plan in relation to its treasury management activities as defined by the 2017 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, the responsibility for treasury management decisions remains with Renfrewshire Council at all times and undue reliance is not placed upon our external service providers.

9.3 The proposed Treasury Management Strategy for 2022/23 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 21 January 2022 was as follows:

Estimated Borrowing Position	As at 31 March 2021		As at 21 January 2022		Change in Year
	£m	Average interest rate	£m	Average interest rate	£m
Long-term borrowings					
PWLB: fixed rate	202.131	3.99%	202.124	3.99%	-0.007
Market loans	52.916	4.70%	52.916	4.70%	0.000
Total long-term borrowings	255.047	4.13%	255.040	4.13%	-0.007
Total short-term borrowings	0.000	0.00%	0.000	0.00%	0.000
Total of all external borrowings	255.047	4.13%	255.040	4.13%	-0.007

10.2 The slight decrease in Public Works Loan Board (PWLB) borrowing reflects scheduled debt repayments made in the year. A further £0.828m of debt will be repaid to the PWLB this financial year.

10.3 Projected Borrowing Position

The Council's anticipated borrowing position for 2022/23 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	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	362	480	554
Other long-term liabilities	74	71	68
Total External Debt	436	551	622
Capital Financing Requirement	486	601	677
Under Borrowing	50	50	55

10.4 A number of the prudential indicators are designed to ensure that the Council carries out its treasury management activities within well-defined limits. One of these indicators shows that gross external debt does not, except in the short-term, exceed the total of the Capital Financing Requirement in 2021/22 plus the estimates of any additional Capital Financing Requirement for 2022/23 and the two subsequent financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken in order to fund revenue expenditure.

10.5 The Council has complied with this prudential indicator during 2021/22 and it is envisaged this will remain the position moving forward over the forthcoming three-year period. As detailed in the table above, it is anticipated that the borrowing strategy will continue to progress on the basis of using internal borrowing where possible over the medium term to mitigate both interest rate risk exposure for the Council, and also risks associated with maintaining adequate capacity with appropriate investment counterparties. However, some shorter-term borrowing may be required to fund the City Deal projects. This borrowing is required because the grant income for City Deal is phased over a 20-year period from 2015/16, while the project expenditure is incurred from 2015/16 to 2025/26. The requirement for borrowing to cover this period in advance of grant receipt is continually monitored and refined as project designs develop and this requirement is incorporated into the Council's overall borrowing forecast.

10.6 **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.

10.7 It is not expected that the Bank Rate will go up quickly after the initial rate rise. This is based on the expectation that the supply potential of the economy should be able to cope with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%.

10.8 However, there is a high level of uncertainty over the forecasts and there is an expectation they will require revision over the coming years, for a number of reasons, such as:

- Uncertainty over the severity of impact that Omicron or other COVID-19 variants could have on the economy; whether there will be another lockdown or similar; and whether this would bring fiscal support from the Government for businesses;
- Some current key supply shortages could escalate, causing economic activity in some sectors to be curtailed;
- Rising gas and electricity prices, increases in other prices caused by supply shortages and increases in taxation in April are likely to deflate consumer spending power without the MPC having to take any action on Bank Rate to moderate inflation;

- Job vacancies have been at record levels, indicating a continuing shortage of workers which may influence wage levels and potentially then generate price increases

Interest rate forecast: Bank Rate	March 2022	June 2022	Sept 2022	Dec 2022	March 2023	March 2024	March 2025
Bank Rate	0.75%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%

10.9 **Forecasts for PWLB rates**

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates below shows, there is forecast to be a steady rise in both Bank Rate and gilt yields during the period to March 2025, though there is likely to be some unpredictable volatility during this time.

Interest rate forecast: PWLB borrowings	March 2022	June 2022	Sept 2022	Dec 2022	March 2023	March 2024	March 2025
5-year loans	2.20%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
10-year loans	2.30%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
25-year loans	2.40%	2.50%	2.60%	2.60%	2.60%	2.60%	2.60%
50-year loans	2.20%	2.30%	2.40%	2.40%	2.40%	2.40%	2.40%

10.10 **Borrowing Decisions**

The main borrowing decisions to be made for 2022/23 are:

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

10.11 Based on the Capital Investment Programme, it is anticipated that the Council may need to borrow up to £67.7m to fund new capital expenditure during 2022/23 and to replace loans due to mature that year.

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

(i) The cheapest borrowing will be internal borrowing, accessed by running down cash balances and foregoing interest earned at historically low rates. Over the course of 2021/22 the Council has experienced times where rates of zero or below were received (i.e. the Council has had to pay to lodge funds with the PWLB for short periods). However, in view of the overall forecast for long-term borrowing rates to increase gradually over the coming years, consideration will also be given to weighing the short-term advantage of internal borrowing against potential long-term costs of a missed opportunity to take loans at long-term rates that could be much higher in future years;

(ii) PWLB borrowing for a term of less than 10 years, where interest rates are expected to be significantly lower than interest rates for longer terms. 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;

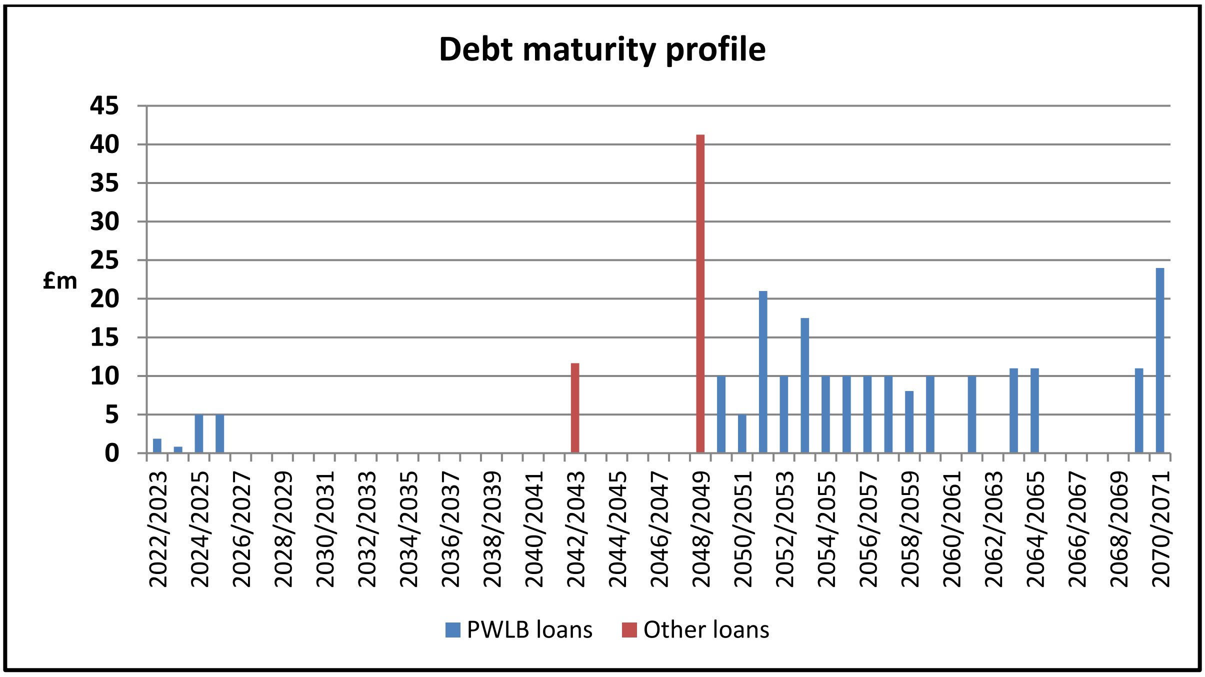
(v) Long-term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available), with due regard to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

10.13 **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.

10.14 The forecast debt maturity profile at 31 March 2022 per the graph below shows the amount of debt maturing in future years. The Council has less than 15% of its total borrowings redeeming in any one of the next 25 years, with one year beyond this period having a repayment in excess of 15% (16.2% in 2048/49). It is expected that this will be rescheduled well in advance of this date. 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.



10.15 Since the Council has a capital investment plan covering the period to 2025/26 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.

10.16 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.

10.17 **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.

10.18 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.

10.19 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 2017 CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code") and the CIPFA Treasury Management Guidance Notes 2018.

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 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.

11.6 **External Investment Position**

The Council's external investment position as at 22 January 2021 was as follows:

External Investment Position	As at 31 March 2021		As at 21 January 2022		Change in Year
	£m	Average interest rate	£m	Average interest rate	£m
Temporary investments	187.720	0.18%	237.520	0.09%	49.800

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

- the short-term cashflow position of the Council over the festive holiday period;
- the delay in agreement and implementation of the 2021/22 pay settlement;
- significant in-year funding from the Scottish Government in relation to support for the Council and communities relating to COVID-19; and
- the re-profiling of elements of the current capital programme (where capital expenditure was delayed due to COVID-19 restrictions).

11.7 The average rate of interest received on the Council's temporary deposits has substantially reduced over the period. The reduction reflects the fact that some of the longer-term temporary deposits which the Council had secured at relatively high rates have now matured, with the longer-term rates for new deposits not being as high in relative terms as they had been. However, the Bank of England's decision to increase the base rate to 0.50% in February 2022 should lead to increased investment returns. The Council will continue 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.

11.8 **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.

11.9 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.

11.10 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. Currently the counterparty limit for each bank and building society has been set at 5%. The limits for Money Market Funds and enhanced cash funds has been set at 5% of the total cash balances held by the Council at the time the investment is made, taking into account the relevant investment period. Due to the restricted number of approved providers of Money Market Funds, the deposit level with any one institution can extend to a maximum of 10%, where the element that exceeds the 5% threshold is deposited in another permitted instrument, e.g. an ultra-short dated bond funds. This approach allows the Council to meet its cashflow management objectives whilst appropriately spreading investment risk over a range of counterparties and underlying investment instruments.

11.11 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.

11.12 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.

Investment Decisions

11.13 The current forecasts from Link (see point 10.8 above) indicate that the Bank Rate is likely to rise gradually over the next couple of years. In light of this, investment returns on the Council's cash balances are expected to improve in 2022/23.

11.14 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.

11.15 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.

Investment Performance

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

11.17 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.

11.18 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 151 days.

12. Treasury Management Strategy Statement: treasury management indicators

12.1 The Guidance Notes for Local Authorities that accompany the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code") specify four treasury management indicators covered by the Prudential Code:

(i) acceptance of the Treasury Management Code;

(ii) authorised limit;

(iii) operational boundary; and

(iv) actual external debt.

Details of these indicators can be found in sections 4-6 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:

	2022-23	
Maturity structure of borrowing	Lower limit	Upper limit
Under 12 months	0%	15%
Between 12 months and 24 months	0%	15%
Between 24 months and 5 years	0%	45%
Between 5 years and 10 years	0%	50%
10 years and above	0%	100%

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Annex A: Permitted Investments

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

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

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

Permitted Investments **Table 1**	**Description / Objectives**	**Minimum Credit Criteria**	**Liquidity Risk**	**Market Risk**	**Maximum Share of Total Investments**	**Maximum Maturity Period**
Term deposits with local authorities	The most widely used form of investment used by local authorities, it offers a much higher rate of return than the DMADF (dependent on the deposit term) and, now that measures have been put in place to avoid any over-reliance on credit ratings, there is greater confidence that the residual risks around using local authorities, banks and building societies are at a low, reasonable and acceptable level. The Council ensures diversification of its portfolio of deposits by having no more than 5%* (£15m for other Scottish local authorities and £10m for other local authorities) of the total portfolio placed with any one institution or group. Longer-term deposits offer an opportunity to increase investment returns by locking into relatively high interest rates ahead of an expected fall in rates. Longer-term rates can also offer good value when the markets incorrectly assess the speed and timing of interest rate increases. Offers flexibility and a higher level of earnings than the DMADF; however, once a longer-term investment is made, cash is 'locked in' and cannot be accessed until the maturity date.	Not applicable	Term	No	100%	2 years
Treasury bills	Short-term bills (up to 12 months) issued by the Government and so backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices, so early sales could incur a net cost during the period of ownership.	UK sovereign rating	T+1	Yes	75%	1 year
Certificates of deposit issued by banks and building societies	Shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. This liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.	Per approved counterparty list	T+1	Yes	10%	Per approved counterparty list

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

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

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

Other types of investment instrument available to the Council:

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

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

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

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

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

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

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

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

A.3 Treasury risks

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

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

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

Annex B: Renfrewshire Council Counterparty List

Counterparty	Country of domicile	Authority-specific limits: Maximum deposit % Limit	or £m Limit	Maximum investment period
UNITED KINGDOM: BANKS				
CLYDESDALE BANK	GB	5%	8.0	100 days
BANK OF SCOTLAND PLC	GB	5%	12.0	6 months
BARCLAYS BANK UK PLC	GB	5%	12.0	6 months
CLOSE BROTHERS LTD	GB	5%	12.0	6 months
GOLDMAN SACHS INT'L BANK	GB	5%	12.0	6 months
HANDELSBANKEN UK PLC	GB	5%	12.0	12 months
HSBC BANK PLC	GB	5%	12.0	12 months
ROYAL BANK OF SCOTLAND PLC/T	GB	5%	12.0	12 months
SANTANDER UK PLC	GB	5%	12.0	6 months
STANDARD CHARTERED BANK	GB	5%	12.0	6 months
UK: BUILDING SOCIETIES				
COVENTRY BUILDING SOCIETY	GB	5%	8.0	6 months
LEEDS BUILDING SOCIETY	GB	5%	8.0	100 days
NATIONWIDE BUILDING SOCIETY	GB	5%	8.0	6 months
UK: OTHER INSTITUTIONS				
UK LOCAL AUTHORITIES	GB	100%	100%	2 years
UK GOVERNMENT	GB	100%	100%	50 years
COMMONWEALTH OF AUSTRALIA	**AU**			
AUST AND NZ BANKING GROUP	AU	5%	12.0	12 months
COMMONWEALTH BANK OF AUSTRALIA	AU	5%	12.0	12 months
NATIONAL AUSTRALIA BANK LTD	AU	5%	12.0	12 months
WESTPAC BANKING CORP	AU	5%	12.0	12 months
GOVERNMENT OF CANADA	**CA**			
BANK OF MONTREAL	CA	5%	12.0	12 months
BANK OF NOVA SCOTIA	CA	5%	12.0	12 months
CAN IMPERIAL BK OF COMMERCE	CA	5%	12.0	12 months
NATIONAL BANK OF CANADA	CA	5%	12.0	6 months
ROYAL BANK OF CANADA	CA	5%	12.0	12 months
TORONTO-DOMINION BANK	CA	5%	12.0	12 months
FEDERAL REPUBLIC OF GERMANY	**GE**			
LANDESBANK HESSEN-THURINGEN	GE	5%	12.0	12 months
KINGDOM OF THE NETHERLANDS	**NE**			
COOPERATIEVE RABOBANK UA	NE	5%	12.0	12 months
MONEY MARKET FUNDS				
INSIGHT LIQUIDITY FUNDS PLC - GBP LIQUIDITY FUND	IR	5%	12.0	call
FEDERATED SHORT-TERM STERLING PRIME FUND	GB	5%	12.0	call
CCLA - INVESTMENT MANAGEMENT LTD	GB	2.5%	4.0	call
GOLDMAN SACHS STERLING LIQUID RESERVES	IR	5%	12.0	call
ABERDEEN ASSET MANAGEMENT	LUX	5%	12.0	call

Appendix 5: Capital Strategy 2022 to 2025

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 the implications for future financial sustainability.

1.2 Decisions made now on capital and treasury management will have financial consequences for the Council for many years 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	2022/23 £m	2023/24 £m	2024/25 £m
Non-Housing	132.802	174.617	82.044
Housing	29.665	52.697	67.337
Total	162.467	227.314	149.381

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

4.3 A new Council Plan will be approved for 2023 to enable the Council to continue to focus resources on achieving its strategic outcomes by developing the priorities within the current plan and meeting new challenges that have arisen since the onset of the COVID-19 pandemic. A COVID Contingency Fund has been established in 2021 to help meet these challenges prior to the new plan being approved.

4.4 Below is a summary of the main capital projects within the Capital Plan 2022 to 2025:

Reshaping our place, our economy and our future:
Continuation of the City Deal projects of £225.3m which will lead to total investment of £290.8m in infrastructure in Renfrewshire, translating into an improved local economy; and investment of £43m in connectivity infrastructure funded predominantly by a Levelling Up Fund award;
Investment of £56.8m in cultural and economic infrastructures, transforming Paisley Town Hall, Paisley Learning & Cultural Hub and Paisley Museum;

£2.3m investment in Town Centre 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;
£17.6m of improvements in infrastructure within Renfrewshire improving roads, traffic management, bridges and street lighting.
Building strong, safe and resilient communities:
Investment of £29m in new council homes and regeneration, including projects in Tannahill, Gallowhill, Auchengreoch and Foxbar.
Tackling inequality, ensuring opportunities for all:
£10m investment for Schools Estate Management Plan to improve the sufficiency, condition and suitability of the school estate throughout Renfrewshire to promote learning and achievement by providing facilities that are fit for a 21st century education.
A schools investment programme totalling £41.2m which will have match funding for SFT investment 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.
Creating a sustainable Renfrewshire for all to enjoy:
Investment of £12.5m to improve the condition and energy efficiency of existing Council Properties;
£1.7m in cycle routes, including from Renfrew Riverside to Paisley Town Centre and a new cycling and walking bridge over the Black Cart river, improving active travel options delivering social and environmental benefits.
Working together to improve outcomes:
£3 m of capital investment in new ICT equipment and software;

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

Table 1: Summary of Capital Funding	2022/23 £000s	2023/24 £000s	2024/25 £000s
Prudential Borrowing	67,759	64,943	30,236
Total Borrowing	67,759	64,943	30,236
Specific Grant	785	250	0
General Capital Grant	12,075	2,600	0
City Deal Grant	5,445	45,687	51,154
City Deal borrowing	32,745	17,214	654
Usable Capital Receipts	12,520	43,923	0
Capital Funded from Current Revenue (CFCR)	1,472	0	0
Total Resource Availability	132,802	174,617	82,044

4.7 Debt is only a temporary source of finance, since loans and leases must be repaid, and 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	2022/23 £m	2023/24 £m	2024/25 £m
Non-Housing	363.564	441.117	466.396
Housing	122.061	160.177	210.822
Total	485.625	601.294	677.218

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)	2022/23 %	2023/24 %	2024/25 %
Non-Housing	3.47%	3.62%	3.48%
Housing	34.16%	30.10%	30.12%

5. Asset management

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

5.2 The Council's Corporate Asset Strategy can be read in full here:

Renfrewshire Corporate Asset Strategy

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 2022-25.

Estimated Borrowing Position	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	362	480	554
Other long-term liabilities	74	71	68
Total External Debt	436	551	622
Capital Financing Requirement	486	601	677
Under Borrowing	50	50	55

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	2022/23 £m	2023/24 £m	2024/25 £m
Operational Boundary	486	601	677
Authorised Limit	506	628	708

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 debt of £362m detailed in 6.3 above, the Council is party to a Public Private Partnership for the provision and maintenance of educational and other facilities, including a Residual Waste facility. The Council also has finance lease agreements for a number of vehicles. The outstanding finance lease obligation at 31 March 2022 will be £0.270m.

8.2 The Council is part of the Local Government Pension Scheme in Scotland (LGPS) which is a funded, defined benefit, statutory occupational pension scheme. As a funded scheme, the Council and its employees pay contributions into the fund, calculated at a level intended to balance the scheme's pension liabilities with the scheme's investment assets. At 31 March 2021, it was estimated that the Council's share of the defined obligations exceeded scheme assets by £221.5m. An updated estimate will be calculated for the 2021/22 Annual Accounts.

8.3 Provisions are made when an event has taken place that gives the Council a legal or constructive obligation that will probably require a settlement, usually in cash, but can be other economic or service benefits. At 31 March 2021 the Council had set aside long-term provisions of £5.1m related to holiday pay compensation and insurance claims. The long-term provisions will be re-calculated for the 2021/22 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 under the control of a responsible project manager who will approve and monitor expenditure against the programme. The project manager will receive support from a variety of sources within Finance and Resources, for example, to receive capital budget reports; to ensure that the expenditure complies with the statutory definition of capital; that any external contracts agreed comply with the Standing Orders of the Council; or 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. The Council ensures its qualified staff meet their continuous professional development requirements. The Council provides support to finance staff for training and study towards relevant professional qualifications.

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

PROCEDURE TO BE FOLLOWED AT THE MEETING OF RENFREWSHIRE COUNCIL TO BE HELD ON 3 MARCH 2022 DURING CONSIDERATION OF ITEM 4 CONCERNING THE HOUSING REVENUE ACOUNT BUDGET, RENT LEVELS 2022/2023 AND HOUSING CAPITAL INVESTMENT PLAN 2022/2023-2024/2025

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 3 March 2022 viz:

1. The Convener of the Communities, Housing & Planning Policy Board (the Convener) will make her budget statement for financial year 2022/2023 and move as appropriate. She will then speak to the principal points of her proposals. The motion will require to be seconded.
2. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.
3. An opportunity will then be given to the Leaders of the opposition groups and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together budget proposals, the rent levels and the capital investment plans).
4. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting. Provost Cameron may then adjourn the meeting to allow Members to consider the terms of the motion by the administration and any amendments by the opposition groups.
5. There shall be no formal restriction upon the length of time given to the Convener and the Leaders of the opposition groups to move their respective budget statements and speak in support of the principal points of their proposals. However, Provost Cameron shall have the power to require any person speaking to limit their speech in order to facilitate the conduct of the meeting.
6. Provost Cameron will then invite other Members to take part in the debate.
7. The debate will conclude with Provost Cameron giving the Convener an opportunity to reply.
8. A vote or votes will then be taken in accordance with the provisions of standing orders.
9. Due to the Council meeting taking place remotely on Microsoft Teams, there will be separate guidance issued ahead of the meeting regarding the conduct of the meeting and including details of how members may submit and circulate motions and amendments and how they may hold confidential discussions with other members.

Renfrewshire Council

To: Council

On: 3 March 2022

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

Heading: Housing Revenue Account Budget & Rent Levels 2022/23 and Housing Capital Investment Plan 2022/23 to 2026/27

1. Summary

1.1 This report details the proposed Housing Revenue Account (HRA) budget for financial year 2022/23 and sets out the information which allows consideration of rent levels for 2022/23.

1.2 The report highlights the impact of the COVID pandemic on the HRA, and also sets out the range of operational pressures that have emerged and the adjustments to budgets and resources which are required to deal with these impacts and pressures.

1.3 The report provides members with the results from the consultation process with tenants regarding the annual rent setting process and notes that 93% of those consulted supported a rent increase of 2% or more.

1.4 The report also details the Housing Capital Investment Plan for the five-year period from 2022/23 to 2027/28 which will deliver a total investment of £266.65m over the 5 year period in the councils housing stock. It is anticipated that this level of investment will attract £23.97m of government grant for new builds etc and this results in a net capital programme amounting to £242.68m

1.5 In setting the 2022/23 HRA budget, members will wish to consider the medium and longer term financial context for the HRA in light of the ongoing risks and challenges facing the HRA as outlined in this report.

2. Recommendations

2.1 It is recommended that the Council:

(i) considers the contents of this report and approves an average weekly rent increase of 2% for 2022/23 for housing rents;

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

(iii) approves the Housing Revenue Account Budget for financial year 2022/23 as detailed in Appendix 2;

(iv) approves the Housing Capital Investment Plan 2022/23 to 2027/28 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 Communities, Housing and Planning to liaise with the Director of Finance and Resources to re-profile the capital programme and available resources, as necessary, in line with the appropriate limits established under the Council's capital prudential framework arrangements.

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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 lifecycle of the element. The model ensures that planned rental income from the existing rented properties 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 12,214 council houses and all HRA annual operating costs including staffing.

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

3.3. The COVID-19 pandemic continues to have an ongoing impact on the HRA, both in terms of backlogs of works which result in slower turnover of voids and in turn rental income loss, and also delays to revenue and capital investment programmes. These delays have resulted in some works being carried forward from 20/21 into the current financial year 21/22. Management have sought to mitigate this by undertaking a procurement tendering exercise to increase the number of contractors on framework agreements to expand the Council's capacity to undertake void repairs and other works, equally Building Services have also sought to temporarily increase their supply of the appropriate tradespersons/operatives to undertake work on HRA properties.

3.4. Whilst the HRA account is projected to break even at the end of financial year 21/22 it is projected that there will be an overspend of £1.6m in property repairs and this is linked to additional works required to address the repairs backlog which resulted in lower maintenance expenditure in 2020/21 due to the pandemic. Management action has also been taken to minimise expenditure in other areas of the HRA budget, and through effective financial planning the department is projecting to achieve a break-even position at the 21/22 financial year.

3.5 As a consequence of effective medium to long term business planning, moderate rent increases over the medium term, combined with making prudent provision for inflationary increases in areas of expenditure, the HRA remains financially sound and viable. The strategy of using HRA surpluses to reduce existing/new debt and smooth in year debt repayments will continue to be used to ensure the medium to long term sustainability of the HRA. The HRA business plan incorporates the previously approved £100m of additional investment in the regeneration and renewal programme alongside ongoing planned investment in existing housing stock for major component renewals and external works.

4. HRA Budget Planning Assumptions for 2022/23

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 2022/23 are shown in summary form on the attached Appendix 1 and are further analysed in detail in the attached Appendix 2. To supplement the information contained in these appendices additional contextual commentary has been provided below and this should be read in conjunction with Appendices 1 & 2.

4.3 Employee costs

4.3.1 An allowance of £272k has been made for HRA employee pay inflation for 2022/23. Whilst discussions regarding pay awards are due to commence and may take time to conclude it is considered prudent to make provision for such costs.

4.3.2 In order to expedite the turnaround in void properties and deal with a back log of works there will be a temporary increase in staffing resources costing £100k. This increase in staffing costs will be for 22/23 only and will be funded by a temporary one-year reduction in irrecoverable rent/bad debts.

4.3.3 An additional investment of £121k in housing support services will enhance the support and range of health and wellbeing measures currently provided to older people in sheltered housing and extend these services to tenants who live in amenity and mainstream housing across Renfrewshire.

4.3.4 Following a review of the housing compliance arrangements, additional resources of £220k are being invested in enhanced approach to statutory compliance with the establishment of a housing compliance team.

4.3.5 To support the delivery of the £100m additional housing regeneration programme and the expanded housing capital investment programme, there is an allowance of £550k to allow the recruitment of additional resources on a phased basis to reflect the expenditure profile of the capital programme.

4.4 **Property Costs**

4.4.1 To assist in property letting the service has, where appropriate/required, instructed decoration works to void properties to bring them up to an acceptable letting standard. The costs and demand for decoration works has exceeded the available budget and it is therefore proposed to increase the existing budget by £300k.

4.4.2 An allowance for inflation has also been added to the 22/23 HRA repairs and maintenance budget. This allowance is required to ensure the repairs budget reflects the inflationary impacts on labour costs incurred by both Building Services of £241k and external contractors of £57k to deliver repairs and maintenance works. Equally it ensures that the repairs and maintenance budget, year on year, can deliver the same volume of repairs without being eroded by inflation.

4.4.3 To supplement the above inflationary impact on the repairs and maintenance budget an additional allowance of £240k has been incorporated to fund increased payments to Building Services. This allowance specifically recognises the increased costs of construction materials/demand for materials due to market conditions and supply shortages. As Building Services recharge the cost of materials used for repairs and maintenance works on an “at cost” basis to the HRA it is considered prudent to increase the budget for HRA payment to Building Services for repairs and maintenance works to ensure the HRA can deliver the same volume of repairs albeit at an increased cost due to construction materials price increases.

4.4.4 Following a review of open space maintenance and contract specifications by Environment and Infrastructure an increased allowance of £650k is included in the budget, reflecting an enhancement to the specification and frequency of the garden maintenance programme implemented during 2021/22 and also to allow for a contribution toward the maintenance of open spaces and land that is held by the Housing Revenue Account.

4.5 **Transfer Payments**

4.5.1 As a result of the proposed rent increase for 22/23 the provision for irrecoverable rent and void rent loss requires to be increased by £49k. This adjustment is consistent with adjustments made in previous years budgets and maintains the business plan ratio between rental income yield and irrecoverables/void rent loss.

4.5.2 Rental loss from voids has historically been set at 1.5% of total rental income and in previous years this has been sufficient to fund the rent loss from void properties. However during the pandemic the HRA has experienced difficulties in increasing the work passed to contractors and this reflects both supply chain issues in materials and shortages of available contractors/labour in the marketplace to undertake works. The Council’s in house contractor Building Services has also increased its supply of temporary skilled labour in an attempt to mitigate these delays. As a result of the limited capacity of contractors to undertake void works during the ongoing pandemic it is considered prudent to increase the void rent loss budget provision for 22/23 as a one-off temporary measure by £471k.

4.5.3 The increase as above can be funded from within existing HRA resources through a temporary reduction of £471k in the budget held for bad debt provisions/write offs under the budget line “irrecoverable rent”.

4.6 **Loan Charges**

4.6.1 Members will be aware that the HRA has applied the financial policy of debt smoothing over the medium to long term. This policy allows for early repayment of debt where in year resources exist without resulting in an overspend and it is financially prudent to do so. As a result of debt smoothing the payments on existing HRA debt will reduce over the short to medium term thus allowing the HRA to divert a proportion of its budget held for debt payments to fund other HRA expenditure/reductions in income. It is therefore proposed, as a one off measure, to reduce loan debt budgets and divert resources of £1,461 to other areas such as employee costs, property costs etc to fund HRA expenditure/reductions in income.

4.7 **Income**

4.7.1 The proposed 2% increase in house rents will generate an additional £988k of income to the HRA. This rental income increase will partially fund the proposed increases in expenditure across employee costs, property costs etc.

4.7.2 As a result of the Housing Regeneration programme there will be properties which will be held vacant earmarked for either demolition or significant capital investment and therefore these properties will not generate rental income. Management have reviewed the investment programme and have assessed that the reduction in income in 22/23 in relation to these properties will be £204k and therefore it is considered appropriate to reduce the rental income budget by £204k in 22/23.

4.7.3 To support the delivery of the £100m additional housing regeneration programme, there is an allowance within employee costs to support the implementation of the programme (4.3.5 above). These employee costs will be charged direct to the HRA and then will be recovered from the individual capital projects within the regeneration programme and this will generate additional income of £550k to the HRA to fully offset these additional employee costs.

4.8 HRA one off reserves will be maintained at £6.497m.

5. Tenant Consultation for 22/23 Rent Increase

5.1 Renfrewshire Council has a statutory duty to consult tenants before increasing rents. To help inform the decision on rents for 2022/23, consultation was undertaken in December 2021 and January 2022 involving discussion with tenant representatives as the annual Council Wide Forum, an on-line survey of Council tenants and a telephone survey of Council tenants.

5.2 The majority of tenants who took part in the consultation agreed with a 2% rent increase. Over 600 telephone interviews with tenants were conducted by external consultants during January (this represents 5% of Council tenants).

5.3 Of those who took part in the telephone survey, 93% were in agreement with a rent increase of 2% or higher. (47.7% said they agreed with a 2% rent increase, 31.3% supported a rent increase of 2.5% and 14% an increase of 3%) only 7% of tenants did not support any rent increase.

5.4 In terms of investment priorities the most popular three answers from tenants were:

- Higher levels of investment in existing housing
- More new build Council housing
- Improve the energy efficiency of Council housing

6. Housing Capital Investment Plan – 2021/22 to 2026/27

6.1 Overview

6.1.1 The proposed Housing Capital Investment Plan for the 5-year period from 2022/23 to 2026/27 is attached at Appendix 3. The net value of the plan is £242.68m and includes allowances for new build homes, related Scottish Government grants, regeneration & 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:

- 2022/23 - £27.17m
- 2023/24 - £48.51m
- 2024/25 - £60.85m
- 2025/26 - £60.44m
- 2026/27 - £45.71m

Total £242.68m

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

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

6.1.4 The table below sets out the proposed composition of the plan for 2022/23 and how it will be funded.

2022/23 Programme		**2022/23 Funding**	
Planned Investment Programmes	£15.46m	Prudential Borrowing	£24.67m
Regeneration & New Build etc	£11.71m	Government New Build Grant	£2.50m
Total	**£27.17m**	**Total**	**£27.17m**

6.2 **Planned Investment Programmes**

6.2.1 Since achieving compliance with the Scottish Housing Quality Standard (SHQS) in April 2015, there has been an ongoing requirement to ensure our housing stock continues to be maintained at least at this standard. There is an over-arching emphasis on improving the housing stock to the latest energy efficiency standards to bring the stock up to the standards as set out in the Energy Efficiency Standards for Social Housing post 2020 (EESSH2).

6.2.2 These energy efficiency investments will continue to act as a driver for reducing fuel poverty and ensure that our homes are warmer and greener to contribute to a lower carbon economy across Renfrewshire.

6.2.3 The capital programme for 2022/23 to 2026/27 as per the attached Appendix 3 will deliver a total of £128.97m in planned investment programmes in existing housing stock, £41.99m in Regeneration and New Build and a further £95.69m included as part of the Regeneration and Renewal Plan Investment Plan. The capital programme for the same period will attract £23.97m of income from government grants.

6.2.4 The Council is required to ensure that the HRA has capacity to deliver on regulatory requirements and standards including ensuring that properties meet requirements such as SHQS and EESSH. At March 2021, 86.6% of Council housing stock was compliant with the EESSH1 target (after applying allowable exemptions). All social rented housing landlords must now seek to achieve EESSH2 standard by 2032 and work is underway to set out the Council's strategy to do so. In addition, new policy targets relating to the decarbonisation of social housing are likely including the requirement to transition from Gas Central Heating systems to energy efficient heating types.

6.2.5 The Council has also completed a condition survey of all high-rise properties to identify longer term investment requirements. This has identified a future spend requirement of £25.14m over the next decade including cladding, foyer improvements and lift refurbishments which is reflected in the capital programme.

6.2.6 There will continue to be a programme of heating renewals in 2022/23 and the smaller programme of kitchen, bathroom and rewiring combinations will only be carried out in properties which are void or were otherwise in abeyance at the end of the SHQS programme.

6.2.7 The main categories of planned investment programmes are:

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

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

- Multi storey flat and sheltered housing improvements

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

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

2022/23 Planned Improvements	Number of Properties
External fabric upgrading	600
Kitchen, bathroom and rewiring replacement	220
Heating renewals	250

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

6.3 **New Build and Regeneration**

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

6.3.2 In addition to the Regeneration and Renewal Plan, the Capital Investment Plan continues to include provision for investment in building new Council Housing. Two new build projects at Johnstone Castle and Bishopton are now complete and work is now on site at Auchengreoch Road (39 new homes) and Tannahill, Ferguslie Park (101 new homes).

6.3.3 Flood Risk Assessments are currently being carried out at Howwood Road and Gallowhill ahead of proposed development works. Howwood Road Phase 1 would deliver approximately 70 units and Gallowhill approximately 60 units.

6.3.3 In terms of the capital programme, sites at Broomlands (18 units) and Foxbar Rivers (60 units) have been identified for development with initial feasibility studies proposed.

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

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

Implications of the Report

1. **Financial** – The report and appendices detail the proposed HRA budget and average weekly rent increase for 2022/2023 and the Housing Capital Investment Plan for 2022/23 to 2026/27.

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

3. **Community/Council Planning**

   - *Our Renfrewshire is well* – enabling communities to have their voices heard and influence the places and services that affect them by consulting tenants on the proposed changes to rents for 2022/23.
   - *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 2022/23 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 2022/23 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 2022/23 to 2026/27.

6. **Information Technology** – None.

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

8. **Health & Safety** – None

9. **Procurement** – The proposed Capital Investment Plan for 2022/23 to 2026/27 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 however these risks are routinely reviewed as part of the HRA business planning process.

11. **Privacy Impact** – None.

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

13. **Climate Risk -** None

List of Background Papers

None.

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

Appendix 1

Housing Revenue Account - Budget Adjustments for 2022/23

Expenditure					
Subjective Heading	**21/22 Budget £000**	**Change £000**	**22/23 Budget £000**	**Major Changes**	**Change £000**
Employee Costs	£9,212	£1,356	£10,568	Allowance for pay inflation for employees	£272
				Temporary Repairs & Maintenance Staff	£100
				Sheltered Housing staffing review	£121
				Compliance staffing review	£220
				Improvement Officer/Policy review	£53
				Investment Team review	£42
				Housing Regeneration Staffing	£548
				Total Movement in Employee Costs	**£1,356**
Property Costs	£14,907	£1,488	£16,395	Increase in decorating related works	£300
				Inflation - payments Building Services	£241
				Inflation - payments to external contractors	£57
				Inflation - payments to Building Services materials	£240
				Review of grounds maintenance service payments to E&I	£650
				Total Movement in Property Costs	**£1,488**
Supplies & Services	£737	£0	£737		
Support Services	£2,490	£0	£2,490		
Transfer Payments	£3,949	-£49	£3,900	Increase in Irrecoverable rent and voids rent loss budget as a result of the 22/23 proposed rent increase	£49
				Temporary one year increase in void rent loss reflecting higher level of voids	£471
				Temporary one year reduction in irrecoverable rent/bad debt budget to fund temporary increase in void rent loss as detailed above	-£471
				Temporary one year reduction in irrecoverable rent/bad debt budget to fund temporary increase in repairs and maintenance staff	-£100
				Housing Regeneration Apprenticeship Levy	£2
				Total Movement in Transfer Payments	**-£49**
Transport	£103	£0	£103		
Loan Charges	£22,235	-£1,461	£20,775	Realignment of repayment of principal debt budget reflecting the debt smoothing strategy	-£1,461
				Total Movement in Loan Charges	**-£1,461**
Total Expenditure	**£53,633**	**£1,334**	**£54,967**	**Total movement in Expenditure**	**£1,334**

Income					
Subjective Heading	**21/22 Budget £000**	**Change £000**	**22/23 Budget £000**	**Major Changes**	**Change £000**
House Rents	£49,393	£784	£50,177	Proposed 2% increase in house rents	£988
				Reduction in house rental income regarding properties vacated due to the regeneration programme	-£204
				Total Movement in House Rents	**£784**
Supporting People Income	£898	£0	£898		
Commercial Rents	£1,181	£0	£1,181		
Professional Fees recovered from capital programme	£1,052	£550	£1,602	Housing regeneration - income from capital	£550
Service Charges	£325	£0	£325		
Temporary Interest	£132	£0	£132		
Lock Up Rents	£297	£0	£297		
Renewable Heat Initiative (RHI) income	£100	£0	£100		
Other Income	£255	£0	£255		
Total Income	**£53,633**	**£1,334**	**£54,967**	**Total movement in Income**	**£1,334**
Movement in net expenditure	**-£0**	**£0**	**-£0**		

Appendix 2

1
Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2023
Housing Revenue Account
Subjective Summary

Line No	Expenditure	2021/22 Estimates £	22/23 Rent Increase £	Temporary adjustments for 22/23 only	Other Adjustments for 22/23	22/23 Inflation Pressures £	2022/23 Estimates £
1	**Employee Costs**	**9,211,959**	**0**	**100,070**	**984,111**	**271,500**	**10,567,640**
2	Salaries - Apt&C	6,452,115		77,997	762,823	193,560	7,486,495
3	Overtime - Apt & C	69,670				2,090	71,760
4	Superannuation - Apt&C	1,243,995		14,975	146,860	37,320	1,443,150
5	National Insurance - Apt&C	620,076		7,098	74,428	18,600	720,202
6	Salaries - Manual Workers	597,300				17,920	615,220
7	Overtime - Manual Workers	84,580				2,540	87,120
8	Contractual Overtime - Manual Workers	54,380				1,630	56,010
9	Superannuation - Manual Workers	120,200				3,610	123,810
10	National Insurance - Manual Workers	51,300				1,540	52,840
11	Employee Turnover Savings	-243,743				-7,310	-251,053
12	Occupational Health Services	54,800					54,800
13	Conference Expenses	1,500					1,500
14	Pension Increases	68,285					68,285
15	Training Costs	37,500					37,500
16	**Property Costs**	**14,906,931**	**0**	**0**	**950,000**	**538,039**	**16,394,970**
17	Community alarm maintenance	51,000					51,000
18	Contract cleaning	154,449					154,449
19	Electricity	448,020					448,020
20	Factoring & common charges	52,000					52,000
21	Garden assistance scheme	371,200					371,200
22	Gas	147,030					147,030
23	Improve garden / close cleaning	494,400			650,000		1,144,400
24	Maintenance of Gardens and Open Spaces	246,800					246,800
25	Maintenance of Shops/Commercial Units	30,000					30,000
26	Maintenance of houses	12,068,972			300,000	538,039	12,907,011
27	Property insurance	335,400					335,400
28	Rates	131,900					131,900
29	Office Rent	72,000					72,000
30	Temporary Accommodation	9,000					9,000
31	Water metered charges	10,000					10,000
32	Repairs - fixtures and fittings	11,000					11,000
33	Special uplift service	224,900					224,900
34	Commercial Refuse	3,860					3,860
35	Supply of bins	5,700					5,700
36	Estate Management costs	30,000					30,000
37	Cleaning Materials & Soap /Handwash	5,000					5,000
38	Other Property Costs	4,300					4,300
39	**Supplies and Services**	**737,360**	**0**	**0**	**0**	**0**	**737,360**
40	Advertising	3,600					3,600
41	Bank Charges	7,000					7,000
42	PPE/Clothing/Uniforms	21,700					21,700
43	ICT Software & Licenses	202,600					202,600
44	ICT Equipment Maintenance & Replacement	13,500					13,500
45	Office Equipment And Furniture	9,700					9,700
46	Legal Expenses, Sheriff Officer Services	148,500					148,500
47	Publicity	18,000					18,000
48	Removal Services	11,800					11,800
49	Customer Research	18,300					18,300
50	Consultancy Services	45,000					45,000
51	Energy Management Services	23,400					23,400
52	Postage	68,600					68,600
53	Printing And Stationery	44,050					44,050
54	Telephones	69,810					69,810
55	Translation And Interpreting Services	1,700					1,700
56	Other Supplies & Services	30,100					30,100
57	**Carried Forward**	**24,856,250**	**0**	**100,070**	**1,934,111**	**809,539**	**27,699,970**

Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2023

Housing Revenue Account

Subjective Summary

Line No	Income	2021/22 Estimates £	22/23 Rent Increase £	Temporary adjustments for 22/23 only	Other Adjustments for 22/23	22/23 Inflation Pressures £	2022/23 Estimates £
1	**Income**	**53,633,174**	**987,900**	**0**	**346,000**	**0**	**54,967,074**
2	District Heating Income - Tenants	79,700					79,700
3	District Heating Income - Owner Occupiers	15,100					15,100
4	Renewable Heat Incentive (Rhi) Income	100,000					100,000
5	Launderette Income - Tenants	65,975					65,975
6	Launderette Income - Owner Occupiers	164,328					164,328
7	Other Charges To Owners	10,000					10,000
8	Recovery Of Legal Fees	40,000					40,000
9	Sheltered Housing Contribution	151,300					151,300
10	Customer Support Contribution	746,990					746,990
11	Rental Income - Shops/ Commercial Properties	1,181,000					1,181,000
12	Rental Income - Houses	49,392,800	987,900		-204,000		50,176,700
13	Rental Income - Lock Ups	297,081					297,081
14	Rechargeable Repairs Income	95,900					95,900
15	Temporary Interest	131,500					131,500
16	Professional Fees recovered from capital projects	1,052,000			550,000		1,602,000
17	Admin Recoveries from Services	56,500					56,500
18	Commission On Insurance	5,000					5,000
19	Energy Management System Recharge	15,000					15,000
20	Other Accounts Of The Authority	25,000					25,000
21	Property Enquiry Fees	5,000					5,000
22	Property Management Service	3,000					3,000
23	**Carried Forward**	**53,633,174**	**987,900**	**0**	**346,000**	**0**	**54,967,074**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2023
Housing Revenue Account
Subjective Summary

Line No	Expenditure	2021/22 Estimates £	22/23 Rent Increase £	Temporary adjustments for 22/23 only	Other Adjustments for 22/23	22/23 Inflation Pressures £	2022/23 Estimates £
58	**Expenditure Brought Forward**	**24,856,250**	**0**	**100,070**	**1,934,111**	**809,539**	**27,699,970**
59	**Support Services**	**2,490,081**	**0**	**0**	**0**	**0**	**2,490,081**
60	Apportionment Of Central Administration	1,085,100					1,085,100
61	Apportionment Of Central Administration Business Support	308,110					308,110
62	Apportionment Of Central Administration Non Defined	475,790					475,790
63	Support Services Recharge from CEX	31,081					31,081
64	Mss Recharge - Comm & Housing Services	175,000					175,000
65	Asist & Mediation Recharge from E&I	245,250					245,250
66	Insurance	123,000					123,000
67	Membership Fees & Subscriptions	31,750					31,750
68	Tenant Consultation	15,000					15,000
69	**Transfer Payments**	**3,949,240**	**48,900**	**-100,070**	**1,923**	**0**	**3,899,993**
70	Council Tax	118,500					118,500
71	Garden Competition	5,700					5,700
72	Apprenticeship Levy	31,260			1,923		33,183
73	Grants To Tenants Associations	8,000					8,000
74	Irrecoverable Rent - Housing	1,702,900	34,100	-571,070			1,165,930
75	Neighbourhood Housing Forums	269,500					269,500
76	Neighbourhood Environmental Trainees Scheme	200,000					200,000
77	Voids - Shops/Commercial	170,000					170,000
78	Voids - Houses	740,800	14,800	471,000			1,226,600
79	Voids - Lock Ups	50,880					50,880
80	Strategy & Quality Initiatives	67,690					67,690
81	Commissioned Costs - Customer Support	584,010					584,010
82	**Transport**	**102,500**	**0**	**0**	**0**	**0**	**102,500**
83	Travel And Subsistence	78,300					78,300
84	Internal Transport - Hire	22,200					22,200
85	Internal Transport - Maintenance	1,000					1,000
86	Internal Transport - Fuel	1,000					1,000
87	**Loan Charges**	**22,235,103**	**0**	**0**	**-1,460,573**	**0**	**20,774,530**
88	Loan Charges - Expenses	103,300					103,300
89	Loan Charges - Interest	5,043,000					5,043,000
90	Loan Charges - Principal	17,088,803			-1,460,573		15,628,230
91	**Total Expenditure**	**53,633,174**	**48,900**	**-0**	**475,461**	**809,539**	**54,967,074**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2023
Housing Revenue Account
Subjective Summary

Line No	Income	2021/22 Estimates £	22/23 Rent Increase £	Temporary adjustments for 22/23 only	Other Adjustments for 22/23	22/23 Inflation Pressures £	2022/23 Estimates £
92	Income Brought Forward	53,633,174	987,900	0	346,000	0	54,967,074
93	Total Income	53,633,174	987,900	0	346,000	0	54,967,074
94	Total Expenditure	53,633,174	48,900	-0	475,461	809,539	54,967,074
95	Net Expenditure	0	-939,000	-0	129,461	809,539	0

Housing Capital Investment Plan - 2022-23 - 2026-27 | Appendix 3

Expenditure Category	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	5 Year Totals £m
Existing Housing Stock						
Internal Investment	3.330	4.980	7.420	7.320	4.810	**27.860**
Low Rise External Improvements	6.300	14.625	10.625	11.625	9.125	**52.300**
Multi Storey Flats Improvements	1.337	4.100	4.900	6.400	8.400	**25.137**
Sheltered Housing Improvements	0.300	0.625	0.400	0.400	0.400	**2.125**
Others e.g. Adapts, Rotworks & Asbestos	2.315	2.215	2.115	1.815	1.815	**10.275**
Smoke and Heat Detectors	0.125	0.000	0.000	0.000	0.000	**0.125**
Professional Fees	1.750	2.350	2.350	2.350	2.350	**11.150**
Total Existing Housing Stock	**15.457**	**28.895**	**27.810**	**29.910**	**26.900**	**128.972**
Regeneration and New Build						
Demolitions and Acquisitions	0.810	0.645	1.125	0.225	0.180	**2.985**
New Build Tannahill	7.000	0.000	0.000	0.000	0.000	**7.000**
New Build Auchengreoch	2.000	0.000	0.000	0.000	0.000	**2.000**
New Build Gallowhill	0.000	6.400	5.600	0.000	0.000	**12.000**
New Build Foxbar Rivers	0.000	1.000	3.000	4.000	0.000	**8.000**
New Build replacement projects	0.000	1.000	3.000	3.000	3.000	**10.000**
Total Regeneration and New Build	**9.810**	**9.045**	**12.725**	**7.225**	**3.180**	**41.985**
Regeneration and Renewal Investment Programme						
Howard Street	2.692	3.313	0.002	0.000	0.000	**6.006**
Auchentorlie	0.148	1.400	1.807	(0.515)	0.000	**2.839**
Thrushcraigs	0.101	0.286	0.762	3.075	6.150	**10.374**
Broomlands	0.234	5.000	5.434	2.169	2.771	**15.607**
Waverley Road	0.120	0.192	0.893	2.445	0.000	**3.649**
Moorpark	(0.120)	0.000	1.781	5.004	5.511	**12.175**
Howwood Road	0.163	3.119	13.513	9.257	0.665	**26.717**
Springbank	0.262	0.498	1.661	4.639	6.915	**13.974**
Professional fees	0.800	0.950	0.950	0.950	0.700	**4.350**
Regeneration and Renewal Investment Programme	**4.398**	**14.757**	**26.802**	**27.024**	**22.711**	**95.692**
Government Grant Income	**(2.500)**	**(4.190)**	**(6.481)**	**(3.717)**	**(7.079)**	**(23.966)**
Net Housing Investment Expenditure	**27.165**	**48.507**	**60.856**	**60.442**	**45.713**	**242.683**

Renfrewshire Council

To: **Council**

On: **3rd March 2022**

Report by: **DIRECTOR OF ENVIRONMENT & INFRASTRUCTURE**

Heading: **Installation of Neurodivergent Communication Boards in Renfrewshire Parks**

1. Summary

1.1 At the Council meeting on 16 December 2021, Council agreed to install neurodivergent community approved communication boards in all our parks with a report being brought to the next meeting of this Council.

1.2 This report sets out the work undertaken so far and the planned activities to be undertaken over the coming months to initially install neurodivergent communications boards in six parks in Renfrewshire. These are listed in appendix 1 of this report.

1.3 These initial boards will be the subject of review with the neurodivergent community to inform the approach to neurodivergent communication boards to be taken across all Parks in Renfrewshire with updates being provided to the ILE policy board on the development and implementation of this programme across Renfrewshire's parks.

2. Recommendations

2.1 It is recommended that the Council:

(i) Notes the content of this report and the work undertaken to date to research neurodivergent communication boards

(ii) Notes that the communication boards, created in partnership with the neurodivergent community, will be installed in the parks listed in appendix 1

(iii) Notes updates on the role out of the communication boards throughout Renfrewshire's parks will be reported through the Infrastructure, Land & Environment Board.

3. Background

3.1 Impact of a Neurodivergent Condition on Communication in Children

Neurodivergent conditions include autism, attention deficit hyperactivity disorder (ADHD), dyslexia, dyspraxia, obsessive compulsive disorder, Tourette's syndrome, Asperger's syndrome, and many others. Some of these conditions affect the ability of an individual to communicate.

3.2 Neurodivergent Communication Boards

Neurodivergent Communication Boards aim to support communication, expressing simple messages, asking questions and offering choices. This is often done through symbols. For example, one screen, card or board might contain a variety of images related to a play park visit. Others might show a range of feelings, or a sequence of steps to follow

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4. Next Steps

4.1 The service are currently in consultation with Riverbrae School, and a teacher/parents/pupil stakeholder group is being set up to ensure that the signs are consistent with the tools currently being used in schools. The intention will be to trial the boards in the first 6 parks and evaluate the community response and use of the boards. The first meeting of the group took place on 9 March 2022.

4.2 The service are also engaging with relevant neurodivergent community specialists and educational specialists to design communication boards with symbols that will be relevant to settings within parks environments.

4.3 A sample of the communication board will be issued to parents and teachers in advance of production to test and review the signs chosen are effective.

4.4 Signs will be placed in designated parks set out in Appendix 1 by the end of April 2022.

4.5 The signs will be promoted, and feedback undertaken during summer 2022 before embarking on a wider role out across all parks in Renfrewshire.

Implications of the Report

1. **Financial** – The funding of the signs will be met from the playpark Investment fund.

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

3. **Community/Council Planning –**

   - Our Renfrewshire is inclusive
   - Our Renfrewshire is fair: addressing the inequalities that limit life chances
   - Our Renfrewshire values learning

4. **Legal -** None

5. **Property/Assets -** None

6. **Information Technology -** None

7. **Equality & Human Rights**

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

8. **Health & Safety** - None

9. **Procurement** - Discussions are on-going with regard to the procurement of appropriate signage.

10. **Risk** – None

11. **Privacy Impact** - None

12. **COSLA Policy Position** N/A

13. **Climate Risk** N/A.

List of Background Papers

(a) Background Papers- None

Author: Gavin Hutton, Head of Operations; email: gavin.hutton@renfrewshire.gov.uk

Appendix 1

Renfrewshire Council – Environment & Infrastructure
List of Parks

Barshaw Park, Glasgow Road, Paisley
Robertson Park, Inchinnan Road, Renfrew
Thomas Shanks Park, Quarrellton Road, Johnstone
Glencoats Park, Westpark Drive, Paisley
Howwood Park, Midton Road, Howwood
Kintyre Park, Clippens Road, Linwood

Renfrewshire Council

To: **Council**

On: **3 March 2022**

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

Heading: **Governance Arrangements**

1. Summary

1.1 The main purpose of this report is to set out arrangements for Board and Council meetings up to and including the next scheduled meeting of the Council on 28 April 2022.

1.2 The report confirms arrangements for meetings going forward taking into account the current position on public health measures and guidance in place to combat Covid-19, including the Omicron variant, and any other public health concerns that may prevent elected members attending meetings in person in the Council Chamber.

1.3 The arrangements set out in the report continue those previously put in place to allow maximum flexibility to enable meetings to take place in the most appropriate and safe way, while taking into account any public health guidance or advice available at the time of the meetings.

2. Recommendations

2.1 Council is asked to:

a) approve the arrangements for Council and Board meetings set out in section 3 of this report, which will continue to include the options to use hybrid meetings involving elected members attending meetings in person in Renfrewshire House, should this be consistent with advice and guidance on public health, or to hold meetings remotely using the Teams platform.

b) note that the arrangements for future meetings of Council and Boards will be brought to the next scheduled meeting of the Council on 28 April 2022.

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3. Background - Arrangements for the Next Cycle of meetings

3.1 At its last meeting on 16 December 2021, the Council agreed to continue the previously approved arrangements for the conduct of Council and Board meetings including the availability of hybrid meetings for Council with conveners having discretion to continue holding meetings of their Board by Teams. It was also noted that all of the Council and board meetings would be broadcast live to allow the public to observe those meetings.

3.2 One of the now established characteristics of the new Omicron variant of the Covid-19 virus is significantly increased transmissibility than previous variants. Although matters have significantly improved, transmission and infection levels across the country remain high and are expected to be so for some time yet. The updated Scottish Government guidance for offices, supports a managed and gradual return to office based working, with a hybrid model recommended and advising the continuation of appropriate infection control measures, including physical distancing particularly in areas of congregation such as meeting rooms. The ongoing return to Renfrewshire House is continuing for the time being to apply the existing physical distancing requirements, including in the Council Chamber, reflecting the current guidance and the duty on the Council to protect the health and well-being of its elected members and employees.

3.3 The current arrangements in place that were approved at previous Council meetings allow for hybrid meetings to take place in the Council Chamber but the protocol adopted by the Council for hybrid meetings allows each convener to decide to hold the meeting remotely by Teams. For the current cycle of meetings all conveners exercised the option available to them to conduct the meeting remotely using Teams. It is proposed that the current arrangements continue and are reviewed again at the next scheduled Council meeting on 28 April 2022.

3.4 Any decision to change the current physical distancing requirement in the Chamber that would increase the number of those who could attend meetings in person will only be taken after a full risk assessment has been completed taking into account the relevant Scottish Government Guidance in force at the time and the wider infection levels prevalent.

Implications of the Report

1. **Financial** – None.

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

3. **Community/Council Planning** – None.

4. **Legal** – As detailed in the report.

5. **Property/Assets** – None.

6. **Information Technology** – The report refers to the successful introduction of a system from Public-i which enabled hybrid meetings to be undertaken with some members being present in the Chamber with others accessing remotely and also for those meetings to be broadcast live.

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 because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – The proposals in the report recognise that it's formal Council and Board meetings only take place in Renfrewshire House when it is safe to do so. The report also acknowledges that where meetings can take place in Renfrewshire House, the number of attendees will be limited by the social distancing restrictions that are in place at the relevant time.

9. **Risk –** None.

10. **Privacy Impact** – The report refers to the live broadcasting of Council and Board meetings.

11. **Cosla Policy Position** – None.

12. **Climate Risk** – None.

List of Background Papers –

1) Minute of the Council meeting on 16 December 2021.

Author: Ken Graham, Head of Corporate Governance.

Renfrewshire Council

To: **Council**

On: **3 March 2022**

Report by: **Chief Executive**

Heading: **Disasters Emergency Committee – Afghanistan Crisis Appeal**

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1. Summary

1.1 On 15 December 2021, the Disasters Emergency Committee (DEC) launched an emergency appeal to support people impacted by the worsening humanitarian crisis in Afghanistan.

1.2 The DEC is an umbrella organisation of 15 aid organisations that come together to respond as required to collectively respond to humanitarian crises and disasters. DEC has launched the appeal in response to the recent conflict and economic crisis in Afghanistan, coupled with drought and the impacts of the COVID-19 pandemic.

1.3 Funding has been committed by the UK and Scottish Governments, and DEC has also engaged with local authorities through COSLA on the actions that they can take to support and promote the appeal.

1.4 As the Council is not authorised to provide direct relief to communities abroad, it is proposed that a donation of £10,000 is made to the Disasters Emergencies Committee (DEC) to fund its member charities' UK-based activities in recognition of the considerable strain the crisis in Afghanistan has placed on the resources of these charities.

1.5 The Council's Communications team will also continue to work with partners to promote the appeal and raise awareness of this across Renfrewshire.

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2. Recommendations

2.1 It is recommended:

- That Council agrees to make a donation of £10,000 to the Disasters Emergency Committee to fund its members UK-based activities in recognition of the considerable strain which the crisis in Afghanistan has placed on the resources of a number of UK based charities; and; that
- A supplementary estimate of £10,000 for this donation be approved.

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3. Background

3.1 The Disasters Emergency Committee (DEC) is an umbrella organisation of 15 charities that come together to support countries to respond to humanitarian disasters and crises. This allows support to be co-ordinated and targeted to support people where it is most needed.

3.2 On 15 December 2021, the DEC launched its Afghanistan Crisis Appeal in response to the worsening humanitarian situation in the country. In addition to the recent conflict and civil unrest which has led to the wider economic collapse of the country, civilians are also struggling to manage the impacts of COVID and the worst drought to hit the country in almost 30 years.

3.3 In its recent publications the DEC estimate that:

- More than 23 million people in Afghanistan are short of food in freezing Winter conditions.
- 8 million people are on the brink of famine with 1 million children under 5 at risk of dying before the end of Winter

3.4 The Crisis Appeal is seeking to raise funding to allow charities to help DEC charities and their local partners to provide emergency food and nutrition support for children, support healthcare facilities and provide winter kits to help displaced families stay warm. Other priorities include supplying clean drinking water and protecting women and girls.

3.5 As the Council is not authorised to provide direct relief to communities abroad, it is proposed that a donation of £10,000 is made to the Disasters Emergencies Committee (DEC) to fund its member charities' UK-based activities in recognition of the considerable strain the effects of the humanitarian crisis have placed on the resources of these charities.

3.6 The DEC have engaged with COSLA, and have sought support from member local authorities to promote wider awareness of the Crisis Appeal.

Implications of the Report

1. **Financial** – A supplementary estimate of £10,000 in respect of this donation is required.

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

3. **Community/Council Planning –** none

4. **Legal** - the Council is not authorised to provide direct relief to communities abroad

5. **Property/Assets** - none

6. **Information Technology** - none

7. **Equality and 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 because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health and Safety -** none

9. **Procurement** – none

10. **Risk** – none

11. **Privacy Impact** – none

12. **COSLA Policy Position** – none

13. **Climate Risk** – none

List of Background Papers:

Author: Laura McIntyre, Head of Policy and Commissioning