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Renfrewshire Council

Notice of Meeting and Agenda
Council

Date	Time	Venue
Thursday, 27 June 2019	09:30	Council Chambers (Renfrewshire), Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

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

Further Information

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Items of business

Apologies

Apologies from members.

Declarations of Interest

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

7 **Annual Report of the Community Protection Chief Officers Group 2018/19** 107 - 132

Report by Chief Executive

8 **Notice of Motion 1 by Councillors McCartin and Andy Doig**

"Susan McDonald

Renfrewshire Council congratulates former councillor Susan McDonald on receiving the British Empire Medal (BEM) in this month's Birthday Honours. Susan was an outstanding councillor for Paisley North and West for 5 years.

The council should also recognise the seven other Renfrewshire residents who also received awards in the honours list: Maureen Bell, James Campbell, Henrietta Wright, John MacKin, John Reid, Anne Brogan and Jennifer Durward."

9 **Notice of Motion 2 by Councillors McCartin and Andy Doig**

"Climate Emergency

This council believes that:

1. All governments have a duty to limit the negative impacts of Climate Breakdown, and local government recognises it cannot and should not wait for national government to act.

2. It is important for the residents of Renfrewshire that the council and other public authorities commit to reducing CO_2 eq emissions and work towards carbon neutrality as quickly as possible;

3. Bold climate action can deliver economic benefits by way of new jobs, economic savings, market opportunities and improved well-being.

This council agrees to:

1. Declare a 'Climate Emergency';

2. Pledge to work proactively with others to make Renfrewshire carbon neutral by 2030, taking into account both production and consumption emissions;

3. Continue to work with partners and community groups across Renfrewshire to deliver this new goal through all relevant strategies and plans;

4. Assist communities to become more resilient to the impacts of global warming, particularly to flooding and to drought

5. Ensure that all reports in preparation for the 2020/21 budget will take into account the actions the council will take to address this emergency;

6. Report to Full Council before the end of 2019 with the actions the Council has, and will take, to address this emergency."

10 Notice of Motion 3 by Councillors K MacLaren and Burns

"NHS not for Sale

Council notes with extreme concern the comments by US President Donald Trump that the NHS will be part of a future UK/USA trade agreement. This would open up the NHS to more privatisation and increased drug prices.

Although Scotland has its own NHS there is a danger that any further privatisation in the NHS covering England and Wales would have Barnett consequentials on the funding available to Scotland's NHS. Similarly expected increases in the price of drugs from the USA would also negatively impact on Scotland's NHS.

Council believes that the NHS across the UK is a valuable public service. Council will contact the new Prime Minister to express our concern about the NHS being used as a bargaining chip in any trade deal with the USA or anyone else and will ask the Prime Minister to clearly state that the NHS is not up for sale."

11 Notice of Motion 4 by Councillors K MacLaren and Burns

"RAH Car Park

Council notes the problems caused by the recent changes to the main car park at the Royal Alexandra Hospital (RAH) and the impact this has had on staff and local residents. The decision by the Health Board to change the parking policy with little consultation has negatively impacted on local residents as staff seek to find alternative places to park.

Council calls for better communication between the Health Board and council officers to resolve the parking issues within the RAH and surrounding areas.

Council will contact the Chief Executive of Greater Glasgow and Clyde Health Board to express our concern over the impact that these changes to the parking policy has had on Renfrewshire residents and on all the staff at the RAH."

12 Notice of Motion 5 by Councillors Adam-McGregor and Don

"Environment and Climate Emergency

The Scottish Government on 14 May 2019 declared that there is a global climate emergency. The evidence is irrefutable and the science is clear.

We all have a part to play: Government, councils, individuals, communities, businesses, other organisations. It is not too late to turn things around.

Council therefore agrees

1. To recognise that there is an environment and climate emergency;

2. That this emergency could impact on all areas of Council policy;

3. That a cross party working group is established to examine in detail what actions could be taken to address this emergency;

4. That officers begin, without delay, to prepare options for the working group to consider."

13 Notice of Motion 6 by Councillors Sheridan and Kennedy

“Child Poverty

That this council expresses concern about the recent report by the poverty and inequality commission that child poverty targets set by the Scottish Government have not been met and seeks clarity regarding the local position in Renfrewshire.”

14 Notice of Motion 7 by Councillors Paterson and McNaughtan

“UK Shared Prosperity Fund

Renfrewshire Council notes with disappointment the delay on the consultation for the proposed UK Shared Prosperity Fund, intended to replace EU funding to the regions following Brexit.

Furthermore, with no date provided for the consultation to commence it is unlikely to be conducted prior to our expected exit date of the 31st of October 2019 leading to a substantial delay in the establishment of a shared prosperity fund.

Therefore, Council agrees to write to the UK Government urging them to bring forward the consultation and get on with establishing a shared prosperity fund to be managed by the relevant devolved administrations should Brexit occur on the 31st of October.”

15 Notice of Motion 8 by Councillors Graham and McIntyre

“Statues in Dunn Square, Paisley

Council agrees that the statue of Queen Victoria and Dr Dunns Memorial in Dunn Square, Paisley are cleaned. Also, the statues of Sir Peter Coats and Thomas Coats Esq be part of the clean-up.

Council also agrees to release a programme in which all statues, monuments and plaques are visited by Council and are assessed for upgrade or clean-up."

16 Notice of Motion 9 by Councillors McGurk and Adam-McGregor

"Tv Licence

Renfrewshire Council condemns the decision by the BBC to AXE FREE TV licence for most over 75 year old residents and charge £154.50."

17 Notice of Motion 10 by Councillors Burns and Hughes

"Council will contact Scottish Water to request Top Up taps are installed in Renfrewshire in all Towns and Villages to help reduce use of single plastic bottles and boost the benefits of drinking water in Renfrewshire."

18 Notice of Motion 11 by Councillors Andy Doig and McCartin

"BBC and removal of free TV licences for 75 year olds not on pension credit

Renfrewshire Council condemns the decision by the BBC to remove free TV Licences for 75 year olds not on pension credit, and notes that this has been condemned by the National Pensioners Convention, Age UK, and Independent Age as a retrograde step which will increase social isolation amongst pensioners.

Council calls on the Westminster Government to amend the Digital Economy Act (2017) to allow it to finance free TV licences for all pensioners over 75 years to promote the social independence and dignity of older people.

Council also calls on the Westminster government to reinstate the funding which it withdrew from the BBC which has forced the BBC to take this action."

19 Notice of Motion 12 by Councillors Sharkey and Kennedy

"Women Against State Pension Inequality (WASPI)

This Council affirms its support for the WASPI women and their campaign."

20 Notice of Motion 13 by Councillors Mack and Andy Doig

"Council Property: 16 Cairngorm Crescent, Paisley

This council insists in an independent inquiry into the allocation of 16 Cairngorm Crescent, Glenburn. SCRN 108744"

21 Notice of Motion 14 by Councillors Mack and Andy Doig

"Re-instatement of Plaque: Willie Gallagher

Reinstate the plaque commemorating the life and residency of Willie Gallagher at No.68 Rowan Street, Paisley."

22 Notice of Motion 15 by Councillors Sheridan and Kennedy

"Riverbrae School

That this council expresses its concern over the recent HMIE report into Riverbrae school and seeks clarity on what actions are in place to remedy the issues raised and within what timescale."

Renfrewshire Council

To: Council

On: 27 June 2019

Report by: Director of Finance & Resources

Heading: Annual Accounts 2018/19

1. **Summary**

1.1 The Council's Accounts and Group Accounts for 2018/19 will be submitted for audit by the statutory deadline of 30 June 2019 and a copy of the Council's single entity accounts is attached for members' approval, along with the accounts of the charities the Council controls.

1.2 The external auditor (Audit Scotland) will complete the audit process by early September 2019. Their report on the Accounts will be made available to all members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 23 September 2019 for consideration.

2. **Recommendations**

2.1 Consider, subject to audit, the Renfrewshire Council Annual Accounts for 2018/19; note that the Group accounts are still subject to completion as outlined in Section 7 below and delegate authority to the Director of Finance & Resources to submit the Group accounts to external audit within the relevant timescales

2.2 Approve the annual governance statement for 2018/19

2.3 Note that Audit Scotland is planning to complete the audit of the accounts by early September 2019, that their report will be made available to members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 23 September 2019 for detailed consideration.

2.4 Approve the sums earmarked within the General Fund reserves and HRA reserves as outlined in 3.3 below.

2.5 Approve the transfer of resources outlined in Table 1 below.

2.6 Approve, subject to audit, the annual accounts attached for the Renfrew, Paisley and Johnstone Common Good Funds and the Coats Observatory Trust Fund which under accounting regulations require to be separately prepared and audited from the Council's accounts.

3. **Background**

3.1 The Council's Accounts and Group Accounts for 2018/19 will be submitted for audit by the statutory deadline of 30 June and a copy of the Council's single entity accounts is attached for members' consideration. The accounts have been produced to comply with International Financial Reporting Standards (IFRS) and relevant government accounting regulations. In order to comply with charity accounting requirements, the Council's Accounts do not incorporate statements relating to the Common Good Funds and the charitable trust fund which the Council controls. In both these instances, separate accounts have been prepared in accordance with registered charities accounting requirements and are also included for members' approval.

3.2 The external auditor (Audit Scotland) is planning to complete the audit process by early September. Their report on the Accounts will be made available to all members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 23 September 2019 for consideration.

3.3 The Management Commentary prefacing the Accounts provides an overview of the Council's financial performance and the key features are:-

(a) Revenue spending has been contained within overall budget limits.

(b) After adjusting for planned carry forwards, the carry forward of committed resources, accelerated debt repayment as per the Council's debt smoothing strategy and year end allocations, the General Fund has delivered an underspend of £0.043 million. This outturn position is broadly in line with the forecast breakeven position previously reported to members. Unallocated balances increase to £7.137 million moving into 2019/20, again in line with the minimum level recommended. As previously reported to members, the maintenance of an appropriate level of unallocated reserves remains a key aspect in the management of financial risk which Audit Scotland have indicated they will keep under ongoing review across all local authorities.

(c) Of the overall General Fund reserves, the following are proposed to be earmarked:

- £0.566 million to fund the Council's anticipated final contribution to the M74 extension project

- £1.232 million of 2017/18 funding made available to the Renfrewshire HSCP which has been agreed to be used flexibly to offset anticipated adult social care service pressures

- £1.049 million relating to the Council's approved policy on delegated management of resources within schools.

- £10.343 million relating to the Service Modernisation and Reform Fund (SMARF) which is set aside to assist in the delivery of the Council's transformation and change programme.

- £2.687 million of funding carried forward to support the delivery of committed projects as part of the Private Sector Housing Programme as approved by the Housing and Community Safety Policy Board.

- £1.056 million approved by the Council on 27 February 2014 to development initiatives within Paisley Town Centre.

- £1.051 million of resources committed to the ongoing Early Years Strategy and Change Fund arrangements

- £12.670 million for the Schools PPP reserve in line with the Council's approved affordability framework.

- £0.031 million related to community safety initiatives

- £1.273 million of resources committed to support the City Deal project as approved by Council on 13 February 2014.

- £4.002 million of resource committed to support measures to Tackle Poverty as approved by Council on 2 March 2018.

- £2.632 million of resource committed to support the Heritage Asset Strategy as agreed by Council on 12 February 2015

- £1.426 million of specific grant related to the Pupil Equity Fund

- £0.344 million of resource committed to fund town centre public Wi-Fi as agreed by Council on 3 March 2016

- £2.411 million of resource agreed by the Leadership Board on 21 February 2018 in relation to legacy activities from the City of Culture 2021 bid.

- £0.250 million related to a contribution to Kilbarchan AAC for the development of an indoor training facility in Linwood as agreed by Council on 23 February 2017

- £4.500 million related to the Employability programme as agreed by Council on 2 March 2018

- £4.484 million related to non-recurring investments agreed by Council on 2 March 2018 across environment and place, villages improvements, digital infrastructure, community empowerment, welfare reform support and support for sign language and braille training.

(d) Unallocated HRA reserves as at 31 March 2019 have been maintained at £6.807 million. This represents a prudent level of unallocated reserves for the HRA which remain available to mitigate the impact of any unforeseen risks.

(e) As detailed in Table 1 below, specific reserves now total £80.638 million, a reduction in year of £9.137 million, which relates primarily to resources committed to the Council's capital investment programme and resources retained as part of delivering the council's debt smoothing strategy.

Table 1

	Opening balance £m	**Contributions to Reserves £m**	**Reserves Used / Transferred £m**	**Closing balance £m**
Insurance Fund	2.543	-	-	2.543
Reservoir Repair Fund	0.315	-	-	0.315
Education Capital Items	1.132	0.246	(0.331)	1.047
Investment Capital Fund	85.785	2.023	(11.075)	76.733
Total	**89.775**	**2.269**	**(11.406)**	**80.638**

(f) Capital spending of £51.486 million on non-housing projects was managed within the overall expenditure control limits approved by Council.

(g) The Council's in year council tax collection performance for 2018/19 was 96% and is consistent with that reported in the previous year, equalling the highest ever performance achieved by the Council.

4. FINANCIAL PERFORMANCE 2018/19

4.1 This section of the report provides an overview of the budget performance for each service.

DEPARTMENTAL PERFORMANCE - GENERAL FUND REVENUE BUDGET

4.2 **Chief Executive's Service - breakeven**

Overall spend within the service is in line with budget, with no significant variances to report.

4.3 **Finance and Resources - £12,000 under-spend**

The year-end under-spend is the net result of cost pressures within ICT maintenance offset by additional licensing income.

4.4 **Environment & Infrastructure - £9,000 under-spend**

The underspend is the net result of strict management control of costs across a range of pressure areas including public building repairs and waste disposal, and one-off costs related to the introduction of revised waste collection arrangements; offset by the recovery of repairs costs resulting from traffic accidents through insurance claims, the utilisation of waste reserve funding and support from corporate budgets.

4.5 **Communities Housing and Planning - £8,000 underspend**

There were no significant variations from budget to report.

4.6 **Children's Services - £2,000 under-spend**

Overspends in Additional Support for Learning, children's social care and central administration have been offset by lower than anticipated expenditure on within primary and secondary schools.

The underspend is after accounting for year-end budget flexibility carried forward by schools under Council's Delegated Management of Resources (DMR) Scheme as detailed in section 3.3 above.

4.7 **Adult Services - breakeven**

The breakeven position is the net result of underspends in older people and learning disability services; offset by overspends in physical disability services.

4.8 **Miscellaneous Services – £863,000 overspend**

The net year-end position on miscellaneous services was an overspend linked to the agreed debt smoothing strategy and additional debt repayments, which is offset by the over-recovery of council tax outlined below.

4.9 **Council Tax Income - £875,000 over-recovery**

Council tax income has over recovered against budget and the in-year collection level of 96% is consistent with that reported in the previous year. This represents a continued positive level of collection performance in what remains a challenging economic environment for both residents and the Council.

4.10 **Housing Revenue Account (HRA) – Break-even**

The final year-end breakeven position is in line with the projection previously reported and reflects the net effect of underspends in support services and transfer payments which have been used to fund a repairs overspend in premises related costs and increased debt repayment as part of the overall housing debt smoothing strategy.

Support services and supplies budgets underspent against central support costs and other recharges, including postages, advertising and printing.

The transfer payments budget highlights underspends delivered through continuing improvements in performance regarding rent collection and void rent losses. Savings on Council tax for void properties have also been realised as a result of progress being made with the regeneration of the Tannahill area in Ferguslie Park.

Additional investment in property maintenance costs, including void properties resulted in an overspend in repairs within premises related costs.

An overspend in depreciation and impairment relates to the increased capital contributions made as part of the HRA Business Plan Strategy to utilise in year underspends to assist mitigate the impact of future capital borrowing costs arising from the delivery of investment in housing stock.

Unallocated HRA reserves as at 31st March 2019 have been maintained at £6.807 million. This represents a prudent level of unallocated reserves for the HRA which remain available to mitigate the impact of any unforeseen risks.

5. BUDGET PERFORMANCE - CAPITAL

5.1 Non-Housing Capital Budget Performance

Non-Housing capital expenditure totalled £51.486 million during 2018/19. Capital receipts of £0.992 million were generated from asset sales. These receipts along with £7.617 million available within the Useable Capital Receipts Reserve provided total receipts of £8.609 million. From this, £0.591 million was utilised to support current year investment leaving a balance of £8.017 million which has been earmarked to support the ongoing investment programme in future years. The capital investment performance was delivered within the approved prudential expenditure and borrowing limits set by the Council.

5.2 Housing Capital Budget Performance

Housing capital expenditure totalled £15.475 million during 2018/19. Capital receipts of £1.944 million were realised from asset sales during 2018/19. These receipts were fully utilised in 2018/19 to support the current year investment programme.

6 PRUDENTIAL FRAMEWORK

6.1 The Prudential Framework approved by the Council is supported by a number of indicators and the Council's performance against these indicators is reported in the Management Commentary in the Accounts. A further report outlining the treasury management activity undertaken during 2018/19 is also on the agenda for this meeting.

7. GROUP ACCOUNTS

7.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 – ("the Code"), requires local authorities to consider accounting for their interests in all types of entity e.g. Joint Boards & Committees, Leisure Trusts, companies etc. This includes other local authorities or similar bodies as defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Valuation Joint Boards plus all Joint Committees. Under the Code authorities are required to prepare a full set of Group Accounts in addition to their own Council's Accounts where they have a material interest in such entities.

7.2 To comply with the mandatory requirement for such disclosures we have once again reviewed over the last year a number of organisations with which the Council is involved against the accounting guidelines as detailed in the code. We have concluded that the Council is required to prepare Group Accounts and to consolidate the results of the Council with a share of a number of other entities.

7.3 The entities that are deemed to fall within the Council's group boundary are:

Joint Boards encompassing the Strathclyde Concessionary Travel Scheme Joint Committee, Strathclyde Partnership for Transport, the Renfrewshire Valuation Joint Board and the Renfrewshire Integration Joint Board,

Paisley, Renfrew & Johnstone Common Good Funds and the Observatory Trust administered by the Council,

Renfrewshire Leisure Limited, and

Park Lane Developments (Renfrewshire) LLP.

Paisley Museum Reimagined Limited was incorporated in January 2019 as the company which will deliver the fundraising strategy for the redevelopment of Paisley Museum as agreed by the Leadership Board in September 2018. The company has not commenced trading and is therefore not included within the group accounts for 2018/19.

7.4 Both the Council's own Accounts and the Group Accounts will be submitted by 30 June to external audit in accordance with the statutory deadline, however final completion of the Group Accounts has not been possible within the timescales for release of Council papers; therefore as in previous years it is proposed that authority is delegated to the Director of Finance & Resources to submit the duly completed group accounts to external audit.

8. Common Good Funds and Coats Observatory Trust Fund Accounts

8.1 Under accounting requirements introduced in 2010/11, the Council is required to present the annual accounts of both the Common Good Funds and the Observatory Trust separately from the Council's main accounts. In addition, the Council is also required to put in place audit arrangements which are separated from the audit of the Council and its own financial statements.

8.2 Enclosed therefore for members approval for submission for audit are the annual accounts for both the Common Good Funds and the Observatory Trust which have been prepared in line the Charities Statement of Recommended Accounting Practice (Charities SORP).

Implications of the Report

1. **Financial** – the report provides an overview of the Council's financial performance over the course of 2018/19 and as at 31 March 2019. The annual accounts will be presented for audit with the audit findings being reported to the Audit, Risk and Scrutiny Board on 23 September 2019. The report outlines continued sound budgetary control and management of council expenditure within available resources.

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

3. **Community/Council Planning –** the report outlines continued sound financial management which supports the council to deliver on its key community and council plan objectives.

4. **Legal** – subject to approval by Council, the annual accounts will be released to external audit within the statutory timescales.

5. **Property/Assets** - none

6. **Information Technology** - none

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

8. **Health & Safety** - none

9. **Procurement** – none

10. **Risk** - none.

11. **Privacy Impact** - none

12. **Cosla Policy Position** – none

Author: Alan Russell, Director of Finance

Renfrewshire Council

To: **Council**

On: **27 June 2019**

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

Heading: **Treasury Management Annual Report for 2018-19**

1. Summary

1.1 An annual report to Council outlining the treasury management activity undertaken during the year is a requirement of the Local Government Investments (Scotland) Regulations 2010.

1.2 This report meets the requirements of these regulations, and both the CIPFA Code of Practice on Treasury Management 2009 (as amended 2017) (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.3 All aspects of the Treasury Policy Statement were complied with in 2018-19.

2. Recommendations

2.1 It is recommended Council approves the Treasury Management Annual Report for 2018-19.

3. Review of 2018-19 Treasury Activities

3.1 Treasury Portfolio Position at 31.03.19

The Council's external borrowing position at the beginning and end of the last financial year was as follows:-

	Borrowing Position as at 31 March 18		Borrowing Position as at 31 March 19		Change
	£ m (b)	Average Interest Rate	£ m (b)	Average Interest Rate	(b) - (a)
Long Term Borrowings					
Public Work Loans Board - (PWLB) Fixed Interest	175.20	4.79%	171.67	4.70%	(3.53)
Market Loans	52.91	4.69%	52.92	4.69%	0.01
Total Long Term	**228.11**	**4.78%**	**224.59**	**4.70%**	**(3.52)**
Short Term Borrowings					
Common Good Funds	3.44	0.46%	3.79	0.71%	0.35
Agencies, Joint Boards	1.91	0.46%	2.75	0.71%	0.84
Total Short Term	**5.35**	**0.46%**	**6.54**	**0.71%**	**1.19**
Total Borrowings	**233.46**	**4.78%**	**231.13**	**4.78%**	**(2.33)**
Temporary Investments	**112.01**	**0.54%**	**153.68**	**0.88%**	**41.67**

4. Review of Borrowing and Investment Outturn for 2018-19

4.1 Overall, the Council's total external borrowings decreased by £2.33 million. This was mainly due to the scheduled repayment of maturing loans to Public Works Loan Board (PWLB).

4.2 Temporary investments held by the Council increased by £41.67 million. The increase in investments is attributable to a number of issues: the impact of the ongoing medium term debt smoothing strategy, the delay in settling the 2018/19 pay award, grant received in advance of expenditure being incurred eg 1140 hours expansion, and also to investments agreed by the council in 2018/19 where expenditure will be incurred over a number of financial years eg Tackling Poverty. In line with the Council's Treasury Management Strategy no new borrowing was undertaken and investment balances were also used to fund capital investment requirements for the year. The level of cash balances held are required to fund the agreed capital programme, scheduled PWLB repayments and a number of cash-backed provisions and reserves that the Council has made for specific purposes in closing the 2018-19 accounts.

5. Review of Borrowing Strategy and New Borrowing during 2018-19

5.1 The agreed strategy for 2018-19 was approved by Council on 2 March 2018. Based on the Council's planned programme of investments and interest rate forecasts for the year, the Council's borrowing strategy was to use internal cash balances to finance the Capital Investment Programme, acknowledging that this principle did not include the short and longer term financing impact of City Deal projects. As outlined above and in line with this strategy, no new borrowing was undertaken in 2018-19.

6. Review of Investment Strategy and Investment Outturn for 2018-19

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

The Council's investment priorities are the :

- security of capital and
- liquidity of its investments

The Council's investment policy was outlined in the Council's Annual Investment Strategy Report 2018-19 which was approved by Council on 2 March 2018. This policy set out the Council's approach for choosing investment categories and counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

6.2 The Investment Strategy for 2018-19 anticipated the Bank Rate staying low throughout the year, with marginal increases commencing over the medium term. The strategy agreed was therefore to continue to avoid locking into longer term deals while investment rates remained at historically low levels. However, if attractive rates became available with counterparties of particularly high creditworthiness making longer-term deals worthwhile then these investments would be considered.

6.3 Deposit rates remained low at the start of 2018/19. However, the Bank of England Monetary Policy Committee (MPC) increased the Bank Rate by 0.25% in August 2018. This was the second rate rise in ten years and rates increased gradually from then until the year end on the expectation of a further increase in Bank Rate. Rates have since fallen away again in the new financial year as the prospect of further significant rate rises diminishes. The current low rates and ongoing economic and political uncertainty has highlighted the need for caution to be maintained in the Council's treasury investment activity in the shorter term.

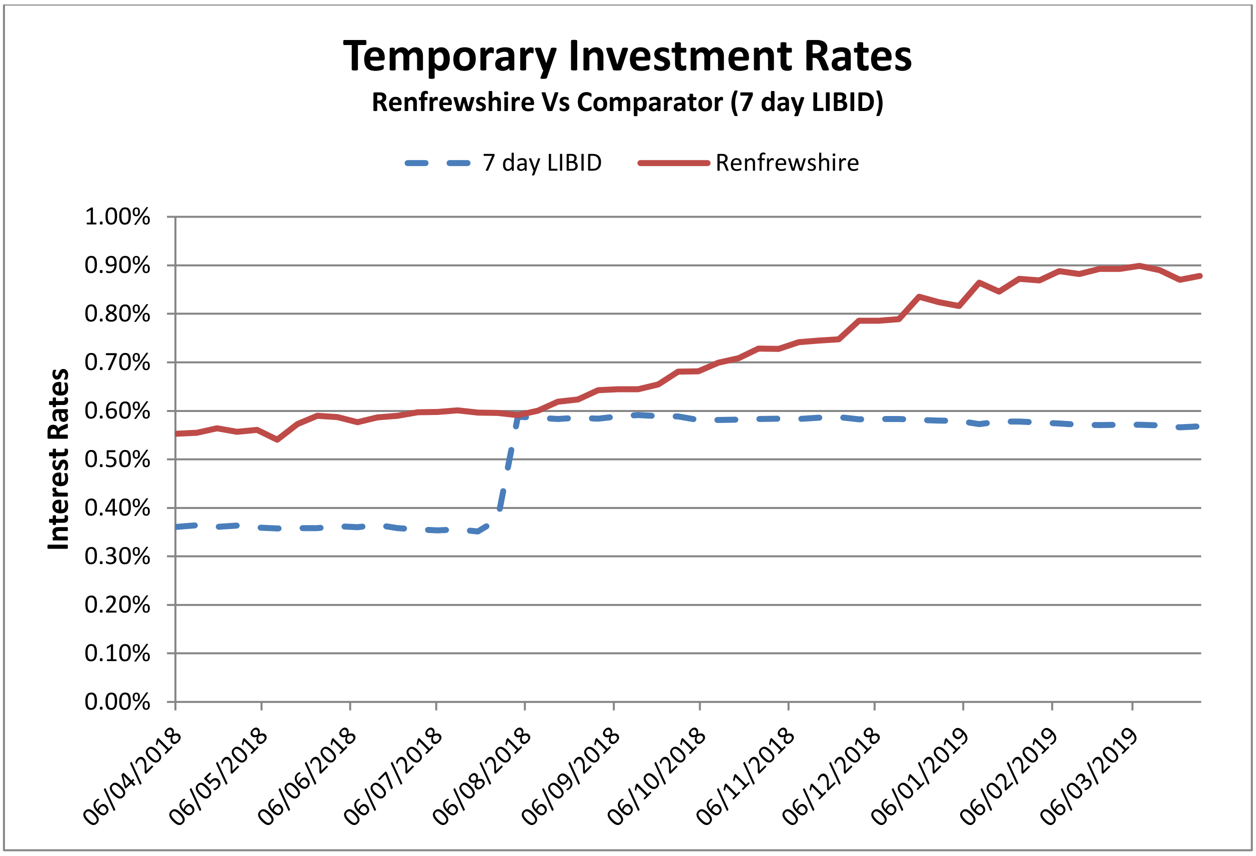
6.4 During 2018-19, the Council only invested with institutions listed in the Council's approved Counterparty list and in the permitted investment categories. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

6.5 The table below shows interest rates achieved by the Council on its temporary investments during the year and for comparison the benchmark comparator, the average 7 day LIBID rate (uncompounded).

Temporary investments - internally managed	**2017/18**	**2018/19**
Average Investment	£145.53m	£231.41m
Actual rate of return	0.46%	0.71%
Benchmark return	0.21%	0.51%

6.6 The graph below shows the trend of interest rates on our investments over the course of the year. The Council out-performed the average benchmark for the year. Throughout the year the Council made use of opportunities where appropriate to invest for longer periods with high quality counterparties up to one year when better rates were available. These special tranche rates offered some value over the year however, deposit rates remained depressed during the year due to the potential impact of Brexit on the UK economy and continuing weak expectations for the global economy.

6.7 The current treasury strategy remains appropriate to the Council's ongoing financial, investment and treasury requirements, but is continually reviewed to ensure it remains supportive to the Council's overall financial position, investment priorities and medium term financial forecasts. The strategy is currently being reviewed to ensure as the economic and political landscape changes, and as the Council's financial strategy develops, that borrowing and investments are managed to accommodate both short to medium term treasury requirements and also to ensure that best value is secured from longer term investment in instruments appropriate for this purpose and consistent with the Council's risk profile.



7. Debt Rescheduling

7.1 No rescheduling was undertaken during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling uneconomic and the Council continued to use internal cash balances to finance ongoing capital investment in the short term.

8. Compliance with Treasury Limits

8.1 The Prudential Code for Capital Finance in Local Authorities came into force on 1 April 2004 and replaced the previous system of "Section 94" Government controls over capital investment and borrowing. The Prudential Code allows greater local flexibility for investment decisions that are informed and supported by a "basket" of performance indicators. The 2018/19 indicators were approved by Council on 2 March 2018, and subsequently revised on 13 December 2018.

8.2 The Council's overall performance against the basket of these indicators provides a firm basis for the monitoring and control of capital investment and borrowing and for determining that it is affordable. Certain headline indicators are sub-divided per recommended best practice into two programmes – housing and non-housing.

8.3 The key performance indicators for Treasury are:

1. An "operational boundary" for the Council's external borrowing (the upper limit for the aggregate external borrowing needed) plus an

"authorised limit" for the Council's external borrowing (the upper limit of aggregate external borrowing that is affordable and prudent).

2. A ratio of financing costs to net revenue stream (an affordability measure for debt repayments).

3. An upper limit for fixed rate borrowing maturing within the short, medium and long term (to ensure that the Council is not exposed to a significant re-financing requirement in the short to medium term).

In addition, it is a requirement of the Council's Treasury Policy Statement that the maximum amount of long term borrowings maturing in any one year will be no more than 15% and the maximum amount of long term borrowings maturing in any five year period will be no more than 50%. The objective of these limits is to ensure that the Council is not exposed to a significant re-financing requirement over a short period when interest rates could be relatively high.

8.4 External Borrowing at the Year-end

The Council's aggregate external debt was contained within both the operational boundary and the authorised limit. The outturn compared to the prudential limits is as follows:

2017/18 Outturn £m		2018/19 Borrowing Limits £m	2018/19 Outturn £m
305.29	Aggregate external debt of the Council at 31 March 2019		£298.86
413	Operational Boundary	370	
430	Authorised Limit	385	

8.5 Ratio of Financing Costs to Net Revenue Stream

This indicator is expressed as a proportion. Both the Housing and Non-housing programme were within estimate.

2017/18 Outturn %		2018/19 Estimated Ratio %	2018/19 Outturn %
59.94	Housing	42.77	51.72
5.72	Non-Housing	4.62	5.42

The higher than forecast outturn position reflects adjustments made to planned debt repayments linked to the Council's ongoing medium term debt smoothing strategy across both the general fund and housing revenue account. Excluding these adjustments the outturn is 42.88% for Housing and 5.54% for Non-Housing Services.

8.6 Fixed Rate Borrowing Maturing within the Short, Medium and Long Term

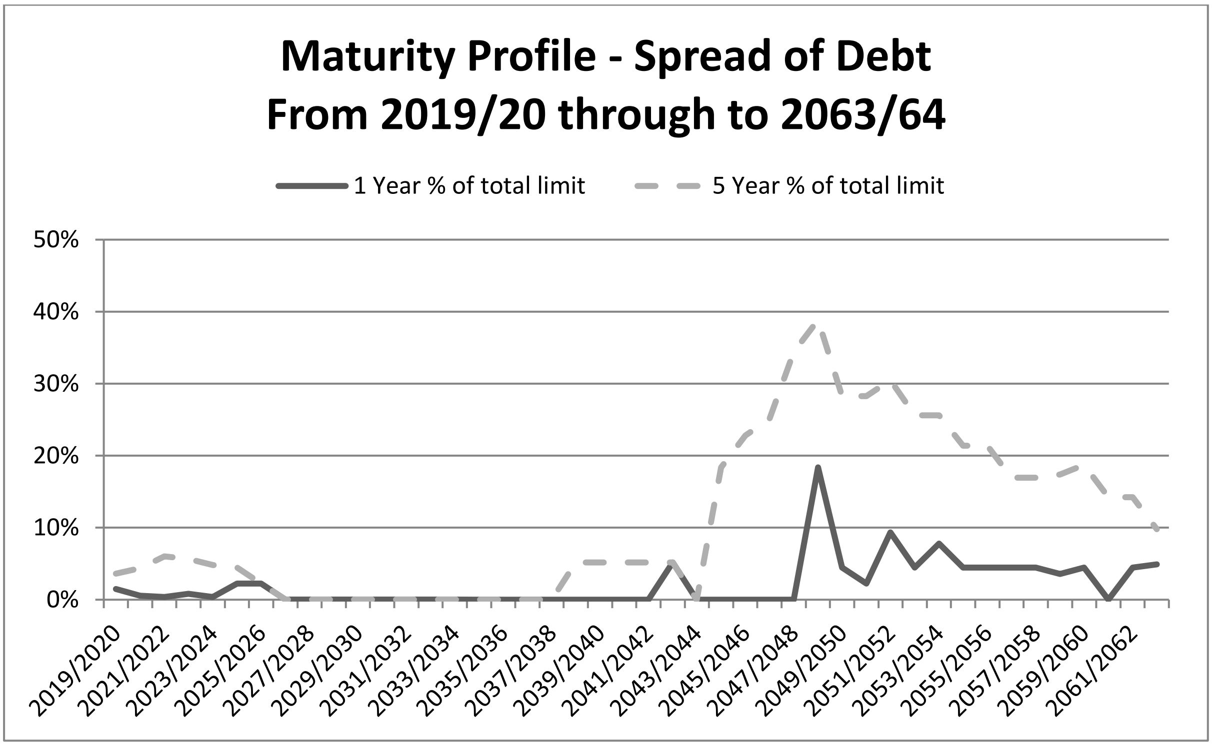
This indicator is expressed as a proportion of the total debt of the Council. The maturity profile of the Council's external debt is well within the approved limits. The outturn compared to the estimate is as follows:

2017/18 Outturn		**2018/19 Approved Upper Limits**	**2018/19 Outturn**
%		**%**	**%**
	Short term		
1.55	Under 12 months	15	1.48
	Medium term		
1.46	12 months and within 24 months	15	0.55
1.72	24 months and within 5 years	15	1.57
4.76	5 years and within 10 years	50	4.47
	Long term		
90.51	10 years and above	100	91.93

8.7 Long Term Borrowing Maturity Profile

During the financial year, the Council operated within the treasury limits set out in the Council's Treasury Policy Statement and Treasury Strategy Statement. The Council's debt maturity profile at 31 March 2019 was within these limits with the exception of the debt maturing in the year 2048/49. The debt maturing in the year 2048/49 is 18.37% of the portfolio as compared to a target of 15%. This marginal breach on the 15% target emerged as a consequence of a change implemented in 2007/08, in the way Lender Option/Borrower Option (LOBO) loans are treated in calculating the Council's maturity profile. Previously the next option date was used as a "potential" maturity date for each loan and this has been changed to the actual maturity end date for each loan. This better reflects the maturity risk in relation to these loans and although it does marginally breach our 15% target in 2048/49, it is expected that the debt will be subject to re-profiling well in advance of the 2048/49 maturity date.

The table below shows the "maturity profile" of the Council's long term borrowing. The heavy black line shows the debt maturing - and therefore requiring to be replaced - during each year up to 2064. The lighter broken line shows the debt maturing in the five year period for each year up to 2064. All years are below 40% and well within our policy limit of 50%.



Implications of the Report

1. **Financial** - As described in this report
2. **HR & Organisational Development** - None
3. **Community Planning** – None
4. **Legal** - None
5. **Property/Assets** None
6. **Information Technology** – None
7. **Equality & Human Rights** – The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report 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** None

9. **Procurement** – None

10. **Risk** – the report outlines a range of measures taken during the course of 2018/19 to manage treasury risks and the risk issues associated with the investment regulations in respect to borrowing and investment activity of the Council and the proposals for managing these risks.

11. **Privacy Impact** – None

12. **COSLA implications -** None

List of Background Papers

Author: Alastair MacArthur, Head of Finance, Ext 7363

Renfrewshire Council

To: Council

On: 27 June 2019

Report by: Director of Finance & Resources

Heading: Scottish Government Fiscal Outlook - Medium Term Financial Strategy

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1. **Summary**

1.1 The Scottish Government published its medium term financial strategy (MTFS) on 31 May 2019 (attached as an appendix to this report). The MTFS is informed by the updated economic and fiscal outlook for Scotland, published by the Scottish Fiscal Commission at the same time, and sets out the Scottish Government's view of Scotland's fiscal outlook, future public finances and its planned approach to using the financial powers available under the Scotland Acts 2012 and 2016 over the medium term.

1.2 This is the second iteration of the MTFS following its first publication in 2018 which was in response to a key recommendation of the Scottish Parliament Budget Process Review Group, and which informs the new annual budget cycle. There is now a commitment to continue to update and publish the MTFS document on an annual basis.

1.3 The MTFS this year has shifted focus in comparison to 2018, with an emphasis on outlining the key variables and uncertainties that increasingly underpin the Scottish Government's budget as increased devolution of both tax and spending occurs. As outlined in more detail in the main body of the report, the Scottish Budget is forecast to be subject to a number of downside risks that are expected to develop over the

medium term and which if outturn as currently anticipated, will place increasing constraints on the Scottish Government's spending capacity.

1.4 The MTFS provides no material detail in relation to future spending plans of the Government across public services and therefore it remains difficult to draw firm conclusions from this updated plan in respect to the detailed prospects for the local government core grant over the medium term.

1.5 What can be said at this stage, is that the 2018 MTFS set out clearly the Government's spending commitment to key priorities covering the NHS, Police, Education and Early Learning Expansion. Based on the Government's own outlook at that time, there was an expectation that other non priority areas would be subject year on year efficiencies in order to fit within the overall envelop of resources available. Therefore, despite the forecast increase that is expected in the Scottish Budget over the medium term as outlined in the 2019 MTFS, the majority of this growth is likely to be allocated to the protected areas of the budget, in particular the NHS resource budget.

1.6 Consequently, non-protected budgets, including the local government core budget are likely to face reduced settlements in the medium term compared to last year's forecasts. In particular, 2021-22 may be a particularly difficult year, due to the exceptional size of the forecast negative Income Tax reconciliation expected to be applied that year. It is recognised the Scottish Government could look to soften the negative impact on non protected budgets by a combination of use of revenue borrowing powers and use of the Scottish Reserve. This in itself will not be sufficient to offset the negative reconciliation adjustments and therefore the Scottish Government would still be faced with additional decisions in respect to tax increases and or further spending reductions in order to achieve a balanced budget position.

1.7 Overall, the future funding position, based on weaker Income Tax revenues than expected, is an on-going concern and would suggest an increasing risk that such non prioritised areas, such as the local government core grant, may be subject to higher spending reductions over the medium term than that forecast 12 months ago.

2. Recommendations

2.1 Note the Fiscal Outlook published by the Scottish Government and the increasing risks emerging to the national budget, driven principally by lower than forecast growth in tax revenues.

2.2 Note the implications for the Council in terms of an increasing risk of further reductions in grant funding over the medium term.

2.3 Note that an updated financial outlook for the Council will be presented to members in the Autumn of 2019.

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3. Background

3.1 In 2018 the Scottish Government introduced a new approach to setting their budget strategy, with part of this process being the annual publication of a Medium Term Financial Strategy (MTFS). The MTFS is intended to set out expectations and broad financial plans and principles for utilising the devolved financial powers of the Scottish Government; along with scenario plans and projections for at least 5 years ahead. At the same time, the Scottish Fiscal Commission (SFC) also publish revised economic and fiscal forecasts.

3.2 The publication of the MTFS addresses key recommendations of the Scottish Parliament Budget Process Review Group (BPRG) review into the Parliamentary budget process. A materially revised budget process was agreed and implemented in 2018. The review recommended the MTFS should consist of:

- forecast revenue and demand-led spending estimates from SFC and their effect on Scottish public finances;
- broad financial plans for next five years;
- clear policies and principles for using, managing and controlling the new financial powers;
- scenario plans based on economic forecasts and financial information in order to assess potential impact of various scenarios on the budget.

3.3 In line with the new process, the second MTFP was published at the end of May 2019, along with the latest economic and fiscal forecasts of the

SFC. The next step in the budget process will be the publication, in September, of the second annual Fiscal Framework Outturn Report.

4 Medium Term Spending Priorities

4.1 The Government's first MTFS in 2018 outlined the clearest statement of intent by the Scottish Government of its future funding plans and confirmation of the Scottish Government's intended spending priorities:

- Health, with a budget of around £13 billion in 2018-19, but rising to over £14 billion by 2021-22;
- Police, with a budget of around £1 billion which is to be protected in real terms, i.e. growing at the rate of inflation;
- Early Learning and Childcare (ELC) Expansion, with a budget rising to over £500 million by 2021 and which will forms part of the Local Government resource funding;
- Attainment, (i.e. raising attainment levels and closing the attainment gap) via the £750 million Attainment Scotland Fund covering the term of the Parliament;
- Higher Education, with a budget of over £1 billion; and
- Social Security, with a budget that grows to around £3.5 billion by 2021-22, largely due to the phased transfer of responsibilities from the UK Government.

4.2 The 2018 strategy explicitly stated that the level of funding over the medium term that remained after each of these priorities was fully funded, would be available to support spending on non-priority areas – the greatest element of which is the core Local Government budget. At the time of the 2018 strategy, it was forecast that the overall resource budget that would be utilised by the six commitments highlighted above would grow from 56% in 2019-20 to 64% in 2022-23 under the central planning scenario. Due to the six commitments taking up an increasingly greater share of the overall Resource Budget over time, the Government set out a clear direction of travel which would lead to the other areas of the budget being inevitably squeezed.

4.3 As outlined later in this report, the updated 2019 MTFS provides no updated detail of the Government's anticipated spending plans. Equally, there is no detail provided of any change in the commitment to deliver against these priorities over the medium term and therefore it is reasonable to assume such principles and broad outlook for the developing shape of future spending is expected to remain.

5 Scottish Fiscal Commission forecasts

5.1 Concurrently with the Scottish Government issuing the MTFS the SFC issued revised economic and fiscal forecasts. These forecasts have been incorporated in the MTFS assumptions and scenarios.

5.2 A key element of the SFCs report is their outlook for the Scottish economy and devolved tax revenues. The key updates provided by the SFC are summarised below.

- The SFC estimate that GDP in Scotland will grow by 0.8% in 2019, and 0.9% in 2020. Both of these are weaker than the Office of Budget Responsibility (OBR) forecast for the UK as a whole (which are 1.2% in 2019 and 1.4% in 2020).

- On GDP per capita, the gap between the SFC and OBR is smaller at least during the first few years of the forecast horizon.

- Real wage growth in Scotland is also expected to be weak relative to the UK, with growth of 0.5% in 2019 and 0.8% in 2020, compared to around 1.0% in the UK as a whole.

5.3 Such forecasts need to be viewed with a degree of caution given the significant degree of uncertainty that exists, particularly in the context of the ongoing uncertainty in respect to how Brexit will be resolved. The SFC acknowledge that all these forecasts are highly dependent on what happens with regards to Brexit. At present the SFC assumes that the UK leaves the EU in October 2019 with a deal. A no deal Brexit is not captured and remains a significant downside risk to their forecasts.

5.4 As can be seen in the table below, GDP growth and wages continue to lag in Scotland relative to the UK, although they catch up as the forecast progresses. Should such a catch up not come about then further risks, with respect to negative fiscal reconciliations (referred to below), may well emerge for the Scottish Budget.

	2018	2019	2020	2021	2022	2023
GDP Per Capita						
Scotland	0.9	0.5	0.6	0.9	1.0	1.0
UK	0.8	0.6	0.9	1.1	1.1	1.1
Real Hourly Wage Growth						
Scotland	0.4	0.5	0.8	0.9	1.1	1.3
UK	1.1	1.0	1.0	1.1	1.1	1.2
Income Tax Growth						
Scotland	11.5	11.7	12.3	12.8	13.4	14
UK	192	196	208	216	225	234

5.5 Despite slower growth in GDP and wages, forecasts of growth in Scottish income tax revenues over the medium term are still on a par with those seen for the UK (just over 20% in the period to 2023-24). However, this is in part due to the increases in Scottish income tax rates, above those that apply in the rest of the UK, introduced by the Scottish Government.

5.6 In summary, the broad set of economic indicators and forecasts, presents an outlook which anticipates that Scotland's economic position is at risk of continuing to lag that of the UK as a whole. As outlined further in the paper, this presents an increasing risk to the Scottish Government budget through the Fiscal Framework arrangements (ie the block grant adjustment mechanism) that underpin the 2016 Scotland Act fiscal devolution arrangements.

6 Financial Outlook

6.1 As outlined previously to members, as the expansion of fiscal devolution evolves, the Scottish Budget is becoming more complicated and exposed to increasingly greater levels of financial risk and uncertainty. This latest MTFS from the Scottish Government, presents a developing medium term outlook which forecasts a number emerging negative risks and which at present are anticipated will place increased constraint on the Scottish Government's spending capacity over this period.

6.2 As highlighted by the SFC and outlined in the MTFS, a key issue developing is the slow growth rate in income tax per head in Scotland relative to that of the UK as a whole. The impact of this is a growing area of concern and risk for the Scottish budget and is manifesting itself in two key ways:

- Firstly, as underlying growth in devolved Scottish Tax revenues is lagging that of the UK as a whole, the Block Grant adjustment (which replicates what the Scottish budget would have benefited had fiscal devolution not been in place) is expected to grow at a faster rate than devolved taxes. The implication of this is that the Scottish Budget's spending capacity is less than it otherwise would have been under pre-fiscal devolution conditions. It is forecast that the impact of this growing divergence by 2020/21 will almost offset the additional £500 million being raised through devolved tax decisions taken by the Scottish Government over the past two years. Therefore growth in devolved tax revenues for

Scotland as a result of devolved decisions, although growing the absolute spending capacity of the Scottish Government's resources, is expected over the medium term will in effect act as a compensating factor to fill the developing divergence from the faster growing block grant adjustment.

- Secondly, the fiscal devolution framework is underpinned each year by the use of income tax forecasts for that year and a subsequent reconciliation process as finalised outturn tax revenue figures emerge at both a UK and Scottish level. Once completed, this process can result in the flow of funding either to or from the Scottish Government's budget as a reconciliation adjustment. It takes several years for this process to be finalised and 2020/21 represents the year in which the process will begin to take effect with the reconciliation outcome for financial year 2017/18 being finalised. As detailed in the MTFS, based on current forecasts the Scottish budget may be subject to reconciliation adjustments totalling £1billion over 2020/21 – 2022/23.

It's important to note that that this is not to say that the Budget will fall by this amount each year. Instead, whether or not the budget in these years will go up or down will depend upon a variety of factors that have yet to emerge, including further changes in the Barnett block grant which will be influenced by UK level economic performance and UK Government decisions and the actual growth of devolved tax revenues. What can however be said with certainty at this stage, is if these forecasts prove to be accurate, is that the amount of money that the Scottish Government had planned to have at their disposal – all other factors remaining equal – will be smaller.

It should also be noted that the budget in these years will also depend upon how the Scottish Government chooses to respond. The fiscal framework does provide for some borrowing capacity and flexibilities for the Scottish Government to cover this type of eventuality. However, such borrowing powers and flexibilities would not be sufficient to fully offset reconciliation adjustments at this scale. This would imply that the Scottish Government would be required to address this through other means, for example raising additional devolved taxation and or higher than previously planned spending reductions.

6.3 Notwithstanding this outlook, the Scottish Government outline in their medium term plan an expectation of an average annual growth in revenue spending of 3.1% per annum over the next 4 years based on their central planning scenario. However, very limited information is provided this year on forthcoming on spending plans. As outlined earlier in this report, the 2018 MTFS set out some high level information about priority spending commitments. This year's MTFS provides no information on what areas will be prioritised, what the strategy is for non-priority areas, and how spending objectives may be prioritised under different risk scenario. However, in the context of existing commitments and specifically those to the NHS, the Scottish Government have indicated in their plan that "*This means that funding available to other public services in Scotland will continue to be constrained over the coming years."*

6.4 In terms of the implications for the medium term prospects for the local government budget, there is no detail provided beyond this broad statement. However, the potential downside risks that are forecast to emerge over the medium term for the Scottish Budget on revenues, coupled with the Scottish Government's stated spending priorities to the NHS, as well as other areas including Police Scotland, Education and Early Learning Expansion, continues to suggest a material risk that the core local government funding is likely to experience a reduction in both cash and real terms over the medium term.

6.5 As previously reported to members in the February budget report, the Scottish Government has committed to providing local government with a three year funding settlement covering the period 2020/21 – 2022/23, on the proviso the UK Government publishes a new Comprehensive Spending Review (CSR) for the UK in the Autumn. As outlined in the updated MTFP, there is an increasing risk linked to the economic and political uncertainty at a UK level that a CSR in the autumn may not emerge. Within the MTFS document, there would appear to be conflicting statements as to how the Scottish Government would respond to no CSR emerging in the context of its multi year settlement commitment:

"Irrespective of the UK Government's decision about its Spending Review, the Scottish Government therefore plans to undertake reviews of spending beyond 2020-21 in order to ensure we can continue to meet the high standards and deliver the quality public services that people across the country expect."

On the other it also states:

‘On resource [spending], we currently plan to publish indicative budgets in December 2019 alongside the Scottish Budget 2020/21, but that may not be possible if we do not have sufficient clarity from the UK Government on its spending plans at that stage’.

6.6 Although the MTFS is lacking in any detail as regards spending plans, the deterioration in the updated medium term forecasts for the Scottish budget coupled with previous spending commitments outlined by the Government, suggest that the outlook for the core local government grant over the medium term has deteriorated somewhat to that which existed 12 months ago. Under the revised budget process the next stage will be the publication in September of the Fiscal Framework Outturn Report which will include audited outturn information in relation to tax revenues, including implications for future financial years. Given the risks around Scotland lagging the UK in this regard, this will continue to be a critical measure.

6.7 It is proposed that an updated Financial Outlook report will be presented to members in the Autumn in advance of the key budget announcements over the second half of 2019.

Implications of the Report

1. **Financial** – the financial strategy outlined by the Scottish Government suggests that local government will continue to receive constrained and potentially declining grant settlements over the medium term. The Council's financial plans will be revised to fully incorporate these potential further reductions in available funding.

2. **HR & Organisational Development** – the financial resources available to the Council will be a key determinant in the future shape and size of the Council workforce.

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

4. **Legal** - none

5. **Property/Assets** - none

6. **Information Technology** - none

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

8. **Health & Safety** - none

9. **Procurement** – none

10. **Risk** – the future financial position and stability of the Council is a key risk within the Council's risk management plans. The report outlines potential further reductions in funding which could heighten this risk.

11. **Privacy Impact** - none

12. **Cosla Policy Position** – COSLA are actively engaging with the Scottish Government with regards the detail within the MTFS and the potential implications for local government and the services it provides.

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Scottish Government
Riaghaltas na h-Alba
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Scotland's Fiscal Outlook

The Scottish Government's Medium-Term Financial Strategy

May 2019

Contents

Foreword by the Cabinet Secretary for Finance, Economy and Fair Work

Strong financial management is vital for both the delivery of public services and for the economy. This Government has a strong track record and in this, our second Medium-Term Financial Strategy, we set out the key financial challenges and opportunities that lie ahead. We also set the context for the forthcoming Spending Review.

Our economy remains strong, with sustained growth and record low unemployment, but it is clear we face challenges ahead. Global growth remains weak, and for Scotland this weakness is compounded by the continuing uncertainty around Brexit. The Scottish Government is prepared to mitigate some of the negative impacts of Brexit, but it will not be possible to mitigate them all. Brexit is wrong for Scotland, and wrong for the rest of the UK.

Over the medium term, the Scottish Government's Economic Action Plan sets out how we promote inclusive growth and wellbeing in the context of this medium-term fiscal outlook. This includes unlocking investment in our regions, cities, towns and rural economy through City Region and Growth Deals; enhancing opportunities for upskilling and reskilling for those already in work; and maintaining a stable and competitive tax regime.

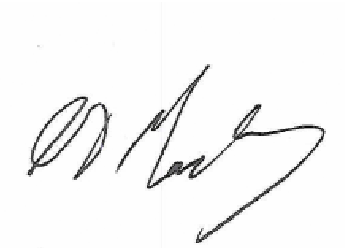
The medium-term funding outlook continues to be dominated by austerity at a UK level. The UK Government's near-decade of austerity has cut funding for some of the most vulnerable people in our society and restricted the resources available for key public services. In Scotland, we have used the limited powers at our disposal to protect key services, despite the £2 billion real-terms reduction to our block grant since 2010.

Austerity is a choice, and not one of Scotland's making. We will continue to make the case to the UK Government that their policy of austerity is both unnecessary and counterproductive. Both the Prime Minister and the Chancellor have claimed that 'austerity is over'. However, the funding outlook for non-Health budgets remains severely constrained.

To demonstrate our prudential approach to financial management, we set out in this Strategy the principles for how the Scottish Government will exercise its borrowing powers and the Scotland Reserve, within the constraints of the Fiscal Framework.

I am taking the opportunity of this publication to outline the framework for our Spending Review. This sets out the criteria that will govern the assessment of budgets, and the process and timetable for the review, reflecting the role of Parliament. It is not yet clear if there will be a UK Spending Review this year. Irrespective of the UK Government's decision, the Scottish Government plans to undertake reviews of spending beyond 2020-21 for both resource and capital budgets.

This Strategy supports this Government's ambitions for Scotland and our people. It will be important in informing how the Spending Review, the Scottish Budget and Programme for Government are developed and scrutinised over the coming year.



DEREK MACKAY MSP

Cabinet Secretary for Finance, Economy and Fair Work

Overview

This is the second Medium-Term Financial Strategy published by the Scottish Government. It sets out the key financial challenges and opportunities that lie ahead and provide the context for the upcoming Spending Review and the Scottish Budget later in the year.

The growth forecasts in Chapter 1 demonstrate that the economic backdrop remains uncertain. The global economy is going through a synchronised period of weakness. For Scotland, this is compounded by the continuing uncertainty around the UK's exit from the EU. The Scottish Government has put in place measures to try to deal with the worst economic and employment impacts. However, no devolved government could fully do so within the existing powers. The chapter sets out the Scottish Government's approach to achieving inclusive growth, including through the Economic Action Plan and infrastructure investment.

Chapter 2 sets out the funding outlook for the medium term, which continues to be determined by austerity at a UK level. The UK Government's macroeconomic policy stance since 2010 has been characterised by austerity – prioritising a reduction of Government debt over most other Government priorities. In Scotland, we have protected key services despite austerity causing a real-terms reduction of £2 billion in the block grant (between 2010-11 and 2019-20).

In Chapter 3 we set out the principles of how the Scottish Government will apply its closely circumscribed fiscal powers on borrowing and the Scotland Reserve in the interest of fiscal sustainability in the medium and long term.

This year, the UK Government has indicated that it plans to publish a three-year Spending Review. As the Budget Process Review Group recognised, the absence of multi-year budgets for devolved public services in recent years has made it more difficult for these services to adopt medium-term priorities and develop plans to address future challenges.

The Scottish Government plans to publish its own Spending Review, following on from the UK Government's Spending Review. In Chapter 4 we publish the framework for our Spending Review. This sets out the criteria that will govern the assessment of budgets and the process and timetable for the review itself. It does not, however, set out detailed spending plans.

Chapter 5 concludes by drawing together the different strands of this Strategy.

The Annexes provide detailed information on the economic and financial modelling, as well as key data on the components of the Fiscal Framework.

PART I – Funding Context

1. Economic Outlook

Overall, 2018 was a positive year for the Scottish economy, with growth relatively broad-based across the economy; the labour market delivering record levels of performance; and further growth in exports.

Alongside this, the most recent data on business research and development trends and inward investment underline the attractiveness of Scotland as a place to do business.

All of this has been achieved against a backdrop of intensifying uncertainty regarding the UK's exit from the EU, as well as continuing structural challenges for particular firms and sectors of the economy.

Scotland's economy grew 1.3 per cent in 2018, continuing a pattern of stronger growth compared to 2015 and 2016. Growth was similar to that of the UK (1.4 per cent). On a per-person basis, however, Scotland's growth rate outpaced the UK by 0.9 per cent to 0.7 per cent, respectively.

Scotland's labour market has continued to perform well in the first quarter of 2019, with unemployment falling to a record low of 3.2 per cent. Alongside this, the number of people in employment has risen by 23,000 over the past year and the employment rate (75.4 per cent) remains close to its record high of 75.8 per cent in 2017.

The continuation of more robust output growth, alongside the strength in the labour market, is reflected in Scotland's productivity performance. Scottish labour productivity grew by 3.8 per cent in 2018, its fastest pace since 2010. Looking at the longer-term picture, Scottish productivity has grown faster than the UK's over the past decade. Since 2007, Scotland's labour productivity has expanded by 10.8 per cent, compared to 2.7 per cent in the UK.

A number of drivers underpinned Scotland's strengthening output growth in 2017 and 2018. Firstly, stronger global economic growth, combined with the depreciation of sterling, provided a boost to Scottish exports. Scottish exports of goods increased by six per cent in 2018, faster than the other UK nations and the UK as a whole which rose by three per cent. Secondly, the rise in the oil price since 2016 and restructuring in the North Sea industry have provided a boost to confidence and activity in the sector.

Scotland remains a highly attractive location for Foreign Direct Investment (FDI). In 2017, there were 116 new foreign direct investment projects in Scotland, up from 108 in 2016. Scotland has maintained its position as the top UK region for FDI, outside London, for five of the past six years. Such investment is key to Scotland's future economic performance, providing an important source of employment, much of which is highly skilled.

However, Scotland continues to face an uncertain outlook as a result of the UK's planned exit from the EU. Whilst leaving the EU without a deal is the worst outcome, even an orderly exit will result in economic loss compared to remaining in the EU. In its report published alongside this Strategy, the Scottish Fiscal Commission (SFC) is clear that uncertainty related to leaving the EU – which, according to a range of surveys, is causing both business and consumer confidence to fall – will have a negative effect on the Scottish economy in the near term. More broadly, there are also some signs that the global economy may be slowing, with the IMF revising down their outlook for growth in 2019.

Against the background of these challenging headwinds, Table 1 sets out the SFC's headline economic forecast. The Commission forecasts that, over the next five years, Scotland's employment will rise further, unemployment will remain at near record lows, and earnings will accelerate.

However, the impact of leaving the EU is clear from the short-term economic forecasts for Scotland, with growth forecast to fall from 1.3 per cent in 2018 to 0.8 per cent in 2019. The SFC relates this anticipated slowdown directly to the ongoing uncertainty created by the UK's EU negotiation process. Indeed, it highlights that this uncertainty has prevented it from revising up its outlook for the Scottish economy.

TABLE 1: HEADLINE ECONOMY FORECASTS

	2018	2019	2020	2021	2022	2023	2024
GDP (per cent growth)	1.3	0.8	0.9	1.1	1.2	1.3	1.3
Employment (millions)	2.67	2.68	2.68	2.69	2.69	2.69	2.70
Unemployment (per cent)	3.9	3.8	4.0	4.0	4.0	4.0	4.0
Real Average Annual Earnings (per cent growth)	0.2	0.4	0.8	0.9	1.1	1.2	1.2

1.1 Achieving Inclusive Growth in Adverse Conditions

Global economic conditions are particularly challenging at present, with the world economy in a 'delicate moment', according to the IMF's chief economist. Not only that, but the UK is poised to leave the EU at the end of October 2019 at the latest.

The Scottish Government's overarching economic ambitions were set out in Scotland's Economic Strategy in 2015. The strategy focuses on the two mutually supportive goals of increasing competitiveness and tackling inequality, through sustainable inclusive growth, fostering innovation, increasing investment, and promoting internationalisation.

Inclusive growth is growth that combines increased prosperity with greater equity; that creates opportunities for all; and that distributes the dividends of increased prosperity fairly. The Scottish approach to inclusive growth centres on both the pace and pattern of growth across the country, and across different groups within our society. Emphasis is placed on building a strong labour market to achieve inclusive growth through the creation of more good-quality jobs, and ensuring people can access these jobs.

To facilitate the delivery of inclusive growth across Scotland, Scotland's Centre for Regional Inclusive Growth (SCRIG) was launched in July 2018. SCRIG will deepen the evidence base on what works in regional inclusive growth, and will promote best practice policy and decision making through Regional Economic Partnerships and other stakeholders.

Economic Action Plan

The Economic Action Plan sets out the actions that will build a strong, vibrant and diverse economy to deliver sustainable, inclusive growth; improve wellbeing; and attract investment across Scotland.

Key elements of the Economic Action Plan include:

- City Region and Growth Deals, which unlock investment in our regions, cities, towns and rural economy. Over £1 billion of investment has so far been committed over the next 10 to 20 years. The aim is to ensure that every part of Scotland benefits through 100 per cent coverage.
- Responding to the rapidly changing skills needs of business and employees, by enhancing the opportunities for upskilling and reskilling for those already in work.
- Maintaining a stable and competitive tax regime, as part of a supportive business environment.
- Setting up the Scottish National Investment Bank, which has the potential to transform Scotland's economy, providing capital for businesses at all stages in their investment lifecycle and important infrastructure projects to catalyse private sector investment.
- The Scottish Growth Scheme, which has already supported over £106 million of investment in 82 companies. We are confident it will support £500 million of investment over the three years to June 2020.
- Establishing an Advanced Manufacturing Challenge Fund of up to £18 million to ensure all parts of Scotland benefit from developments in advanced manufacturing.
- Investing £48 million in a National Manufacturing Institute for Scotland (NMIS) in Renfrewshire, with Strathclyde as anchor university.
- Developing 'A Trading Nation', backed by £20 million of investment, to help boost the value of our overseas exports.

Infrastructure Investment

Investment in infrastructure is vital to supporting and delivering a prosperous and successful Scotland. Evidence from a range of international organisations, including the International Monetary Fund, the World Bank and the European Union, demonstrates a strong positive relationship between infrastructure investment and long-term economic growth.

In the 2018 Programme for Government, the First Minister set out the Scottish Government's commitment to a National Infrastructure Mission (NIM). The adoption of the NIM will provide economic stimulus and boost international competitiveness by raising Scottish infrastructure investment to internationally competitive levels.

The NIM commits the Scottish Government to increase annual infrastructure investment by one per cent of 2017 Scottish GDP by the end of the next parliament in 2025-26, compared to 2019-20. Annual infrastructure investment will therefore be £1.56 billion higher in 2025-26 than the £5.2 billion baseline in 2019-20.

As part of the NIM announcement, the First Minister asked Scottish Futures Trust to "examine new profit sharing schemes such as the Welsh Government's Mutual Investment Model, to help secure both the investment we need and best value for the taxpayer." Scottish Futures Trust (SFT) has now published a report on its recommendations.[1]

It recommends that the Scottish Government adopts a Scottish version of the Mutual Investment Model (MIM). It confirms that the model provides the best value-for-money option which conforms to current Eurostat rules on private sector classification, and that with an appropriate investment pipeline there should be sufficient market interest to invest. SFT notes that, "should greater borrowing powers be made available to the Scottish Government, this would provide a lower cost financing option to deliver additionality." SFT's report assumes that the current borrowing powers remain and examines new investment models over and above the current approaches that would require to be classified to the private sector to count as additional investment.

The Scottish Government has reviewed and agrees with SFT's recommendations. The MIM will be used, alongside a range of other available infrastructure investment tools including capital grant, public borrowing and other forms of revenue finance, to deliver additional infrastructure investment as part of the NIM. These tools currently include using Design, Build, Finance and Maintain (DBFM) contracts through the Hub programme. Whilst these had received a private classification from ONS, Eurostat has concluded a further review and we are not now planning for

[1] https://www.scottishfuturestrust.org.uk/publications

this arrangement to be able to deliver additionality of investment in the future. Consequently, the time is right for a new approach. At this stage, the use of the MIM model will be reserved for central government assets where access to borrowing is more restricted. The intention would be to deploy other levers first, including the use of capital borrowing in line with our fiscal rules and principles.

During 2019-20, the Scottish Government will invest more than £5 billion in infrastructure projects across Scotland, including:

- Over £825 million in the Affordable Housing Supply Programme.
- Progressing our £320 million commitment to construct five new NHS elective care centres in Clydebank, Inverness, Aberdeen, Dundee and Livingston.
- £187 million in City Deals across Scotland.
- £175 million in Early Learning and Childcare facilities.
- Over £145 million funding available through Energy Efficient Scotland.
- £120 million into the precursors of the Scottish National Investment Bank.
- £80 million in active travel to build an Active Nation.
- £50 million for a Town Centre Fund.

The Scottish Government also has a number of significant future capital investment projects including:

- A £600 million programme to deliver 100 per cent coverage in Scotland of superfast broadband (R100 Programme).
- £121 million for Early Learning and Childcare facilities in 2020-21 as part of the Scottish Government’s commitment to invest £476 million between 2017-18 and 2020-21.
- A multi-stage commitment to dual the A9.
- A substantial rolling programme of rail electrification across Scotland, delivering economic, social and environmental benefits.
- Investing £2 billion over 10 years to capitalise the Scottish National Investment Bank.

2. Funding Outlook

Under the Fiscal Framework, three key factors determine the Scottish Budget:

- **UK Government overall fiscal stance** – the block grant from the UK Government remains the single biggest determinant of funding for the Scottish Budget. Changes in the grant are determined by changes in the spending of UK Government Departments through the Barnett formula, so remain entirely outside the control of the Scottish Government;
- **UK Government tax performance** – changes in UK Government tax policy can result in UK Government tax receipts growing at different rates from devolved tax receipts. Through the Block Grant Adjustment process, the Scottish Budget is adjusted for the amount of tax raised per capita in Scotland compared to the rest of the UK. For example, increases in property taxes in England may result in property tax income increasing faster in the rest of the UK than in Scotland, which would increase the Block Grant Adjustment and reduce the size of the Scottish Budget; and
- **Scottish fiscal performance** – if Scottish tax revenue per head for devolved taxes grows faster than in the rest of the UK, through better economic performance, the Scottish budget will increase. If the Scottish Government makes tax policy decisions that increase or decrease tax revenue, these will also have a direct impact on the Scottish Budget.

2.1 UK Fiscal Stance - A Decade of Austerity

This Strategy is being produced at a time of unprecedented austerity. At the end of 2018, UK public spending as a share of national income had fallen for the ninth successive year, the first time that this has happened since the Second World War. Contrary to suggestions that austerity has come to an end, the Office for Budget Responsibility's independent forecasts show that public spending as a share of GDP is forecast to continue to fall further in the coming years.

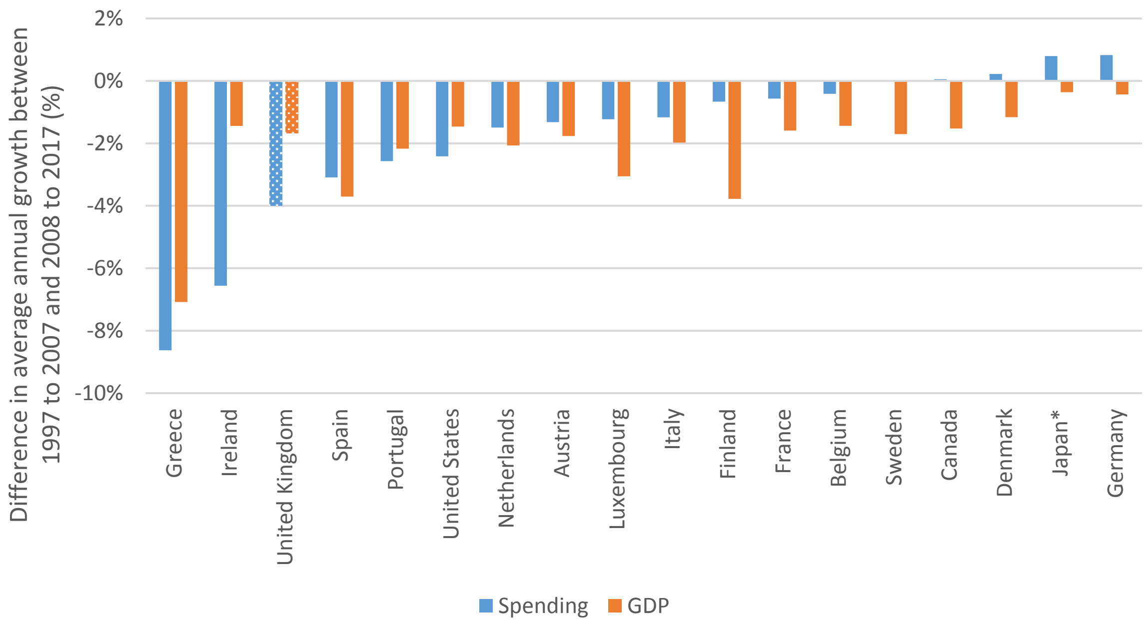
The UK Government's austerity agenda has hurt the poorest and most vulnerable in our society. In particular, the UN Special Rapporteur on Extreme Poverty and Human Rights has argued[2] that the UK Government's policy on austerity was a political choice, and that alternatives to austerity could have transformed the situation of millions of people living in poverty.

The decision to reduce public spending in the UK in 2010 was a response to the financial crisis in 2008. In part, this reflected pressure on governments

[2] https://undocs.org/A/HRC/41/39/Add.1

internationally to reduce the pace of growth in public spending, as the global economy grew more slowly after the financial crisis. However, the reduction of spending in the UK was larger than that in most other similar countries. It was also larger than other countries that saw a similar impact on economic output. This clearly demonstrates the degree to which the scale of public spending reductions seen in the UK since 2010 were a political choice, rather than an economic necessity.

CHART 1: CHANGES IN G7 AND EU15 ECONOMIC GROWTH AND PUBLIC SPENDING SINCE 2008

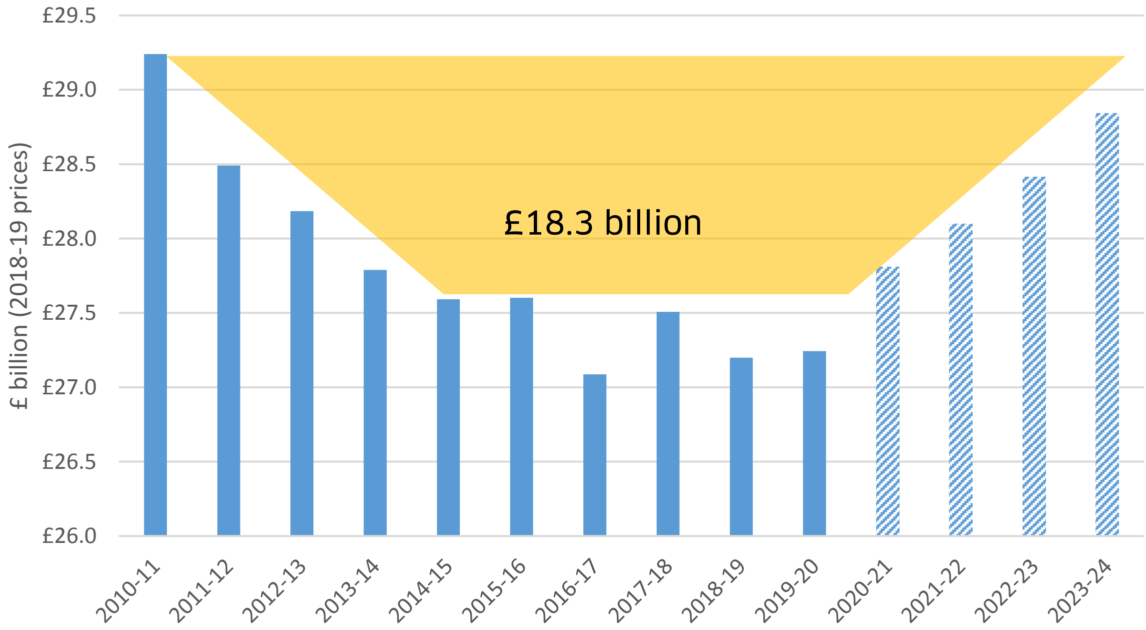


*** Data for Japan only available since 2005; Source: OECD and Scottish Government analysis**

By failing to deliver on the pledge to end austerity, the UK Budget in October 2018 missed the opportunity to provide much-needed direction and leadership for our longer-term finances and the wider economy. The UK Government needs to address this failure and, instead, set out a path for investing in public services. The Office for Budget Responsibility (OBR) has forecast that the Chancellor will have an additional £26.6 billion available in 2020-21 to invest in public services, whilst still meeting his fiscal rules.

Inevitably, Scottish public services have been affected by UK austerity. The resource block grant given to the Scottish Government by the UK Government is currently £2 billion lower in real terms than it was in 2010. The decision to pursue a path of austerity by successive UK Chancellors has meant that over £12 billion less has been invested in Scottish public services over the last nine years. The limited powers afforded to the Scottish Government over devolved taxation are not enough to offset entirely the decisions imposed on our budget from Whitehall. By 2023-24, the Scottish Government expects total resource spending (excluding social security) to have been £18.3 billion less than if spending had remained at 2010-11 levels.

CHART 2: SCOTTISH GOVERNMENT REAL-TERMS RESOURCE FUNDING SINCE 2010-11



Funding for fiscal resource expenditure, excluding social security; source: Scottish Government

2.2 Impact of other UK Government Decisions on the Funding Outlook

In addition to a decade of austerity, and the ongoing uncertainty over the UK's exit from the EU, Scotland's funding outlook has also been affected by a number of UK Government policy decisions that have had a detrimental impact on Scotland's public finances.

Additional Funding to Northern Ireland - Following the General Election in 2017, the Conservative Party agreed a confidence and supply arrangement with the Democratic Unionist Party (DUP), which resulted in a £1 billion allocation to Northern Ireland. Had the well-established arrangement set out in the Statement of Funding Policy been followed, Scotland would have received almost £3 billion of additional funding. This issue is yet to be resolved, and the UK Government has since announced that Northern Ireland has received an additional £140 million for its 2019-20 Budget. These funds were allocated directly to devolved matters, but did not result in additional funding for Scotland or Wales.

Employer Pension Contributions – The UK Government's decision to change the discount rate for public sector pension schemes has resulted in significant increases in employer contributions for the Scottish Government. This creates unsustainable pressures, and proposed levels of funding from HM Treasury do not meet the additional costs for any of the pension schemes, with a total shortfall across Scotland of over £100 million. A large part of this total is NHS pensions, where the UK Government explicitly committed to fund 100 per cent of the cost increases. Failure to fully fund these costs will have a significant and detrimental impact on the delivery of essential front-line services in Scotland.

Police and Fire Services VAT – The change in VAT status for Police and Fire services in Scotland has enabled communities in Scotland to directly benefit from an additional £35 million in spending power for our vital emergency services. However, the settlement did not address the inequitable treatment suffered by Scotland's emergency services between 2013 and 2018, since the £175 million paid to HMRC over that period has not been returned.

2.3 Tax Revenue

Income Tax

Ahead of the 2018-19 Budget, the Scottish Government published an income tax discussion paper exploring options for how Scottish income tax powers could be best used. The Scottish Government subsequently introduced a revised, fairer income tax system for Scotland, using the powers available to us as a lever to counter ongoing UK Government austerity and support sustainability in our public services.

Decisions made in the 2019-20 Budget ensure that Scottish income tax continues to meet the four tests of raising additional revenue; protecting lower earning taxpayers; improving progressivity; and supporting economic growth.

Fifty-five per cent of income taxpayers in Scotland in 2019-20 will continue to pay less than people earning the same income in the rest of the UK, while still raising the revenue needed to support investment in the Scottish economy and public services.

Had we applied UK income tax policy in 2019-20, our own analysis shows that we would have over £500 million less to spend in 2019-20. The additional revenues raised as a result of our policy choices are part of what allows us to sustain our social contract with the people of Scotland and deliver on our key medium-term policy commitments.

Changes to the Income Tax Personal Allowance

The UK Government's decisions to increase the Personal Allowance for 2018-19 and 2019-20 have a relatively larger impact on Scottish income tax liabilities, because Scotland has proportionally more Basic Rate taxpayers than the rest of the UK. As a result, the Scottish income tax base and income tax receipts are reduced proportionately more than the rest of the UK income tax base and the Block Grant Adjustments. The Fiscal Framework contains provision for a compensating transfer where this sort of 'spillover' effect takes place. The Scottish Government has requested that a spillover be considered in relation to these increases.

VAT

The Scotland Act 2016 allows for receipts from half of the VAT raised in Scotland to be assigned to the Scottish Government. However, the power to set VAT rates will remain reserved to the UK Government. With no direct policy levers for the Scottish Government, this is purely assigning a proportion of funds to the Scottish budget with a corresponding Block Grant Adjustment.

UK and Scottish Government officials have worked together to develop the draft VAT assignment model, but significant concerns remain around the potential volatility associated with it and the impact on the Scottish budget. The backdrop of EU exit may create additional uncertainty. Robust VAT forecasts cannot feasibly be constructed in this uncertain environment. This is particularly relevant as, under current plans, the baseline year for VAT receipts coincides with the current timetable for exiting the EU. Additionally, the lack of an actual receipts-based outturn figure means that the accuracy of the estimate-based outturn figure will never be known. Similar concerns have been raised not only by the Scottish Parliament's Finance and Constitution Committee, but also by stakeholders such as Audit Scotland, the Fraser of Allander Institute and the Chartered Institute of Taxation.

In this context, it is only prudent for the Scottish Government to seriously consider postponing the assignment of Scottish VAT and commit to reviewing the position at the time of the Fiscal Framework review.

Air Departure Tax

The Scotland Act 2016 devolved powers over Air Passenger Duty, enabling the Scottish Government to make arrangements for the design and collection of its replacement, Air Departure Tax (ADT).

Following updated advice from the UK Committee on Climate Change – and the new 2045 target for net-zero emissions proposed as a result – the Scottish Government has taken the difficult decision that reducing ADT is no longer compatible with Scotland's new emissions reduction targets.

The Scottish Government remains committed to taking on the power. The UK and Scottish Governments have agreed that introduction of ADT will be deferred beyond April 2020 to ensure that it is not devolved in a defective state. To protect rural communities, a solution has to be found to the Highlands and Islands (H&I) exemption issue before the tax can be taken on.

The Scottish Government will continue to work with the UK Government and the H&I Working Group to find a solution. The UK Government will maintain the application of Air Passenger Duty in Scotland in the interim.

Aggregates Levy

Since the passage of the Scotland Act 2016, the devolution of Aggregates Levy has been prevented by ongoing European and domestic legal questions regarding aspects of the UK levy.

The UK Government recently announced that these questions have been resolved and subsequently published on 13 March a discussion document outlining plans for a review of the UK levy. The Scottish and UK Governments will be discussing the review and its implications for the timing of devolution.

In preparation for the eventual devolution of the levy, the Scottish Government appointed the environmental consultancy Eunomia in 2018 to review, model and analyse options for a Scottish-specific Aggregates Levy.

Tax Forecast

Table 2 shows the forecast net position for each tax, using the latest Scottish Fiscal Commission (SFC) forecasts for Scottish tax revenues and the most recent forecasts for the Block Grant Adjustments from the UK Government's Spring Statement 2019. There are no Block Grant Adjustment forecasts for 2024-25, because the OBR only produced forecasts of corresponding UK Government receipts required for the Block Grant Adjustments up to 2023-24.

TABLE 2: LATEST FORECASTS OF TAX REVENUES AND BLOCK GRANT ADJUSTMENTS

£ million		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Income Tax	Revenue	11,005	11,486	11,703	12,332	12,831	13,374	13,985	14,613
	BGA	11,127	11,665	11,709	12,380	12,825	13,300	13,805	n/a
	Difference	**-122**	**-179**	**-5**	**-48**	**6**	**74**	**180**	**n/a**
LBTT[1]	Revenue	557	553	616	655	691	724	759	794
	BGA	584	547	535	568	611	651	705	n/a
	Difference	**-27**	**6**	**81**	**88**	**80**	**73**	**54**	**n/a**
SLfT[1]	Revenue	148	143	109	87	12	14	15	15
	BGA	113	105	92	86	92	84	72	n/a
	Difference	**35**	**38**	**17**	**1**	**-80**	**-71**	**-57**	**n/a**
TOTAL	Revenue	11,710	12,182	12,429	13,075	13,534	14,112	14,758	15,421
	BGA	11,824	12,318	12,336	13,034	13,528	14,035	14,582	n/a
	Difference	**-114**	**-136**	**93**	**41**	**7**	**77**	**176**	**n/a**
Estimated income tax reconciliation[2]					**-229**	**-608**	**-188**		

Note 1: The 2017-18 LBTT and SLfT revenue and Block Grant Adjustment are outturn figures.

Note 2: Estimated income tax reconciliations are only available for years when a budget has already been produced. The 2020-21 reconciliation relates to 2017-18 income tax; the 2021-22 figure relates to 2018-19 income tax; the 2022-23 figure relates to 2019-20 income tax. See Annex C for details.

Figures may not sum due to rounding.

The SFC forecasts for income tax have increased in every year from 2018-19 of the forecast period, relative to their forecasts last December. Cumulatively, this is an increase of over £490 million between 2017-18 and 2023-24, driven largely by an improved outlook for earnings.

The latest BGA forecasts made in March have grown faster since the previous forecast in October 2018, when compared with the increase in SFC revenue forecasts between December 2018 and now. This has resulted in a projected reduction in available funding relative to the previous comparable sets of forecasts.

Changes to estimates for tax revenues for 2019-20 do not have any immediate impact on the current budget position.[3] The updated forecasts

[3] As the latest tax and BGA forecasts in Table 2 have no immediate impact on the current and previous years' budgets, the funding outlook continues to use the tax revenue and BGA

for future years provide an indication of the level of revenues that the SFC anticipates, but these figures will not be used to set the 2020-21 budget in December 2019, which will make use of the next set of forecasts that the SFC produces.

Final revenues and Block Grant Adjustments for income tax are recalculated when outturn data is available, around 16 months after the end of the financial year, and a budget adjustment is then agreed for the following budget year. This means that the difference between forecast and outturn income tax for 2017-18, the first year of the current powers, will be accounted for in the 2020-21 Scottish Budget. The expected reconciliation adjustments are shown in Table 2, with details provided in Annex C.

2.4 EU Funding

During the 2014-20 EU budget round, Scotland is estimated to receive over £5 billion in funding from the EU. This supports a wide range of activities across Scotland, delivering infrastructure, sustaining rural communities, providing valuable support for the farming and fishing industries, and delivering research funding for universities.

As a result of the UK Government's chosen route for exiting the EU, the UK will pull out of large elements of this funding without consultation and without setting out clear alternatives. UK Government commitments on successor arrangements are still not defined.

In their post-EU exit spending forecasts, the OBR has assumed that any reductions in contributions to the EU will be recycled into substitute spending by the UK Government[4]. However, how that will translate into allocations under Barnett to the Scottish Budget is still unclear.

The amount of future funding that Scotland will receive beyond EU exit and any transition period will therefore be dependent on the outcomes both of the UK Government's future spending plans, and any discussions between the UK Government and devolved administrations on future financial settlements to reflect EU exit.

In the absence of firm commitments to the amounts that will be provided under alternative arrangements, we cannot yet quantify levels of funding in the future and any impact this will have on the Scottish Budget.

However, the Scottish Government has been clear that, given Scotland voted overwhelmingly against leaving the EU, funding levels should not be reduced as a result of the UK's exit. All lost EU funding must be replaced in full, so that the benefits that EU funding has provided to many sectors across Scotland can be maintained.

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forecasts that determined the budget in each of these years. Please see Table A.1 in Annex A for the tax revenue and BGA figures used to inform the funding outlook.

[4] https://cdn.obr.uk/March-2019_EFO_Web-Accessible.pdf

2.5 Medium-Term Funding Paths

Modelling Scottish Government funding scenarios is challenging, as the Fiscal Framework is still relatively new and there is limited information available on the performance of forecasts relative to outturn data. In addition, under the current UK Government Spending Review, the UK Government has not yet set budgets for UK Departments and devolved administrations beyond 2019-20 (2020-21 for capital), but has indicated an intention to undertake a Spending Review in summer 2019.

Table 3 shows how each funding component is projected to change over the next five years in the Scottish Government's central scenario.

TABLE 3: FUNDING COMPONENTS (NOMINAL)

£ million	2018-19	2023-24	Average annual growth
Total cash budget	32,049	41,508	5.3%
Resource budget[1]	27,624	32,151	3.1%
New social security spending	178	3,876	85.0%
Capital budget limit	3,596	4,971	6.7%
Financial Transactions	401	519	5.3%
Capital borrowing	250	n/a[2]	n/a

Note 1: Resource budget: Fiscal Resource Budget limit and the net Block Grant Adjustment and reconciliations; updated for Supplementary Estimates; including additional adjustments for NDR, Scotland Act Implementation, Migrant Surcharge, Queen's and Lord Treasurer's Remembrancer (QLTR), Rail Resource Grant. Social security funding is not included and is shown separately.

Note 2: Chapter 3 sets out the Scottish Government's policy for capital borrowing. The funding outlook includes planned borrowing of £450m in 2019-20 and £350m in 2020-21. Over the remaining period of the National Infrastructure Mission, our policy is to borrow between £250 million and £450 million annually to ensure that investment increases overall year-on-year but this is not included in this modelling.

Table 4 provides a breakdown of projected Scottish Budget funding out to 2023-24 for the central scenario, as well as upper and lower ranges.

The central scenario analysis suggests that, by 2023-24, the Scottish Budget (excluding non-cash and Annually Managed Expenditure) could be around £41.5 billion. However, this remains uncertain, and the scenario modelling indicates that the size of the Budget could range between £39.2 billion and £43.8 billion. This reflects the uncertainty around the block grant and Scottish devolved tax income, and the impact of economic uncertainty, such as the UK's exit from the EU.

This uncertainty translates into very different outlooks for growth in the Scottish Budget between 2018-19 and 2023-24, with growth projected to be between £7.2 billion and £11.7 billion (in cash terms). In the central scenario, the budget is projected to grow by £9.5 billion over the five-year period, of which £3.7 billion relates to the transfer of additional Social Security powers, and around £2.3 billion derives from Health consequentials.

The funding trajectory shows significant growth mainly because of the devolution of Social Security powers to Scotland. As this additional funding is accompanied by new Social Security responsibilities for the Scottish Government, the change does not increase spending power. Social Security-directed funding will increase from 2019-20 onwards, with a particularly large increase in 2020-21 when the remaining powers will be devolved to Scotland.

Ten of the eleven benefits being devolved to Scotland are demand-led: spend is driven by the number of people who have a claim as set in legislation, rather than by the amount allocated in a budget. Budgets for these benefits are based on Scottish Fiscal Commission forecasts, rather than spending limits. The Scottish Government will need to manage any differential between the Scottish Fiscal Commission's forecasts and actual benefit expenditure.

The capital outlook assumes that the maximum amount of capital borrowing (£450 million) will be undertaken in 2019-20 and £350 million in 2020-21. As set out in chapter 3, our policy is then to borrow between £250 million and £450 million over the remaining period of the National Infrastructure Mission, but this is not included in modelling of the capital outlook. Final decisions are always taken within the relevant budget year, depending on circumstances.

CHART 3: OUTLOOK FOR RESOURCE AND CAPITAL SCOTTISH BUDGET (NOMINAL, INCLUDING SOCIAL SECURITY)

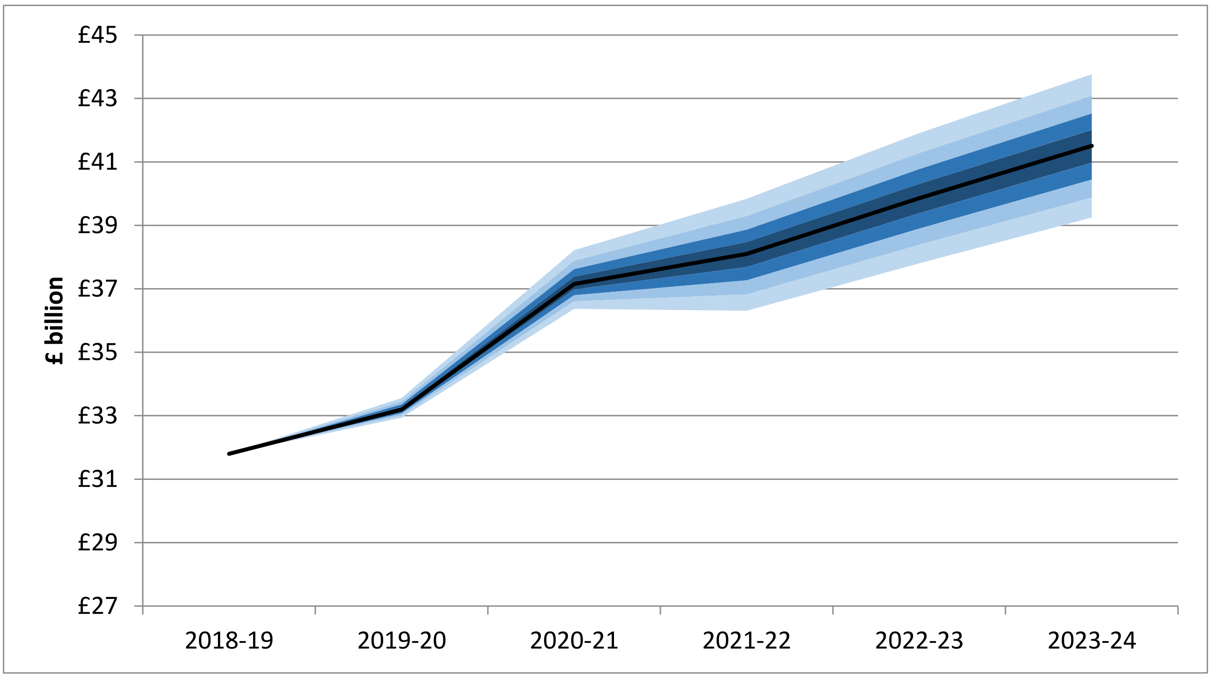
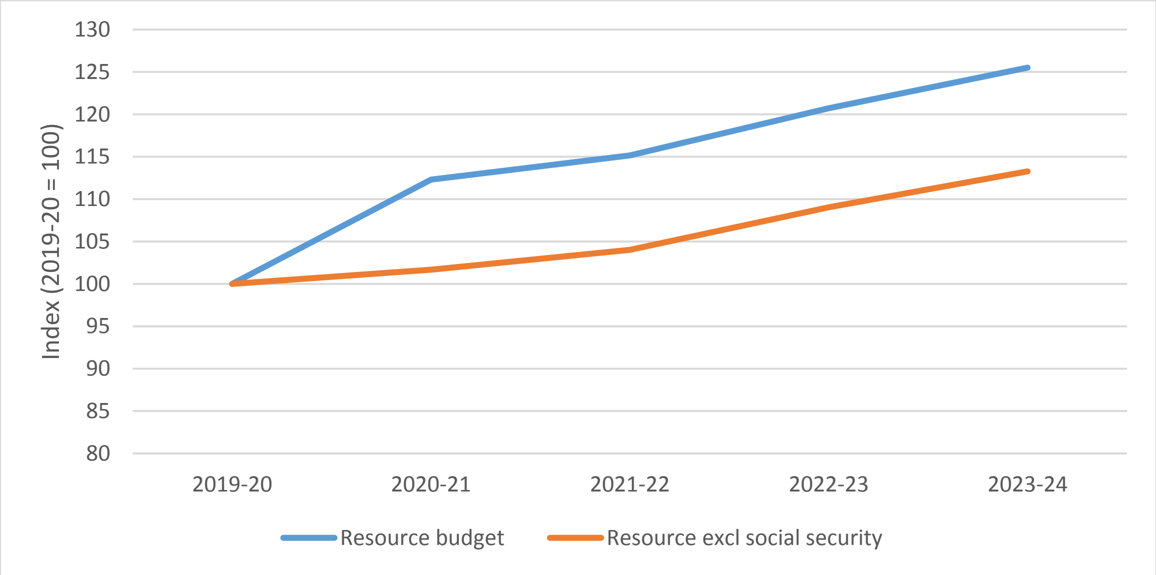


Chart 3 shows how the range around the central projection evolves over time. In 2023-24, the variability amounts to around ±5 per cent of the overall budget. It also highlights how differences can cumulate over a relatively short period. The single largest source of future variations in the Scottish Budget is likely to be the Block Grant Adjustment, although Barnett consequentials will remain a significant source of uncertainty. Further detail is provided in Annex A.

While the Scottish Government budget is increasing in nominal terms, the outlook for Scottish Government spending remains constrained by UK Government fiscal policies. The UK Government has failed to deliver its pledge to end austerity, with the OBR forecasting that public spending as a share of national income will continue to fall.

CHART 4: GROWTH IN RESOURCE SPENDING (NOMINAL)

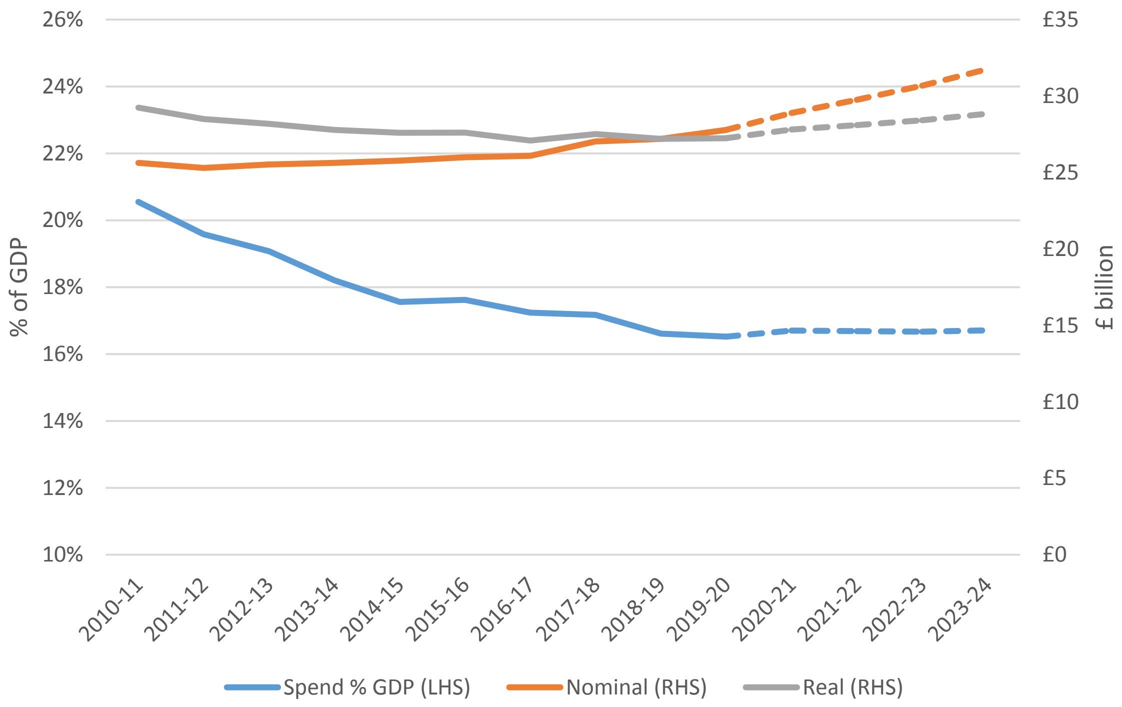


In Scotland over the next five years, the budget for resource spending on day-to-day public services (after excluding the transfer of new social security powers) is expected to grow by 3.1 per cent a year in nominal terms but only 1.1 per cent a year in real terms.

Despite the measures introduced by the Scottish Government to support public services, decisions by the UK Government will mean that austerity will continue in Scotland. The Chancellor's spending plans imply continued real-terms cuts to public spending outside health, as the Institute for Fiscal Studies has highlighted.[5] This means that funding available to other public services in Scotland will continue to be constrained over the coming years.

[5] https://www.ifs.org.uk/publications/13855

CHART 5: OUTLOOK FOR RESOURCE SPENDING (EXCLUDING SOCIAL SECURITY)



As shown Chart 5, Scottish Government resource spending (excluding social security) has fallen from 20.5 per cent of GDP in 2010-11 to 16.5 per cent today and is expected to remain around this level until at least 2023-24.

TABLE 4: SUMMARY OUTLOOK FOR THE MEDIUM-TERM FINANCIAL STRATEGY

£ million (nominal)	2018-19 (outturn)	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual growth[3]
Overall budget[1]							
Upper range		34,007	38,568	39,839	41,909	43,767	6.4%
Central scenario	32,049	33,644	37,503	38,099	39,857	41,508	5.3%
Lower range		33,388	36,720	36,311	37,803	39,247	4.1%
Resource budget[2]							
Upper range		28,582	29,366	30,342	31,962	33,326	3.8%
Central scenario	27,624	28,384	28,857	29,526	30,952	32,151	3.1%
Lower range		28,186	28,348	28,709	29,942	30,976	2.3%
New social security							
Upper range		318	3,489	3,715	3,935	4,150	87.7%
Central scenario	178	313	3,370	3,521	3,694	3,867	85.0%
Lower range		309	3,251	3,326	3,453	3,584	82.3%
Capital budget limit							
Upper range		4,032	4,475	4,792	4,976	5,254	7.9%
Central scenario	3,596	3,978	4,320	4,534	4,693	4,971	6.7%
Lower range		3,924	4,165	4,276	4,409	4,687	5.4%
Financial Transactions							
Upper range		625	888	989	1,036	1,036	20.9%
Central scenario	401	519	606	519	519	519	5.3%
Lower range		519	606	0	0	0	n/a
Capital borrowing							
Upper range		450	350	n/a	n/a	n/a	n/a
Central scenario	250	450	350	n/a	n/a	n/a	n/a
Lower range		450	350	n/a	n/a	n/a	n/a

Note 1 Overall budget: Total Scottish Government funding excluding non-cash elements.

Note 2 Resource budget: Fiscal Resource Budget limit and the net Block Grant Adjustment including forecast reconciliations; updated for Supplementary Estimates; including additional adjustments for NDR, Scotland Act Implementation, Migrant Surcharge, Queen's and Lord Treasurer's Remembrancer (QLTR), Rail Resource Grant. Social security funding is not included and is shown separately.

Note 3: The expected average annual inflation rate (GDP deflator) over the five years is 1.9 per cent.

3. Fiscal Principles and Policies

Despite the current challenging economic climate, the Scottish Government has maintained a strong record of fiscal discipline, balancing its budget every year since 2007. As this climate persists, and as we progress with the implementation of the powers from the Fiscal Framework, the Scottish Budget will be subject to greater levels of uncertainty and volatility than ever before.

In this context, the Scottish Government recognises the importance of setting out the principles and policies to guide the use of its fiscal powers, to manage budget volatility, to enhance budget flexibility and to borrow to support capital investment.

3.1 Overarching Principles

The use of our powers will depend on a number of factors, including the economic and fiscal circumstances at the time. While a greater proportion of the Scottish Government budget now comes from devolved revenues, more than half is still determined by UK Government spending decisions. This means that the circumstances in which we use our powers will often depend on decisions that are outwith our control. In view of this uncertainty, and the constraints of the existing Fiscal Framework, the Scottish Government considers a principles-based approach to be appropriate to support the effective use of the Scottish Government's reserve and borrowing powers.

The following principles will guide decisions on the use of our fiscal powers:

- **Sustainability** – Sovereign countries generally seek to achieve this by having a broadly balanced budget position over the economic cycle. Under the current constitutional setting, the Scottish Government is constrained to a stricter standard of achieving a balanced budget annually, with only limited ability to borrow and use a reserve. Within its limited borrowing and reserve powers the Scottish Government will achieve sustainability through:
  - **Stability** – Use of the powers will be taken with a view to achieving steady funding and expenditure trajectories.
  - **Budget flexibility** – The powers will be applied in a manner that ensures flexibility for future budgets and the ability to respond to unforeseen events.
- **Intergenerational fairness** – The Scottish Government will seek to use these powers in a way that ensures future taxpayers only bear the cost of spending that benefits them.
- **Value for money –** Borrowing and other sources of revenue-finance investment will achieve value for money for the taxpayer.
- **Transparency** – The Scottish Government will set out clearly its planned and actual use of these powers.

3.2 Application of the Principles to the Reserve and to Borrowing

Scotland Reserve

The Scotland Reserve allows the Scottish Government to smooth spending within and between years, and assists in the management of tax volatility. The Reserve is capped in aggregate at £700 million, or only 2.1 per cent of the Scottish Budget in 2019-20, falling to 1.7 per cent in 2023-24, based on the central projection in this document. Annual drawdowns from the Reserve are limited to £250 million for resource and £100 million for capital. This severely restricts the Scottish Government's ability to build up a medium-term reserve and draw down from it.

The Scotland Reserve will be used in a way that balances the principles of Flexibility, Stability and Value for Money.

- Even with tight financial management, it is important to retain flexibility. Managing expenditure across financial years often uses up a substantial proportion of the £250 million resource and £100 million capital limits.
- Within these limitations, the Scottish Government intends to build up the balance in the Scotland Reserve over time, as resources allow, in order to have a financial cushion available, while ensuring that the Reserve retains sufficient capacity to have the flexibility to manage any underspend across financial years.
- We will use the Scotland Reserve as far as possible to smooth resource funding over time, including in relation to potential reconciliations for Income Tax under the Fiscal Framework, and to achieve a stable spending trajectory.
- We will seek to use the Scotland Reserve in a manner that keeps the economic cost of revenue-funded investment and resource borrowing as low as possible, to achieve value for money.
- We will operate this policy within the limitations on the overall size of the Reserve and the drawdown limits which severely restrict the scope to use the Scotland Reserve to smooth the funding trajectory.

Annex C sets out information on use of the Scotland Reserve in 2018-19 and 2019-20.

Resource Borrowing

The Scottish Government can borrow to support resourcing costs only in very specific circumstances: for in-year cash management; and for forecast error on devolved and assigned taxes and on devolved social security expenditure (and on corresponding UK forecasts for the Block Grant Adjustments). The borrowing is subject to annual limits for each scenario, and an aggregate annual limit of £600 million within a statutory overall limit for resource borrowing of £1.75 billion. [6]

The resource borrowing powers will be used in a way that balances the principles of Flexibility, Stability and Value for Money:

- Resource borrowing is an important tool to help achieve stable funding and spending trajectories, in order to ensure macroeconomic stability. Repayment terms would be as short as possible, to minimise servicing costs, subject to the need to smooth resource spending over time.
- In the context of the constraints outlined above, the scope for reductions in spending and/or use of any funds held in the Scotland Reserve would generally be considered first, before any decision is taken on resource borrowing.

No resource borrowing has been undertaken to date and none is planned in 2019-20.

Capital Borrowing

The capital grant funds the majority of direct capital investment by the Scottish Government. In addition to the capital block grant, the Scottish Government can increase capital expenditure through borrowing up to £450 million per year up to a maximum total of £3 billion. While these powers enable the Scottish Government to support the capital investment programme and promote economic growth in Scotland, there are limitations to their use.

The capital borrowing powers will be used in a way which balances the principles of Flexibility, Stability, Value for Money and Intergenerational Fairness and supports the delivery of the National Infrastructure Mission:

- The 2019-20 Budget sets out the baseline for the National Infrastructure Mission (NIM) in 2019-20 of £5.2 billion, which will increase by £1.56 billion by the end of the next parliament in 2025-26. In order to achieve this increase in investment, capital borrowing will be required as part of a combination of funding sources that also include capital grant, financial transactions and alternative revenue-finance models, including private finance.

[6] Where there is, or is forecast to be, a Scotland-specific shock, the borrowing limit for forecast error is extended but is still subject to the aggregate annual limit and statutory overall limit. A Scotland-specific 'economic shock' is defined as when onshore Scottish real GDP growth is below 1 per cent in absolute terms on a rolling 4 quarter basis, and 1 percentage point below UK real GDP growth over the same period. It is important to note that if an 'economic shock' occurs it is not possible for the Scottish Government to apply resource borrowing to provide an economic stimulus. It can only be used where there is a forecast error in relation to devolved and assigned taxes, and on devolved social security expenditure, (and on the corresponding UK forecasts for the Block Grant Adjustments).

- Capital borrowing from the National Loans Fund is a lower-cost alternative to privately financed investment, so this source of borrowing can help achieve value for money. However, there is both an annual limit and an overall cap on use of this borrowing.
- The term structure of borrowing will be chosen to strike the right balance between flexibility (requiring shorter term lengths), value for money (requiring shorter term lengths), and stability (suggesting longer term lengths) and intergenerational fairness (term length corresponds to asset life).
- A contingency reserve of £300 million of the capital borrowing limit will be left unused, to provide the flexibility to undertake capital borrowing if an unforeseen need arises to stabilise the spending trajectory, recognising that we do not yet have capital budgets beyond 2020-21. The annual £450 million drawdown limit would still apply, potentially limiting the immediate use of the contingency borrowing.
- Over the period of the NIM, our policy is to borrow between £250 million and £450 million annually to ensure that there is sufficient investment planned to support economic growth, and that investment increases overall year-on-year. The decision on the term would be taken at the appropriate time in each year, dependent on factors prevailing at the time such as interest rates and the impact on the resource budget. Borrowing of £450 million is expected to be required in 2019-20 and £350 million in 2020-21.

Scenario modelling of borrowing options is set out in Annex B. This indicates that a range of options could be undertaken over the course of the next parliament, leaving the £300 million contingency reserve and remaining within the five per cent resource limit. These options include borrowing between £250 million and £450 million each year until 2025-26. The modelling also demonstrates that there is less sensitivity to interest rate movements than to the term of loan or amount borrowed. Annex B also sets out borrowing that has been undertaken to date, as well as planned borrowing in 2019-20 and 2020-21.

Revenue-Finance Investment

The Scottish Government uses revenue finance to deliver additional high-value infrastructure projects, which could not be delivered with capital grant alone. Previous tools used have included the Non-Profit Distributing (NPD) model; the revenue-finance Hub programmes, tax incremental financing and growth accelerator; and guarantees such as the Rental Income Guarantee Scheme. Some of these projects may also have had some capital grant-funded element. Such infrastructure projects are financed through annual payments or increased tax revenue, typically over a 25- to 30-year period.

Within this framework, the affordability and sustainability of all Scottish Government long-term revenue commitments, including repayment of debt stock, are assessed as part of the Budget process and are kept within a maximum of five per cent of the *resource* Budget available (excluding social security). This was tightened at Budget 2019-20 from the previous limit of five per cent of the *total* Scottish Budget.

The commitments included in the five per cent calculation are the Scottish Government's share of the ongoing costs of: previous Public Private Partnership (PPP) contracts that are now operational; Non-Profit Distributing (NPD) and Hub programmes; growth accelerator; and cost of borrowing. This self-imposed limit ensures that we do not overly constrain our budget choices in future years. Annex B sets out more detail on the funding of infrastructure in the National Infrastructure Mission.

3.3 Review of the Fiscal Framework

The Fiscal Framework will be reviewed by the Scottish and UK Governments following an independent report produced by the end of 2021. This Review will ensure that the Framework is 'fair, effective and transparent', in line with the Smith Commission's principles. Whilst the scope of the Review is undefined, apart from the need to agree a Block Grant Adjustment mechanism, a broad Review should be undertaken using these guiding principles. It should also focus, as a minimum, on the issues below:

Fairness – The Review should examine whether the current Block Grant Adjustment mechanism accurately reflects the loss in revenues to the UK Government of devolving Scotland Act 2012 and 2016 tax powers, as intended through the 'no detriment' principle. The Personal Allowance issue, highlighted in Chapter 2, is an example of the drawbacks of indexing the Block Grant Adjustments to the rest of the UK tax base and VAT Assignment.

Effectiveness – Chapter 3 shows the very limited flexibilities that the current Framework provides to the Scottish Government to manage budget volatility and support investment in Scotland. The Review should re-evaluate the current limits and once again examine the merits of a prudential borrowing regime as recommended by the Commission.

Transparency – Chapter 2 highlights the uncertainty of basing VAT assignment on a methodology-generated, rather than receipts-based, outturn figure. The Review should consider whether there are more transparent ways of assigning VAT revenues to Scotland. The Commission also recommended a more productive, robust, visible and transparent relationship between the UK and Scottish Governments. The additional funding to Northern Ireland shows the continuing lack of transparency around UK Government decisions on funding issues. The Review should also consider whether current governance structures allow for transparent and consensual decision-making on all aspects of the Fiscal Framework.

Part II – Spending Outlook

This part of the Medium-Term Financial Strategy provides the high-level framework for a Scottish Government Spending Review.

This is the first time that such a framework has been published. It follows a recommendation from the Budget Process Review Group and is part of a subsequent agreement between the Scottish Government and the Finance and Constitution Committee of the Scottish Parliament:

- "There is a presumption that the Scottish Government will carry out a Spending Review, linked to the equivalent UK Spending Review. Where the Scottish Government plans to diverge from linking a Spending Review to the UK equivalent then it will write to the Finance and Constitution Committee setting out the reasons for doing so.
- At a Spending Review, the Scottish Government will publish a framework document setting out the economic and political context, the criteria which will govern the assessment of budgets and the process and timetable for review. The framework document will be published prior to Summer recess in order to allow sufficient time for parliamentary scrutiny and input into the Spending Review.
- The Parliament's committees should undertake a constructive dialogue with Ministers, public bodies and stakeholders once the framework document is published in order to influence the outcome of the Spending Review."

At the UK Spring Statement on 13 March 2019, the Chancellor confirmed that a UK Spending Review would conclude alongside the UK Budget if an EU exit deal was agreed. Given the "flextension" to 31 October 2019 for an EU exit deal to be agreed and the impending change of Prime Minister, arrangements for any UK Spending Review are not yet clear.

4. Spending Review Framework

Scottish Ministers are clear that sustainable public finances are a priority given continued UK austerity and growing demand on public services.

Irrespective of the UK Government's decision about its Spending Review, the Scottish Government therefore plans to undertake reviews of spending beyond 2020-21 in order to ensure we can continue to meet the high standards and deliver the quality public services that people across the country expect.

We will also begin work to fulfil the Budget 2019-20 commitment to bring forward a three-year settlement for local government from 2020-21.

Our aim is that where possible we will provide certainty for the years ahead. On resource, we currently plan to publish indicative budgets in

December 2019 alongside the Scottish Budget 2020-21, but that may not be possible if we do not have sufficient clarity from the UK Government on its spending plans at that stage.

On capital, we will take account of the Infrastructure Commission's findings to be reported at the end of December 2019 and the Scottish Government's next Infrastructure Investment Plan which will be informed by the Commission's advice meaning future budgets will be published by June 2020.

4.1 Our Approach to the Resource Budget.

Our ambition is to allocate budgets to meet the changing needs of Scotland's people and the challenges of our times, whilst considering more systematically the links between budgets and what those budgets deliver.

We will expect all spending proposals to be focused on outcomes and to evidence as far as possible the impact (positive or negative) of spend on:

- Wellbeing – driven by Scotland's National Performance Framework;
- sustainable and inclusive economic growth;
- tackling child poverty; and
- tackling climate change.

Fiscal sustainability will underpin our approach, and we will seek greater collaboration across portfolios and public bodies to improve outcomes, and better evidencing of external factors that drive spending (such as adverse UK Government policies or demographic changes). As part of this work we will continue our efforts to adopt a more outcomes-focused approach to budgeting.

Our Timeline

The proposed timeline for the resource budget is set out below:

- May: Medium-Term Financial Strategy and Spending Review Framework published as well as Scotland's Wellbeing: Delivering the National Outcomes.
- June-September: Proposals developed in line with Spending Review Framework.
- October: Ministerial discussions take place on proposals provided.
- November: Budgets are reviewed in light of UK Autumn Budget / Spending Review.
- December: Budget / Spending Review (to be confirmed once UK Government position is clear) published including a three-year resource settlement for local government, and Budget Bill for 2020-21 introduced.

Pre-Budget scrutiny by the Scottish Parliament's Committees will take place across this period. In publishing this framework, even with the uncertainty that exists over a UK Spending Review and EU exit, our aim is to help inform this pre-Budget scrutiny and maximise the opportunity for others to influence the Scottish Budget through it.

4.2 Our Approach to the Capital Budget

The Capital Spending Review framework will be set in the context of the National Infrastructure Mission set out in the 2018 Programme for Government. This will steadily increase annual investment, rising by 1 per cent of current (2017) GDP by the end of the next parliament, 2025-26, compared to 2019-20.

In January 2019 we established an Infrastructure Commission for Scotland (the Commission) to provide long-term strategic advice on national infrastructure priorities, based on evidence and good practice, and to align investment with long-term inclusive economic growth and low-carbon objectives. The work of the Commission will help inform investment priorities over the 30 years ahead, and also in the more immediate period covered by the National Infrastructure Mission.[7]

The six overarching objectives of the Commission's remit are informed by the Scottish Government's National Performance Framework, Economic Strategy and Economic Action Plan. These are:

- Delivering sustainable and inclusive growth across Scotland.
- Managing the transition to a more resource efficient, lower carbon economy.
- Supporting delivery of efficient, high quality, modern public services.
- Increasing industry competitiveness, whilst tackling inequality.
- Enhancing societal living conditions now and in the future.
- Ensuring alignment with the new National Planning Framework.

The Commission will also consider the following key drivers to inform their work and these will also be considered by the Scottish Government through the Spending Review process:

- Securing Scotland's international competitiveness.
- The markets and connections that Scotland requires for goods, services and people.
- How to prioritise investment to deliver inclusive economic growth and low carbon objectives.
- Demographic and other social change factors.
- Place-making.
- Technological change and innovation.

[7] More detail on the Commission can be found at https://infrastructurecommission.scot/

- Considerations around development, ownership and financing of infrastructure, including Fair Work.

By the end of 2019 the Commission will provide its 30-year vision for infrastructure in Scotland together with strategic advice on prioritisation for the first five years.

As the Commission's recommendations will be a critical input to the next Scottish Government Infrastructure Investment Plan and associated capital budget, the Scottish Government's aim is to publish a new Infrastructure Investment Plan and the capital Spending Review by June 2020.

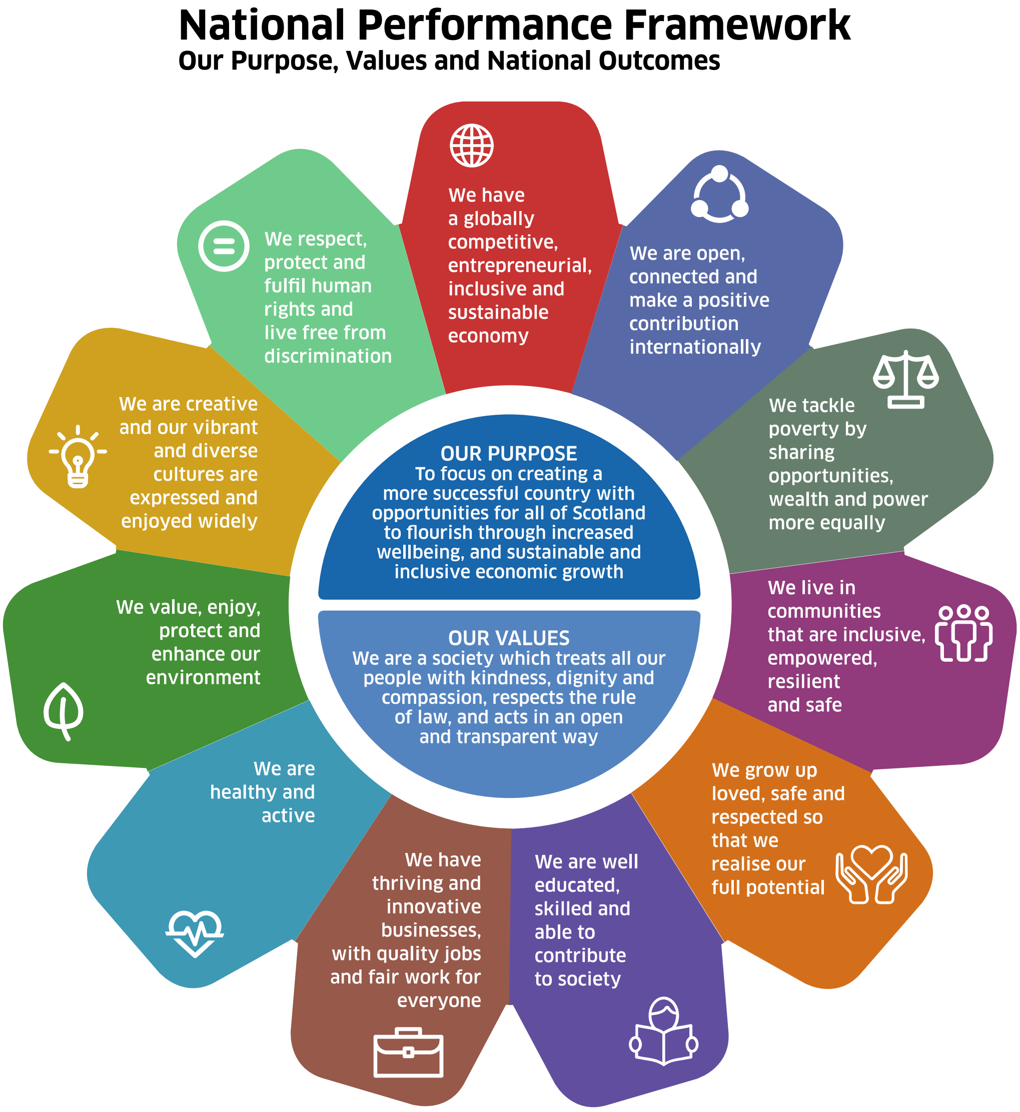
Our Timeline

The proposed timeline for the capital budget is set out below:

- May: Medium-Term Financial Strategy and Spending Review Framework published.
- June: Spending Review process begins.
- End June/July – Infrastructure Commission interim findings available
- November: Budgets are reviewed in light of UK Autumn Statement / Spending Review.
- December: Budget published and Budget Bill for 2020-21 introduced.
- End-December: Infrastructure Commission final report published.
- March-Summer 2020: Infrastructure Investment Plan finalised, building on Infrastructure Commission report.
- Summer 2020: Capital future years budgets set out.

4.3 Opportunities and Challenges

Our actions to tackle some of the big challenges of our time, including getting our economy fit for the future, preparing for demographic change and tackling inequality, are united by the Purpose for Scotland at the heart of the National Performance Framework: to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.



Scotland's National Performance Framework was updated in 2018 with a refreshed Purpose and National Outcomes. The framework has a simple yet ambitious purpose at its heart that everyone in Scotland can get behind to create a more successful country.

Our commitments to giving every child the best start in life and our social contract with the people of Scotland to invest in early learning and childcare, housing, health, justice and education remain a priority. This is underpinned by placing our strategic focus on addressing Scotland's long-term challenges, notably climate change and child poverty, at the core of the spending review.

We have seen significant improvements since devolution showing how people's lives have improved for the better, including lower premature mortality, people feeling more positive about where they live and the skills profile of our population.

We know challenges remain and inequality is holding Scotland back from reaching its full potential. The places where people live and grow up shape the opportunities they have and can influence their life chances. A place-based approach, focused on maximising the impact of the combined assets and investment available, can help us tackle inequality and improve outcomes locally. We will continue to have due regard to the Public Sector Equality Duty and Fairer Scotland Duty when shaping strategic policy and legislative and budgetary decisions, aiming to advance equality and progressively realise human rights.

Financial and Economic Context

The financial and economic context for the Spending Review is clearly set out in this Medium-Term Financial Strategy. It includes a decade of austerity, the ongoing uncertainty over the UK's exit from the EU and its impact, the impact of UK policies on our most vulnerable and the significant restrictions on our fiscal powers to borrow or use the Scotland Reserve.

Public Sector Pay Policy

The Scottish Government remains committed to providing fair and affordable pay rises for public sector employees. A sustainable approach to public sector pay is crucial given the number of public sector workers it applies to and the scale of associated spending. Public sector pay, at an estimated £16.7 billion in 2019-20, accounts for well over half of the Scottish Government resource budget.

Table 5 illustrates the cumulative additional cost of various increases to the 2019-20 public sector pay bill for the Scottish Government, the 44 public bodies covered by the pay policy, the NHS, teachers, police, fire and further education. It excludes other local authority pay costs.

TABLE 5: ILLUSTRATIVE ADDITIONAL PAY BILL COSTS (INCLUDING ON-COSTS)

£ million	2020-21	2021-22	2022-23	Total
1%	130	131	132	393
2%	260	265	270	794
3%	389	401	413	1,204

5. Conclusion

This is the second Medium-Term Financial Strategy published by the Scottish Government. It is designed, as recommended by the Budget Process Review Group, to allow a medium-term perspective on the public finances to be maintained throughout each parliamentary session.

The document does not set out any new decisions or spending commitments but instead seeks to explore and explain the key financial challenges and opportunities faced by the Scottish Government and its public services over the next five years.

Irrespective of the UK Government's decision about its Spending Review, the Scottish Government plans to hold a multi-year review of spending and this document sets out the framework for that.

The figures and modelling within the document are based on the data available as of its publication in May 2019 and will be subject to change as new and updated data become available.

If you have comments on the content or the presentation of this document, we would be delighted to have them. Please contact the Finance Co-ordination Mailbox (finance.co-ordination@gov.scot).

Annex A – Methodology for Calculating the Funding Outlook

The modelling looks at each component of the Scottish Government budget in turn, and projects these individually. The main focus of the projection is on the cash budget limits provided by HM Treasury. These are then supplemented with projections of:

- Income from devolved taxes;
- Block Grant Adjustments;
- Social Security funding; and
- Capital borrowing.

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TABLE A.1: TAX REVENUES AND BLOCK GRANT ADJUSTMENTS FOR FUNDING OUTLOOK

£ million		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Income Tax	Revenue	11,857	12,177	11,684	12,332	12,831	13,374	13,985
	BGA[1]	11,750	11,749	11,501	12,380	12,825	13,300	13,805
	Difference	**107**	**428**	**182**	**-48**	**6**	**74**	**180**
LBTT	Revenue	507	588	643	655	691	724	759
	BGA[1]	545	600	567	568	611	651	705
	Difference	**-38**	**-12**	**76**	**88**	**80**	**73**	**54**
SLfT	Revenue	149	106	104	87	12	14	15
	BGA[1]	119	94	91	86	92	84	72
	Difference	**30**	**12**	**13**	**1**	**-80**	**-71**	**-57**
Total taxes	Revenue	12,513	12,872	12,430	13,075	13,534	14,112	14,758
	BGA[1]	12,414	12,444	12,159	13,034	13,528	14,035	14,582
	Difference	**99**	**428**	**271**	**41**	**7**	**77**	**176**
Estimated income tax reconciliation					**-229**	**-608**	**-188**	
Other Adjustments[2]		**-4**	**-4**	**-9**	**-2**	**-**	**-**	**-**
OVERALL	**Net budget impact**	**95**	**424**	**262**	**-190**	**-601**	**-111**	**176**

Note 1: The BGAs shown are calculated using the Indexed Per Capita (IPC) indexation method. This method in practice determines the BGAs applied to the budget.

Note 2: This includes the net impact of non-tax income (fines, forfeitures and fixed penalties & proceeds of crime) reconciliations for fully devolved taxes on the budget.

Figures may not sum due to rounding.

For revenue and Block Grant Adjustments, we use the figures that determined the Scottish Budget positions for each Budget Act for the years up to and including 2019-20. We use these figures because they informed the funding outlook for each of these years.

For 2020-21 onwards, we use the May 2019 Scottish Fiscal Commission forecast for each devolved tax. The Block Grant Adjustments are from the UK Government's 2019 Spring Statement.

The uncertainty which is captured in the forecast derives from two key factors: uncertainty relating to forecasts of the devolved Scottish taxes and the resulting net block grant position, and uncertainty around the future budget limits from HM Treasury.

Uncertainty Relating to Devolved Tax Forecasts

It is still too soon to have a clear understanding of the uncertainty around Scottish-specific forecasts. The Scottish Fiscal Commission (SFC) published its first evaluation of its forecasts in September 2018, which highlighted the challenges of evaluating forecasts with such limited data. In its latest May forecast, the SFC suggests that it might expect an average error in its one-year ahead tax forecasts of around 3.3 per cent, or around £530 million.

As with last year's publication, the approach to modelling uncertainty is to look at the historical variations in per-person income tax growth rates in Scotland and the rest of the UK. These are used to estimate their probability of further differences over time, and their impact on the Scottish Budget. By way of comparison, this approach results in a one-year ahead forecast uncertainty of 2.3 per cent around the devolved taxes forecast, increasing to 6.4 per cent by 2023-24.

Uncertainty Relating to Future Budget Limits

Uncertainty around budget limits is based on analysis of changes to previous budgets as a result of Barnett consequentials at previous fiscal events. Consequentials for resource, capital and financial transactions are calculated separately. In addition, a further adjustment is made for uncertainty around future budget limits related to social security. As this funding is still very new, no time series of changes to it exist. Instead, work is based on analysis of Office for Budget Responsibility (OBR) uncertainty, which suggests that social security spending forecasts are twice as uncertain as departmental spending forecasts.

Presentation of Results

Rather than present a small number of funding scenarios, the uncertainty from all sources is combined to illustrate a range of possible future paths that the Scottish Government budget may take. Differences from the central projection could occur for a broad range of reasons, such as changes to economic performance, UK Government policy, or changes in labour market behaviour. This range is presented as a fan chart.

Limitations to the Projections

There are a number of risks to the Scottish Budget which have not yet been captured within this modelling and scenario development, such as the assignment of VAT. It is expected that further information will be built into modelling in future years as information and understanding increases, including future UK Government funding once a new Spending Review is undertaken.

The modelling assumes that the current Fiscal Framework methodology (indexed deduction per capita) is used across the entire five-year period.

Further uncertainty in the funding outlook is introduced through the forecast process itself and through divergence in economic performance. Risks around Scottish Government income differing from forecast can be twofold:

- Scottish devolved tax is different from forecast; or
- the rest of UK tax is different from forecast.

Tax forecasts are often linked to economic forecasts. Economic variables such as employment and incomes will be important in determining decisions such as whether households purchase a house, or whether businesses choose to invest. For example, the income tax forecast can be affected by a range of potential factors including:

- employment growth;
- wage growth;
- changes in income distribution in Scotland and the rest of the UK; and
- impact of policy changes.

To this extent, the tax forecasts are often viewed as being closely linked to the economy forecast, with the overall business cycle effects on employment and wage growth likely to be key drivers in the short term, although other factors such as the distribution of incomes and policy choices also play a role. Towards the end of the five-year period, longer term underlying trends such as productivity, demographics and labour market participation may also begin to affect the forecast.

Annex B – Detail on Capital Investment

Table B.1 shows the 2019-20 baseline as set out in the 2019-20 Budget updated for revised capital grant and borrowing assumptions. The capital grant figures are based on the modelled central scenarios in this document until 2023-24; thereafter, they have been kept level. We will continue to develop our approach to revenue-finance investment which can be used to provide additionality beyond what is possible from capital grant and our limited borrowing powers.

TABLE B.1: NATIONAL INFRASTRUCTURE MISSION BASELINE

£ million	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Capital Grant*	4,020.3	4,320	4,534	4,693	4,971	4,971	4,971
Borrowing	450.0	350	n/a	n/a	n/a	n/a	n/a
Financial Transactions	635.5	505	505	505	505	505	505
NPD/Hub Investment	60.0	40	n/a	n/a	n/a	n/a	n/a
Innovative Finance	30.0	25	25	35	20	2	3
Total	5,195.8	4,890	5,064	5,233	5,496	5,478	5,479

*Note: For 2019-20 this includes £42m from the reserve in addition to the capital grant central scenario.

Matching Projects to Financing Methods

The Scottish Government aims to secure best use of all of the funding and financing approaches available within devolved powers, ensuring it can deliver the National Infrastructure Mission (NIM) and value for money. In general, the Scottish Government can generate most investment overall by drawing for each body on those funding methods which offer lowest cost of funds or lowest opportunity cost. This section summarises the various approaches deployed within Scotland and how their cost compares.

Capital Grant and Capital Borrowing - Capital grant is determined by the allocation provided to the Scottish Government by HM Treasury. Capital grant can be used for any new infrastructure investment and for the acquisition of financial assets. Under the provisions of the Scotland Act 2016, the Scottish Government also has the ability to annually borrow up to £450 million, up to a maximum of £3 billion, to fund further capital investment.

Growth Accelerator - Growth Accelerator is an innovative form of revenue finance where local authorities invest in infrastructure to stimulate local economic development. Where local authorities meet agreed outcomes such as generating a set number of additional jobs from low-income areas, the Scottish Government pays a grant to the local authority equivalent to the investment (including financing costs) over a set time period (typically 25 years). Where targets are not met, the local authority is paid a percentage of the grant depending on how close it was to achieving the target.

Outcomes Finance – This is an innovation building on Growth Accelerator revenue finance and is currently being developed. The aim is to identify the outcomes that local authorities would need to meet to receive a dedicated payment from Scottish Government. Currently a form of Outcomes Finance is under discussion with COSLA to explore how it might more cost-effectively finance the new schools programme.

Tax Incremental Financing (TIF) – In TIF, local authorities invest in enabling infrastructure to deliver economic growth. They are then allowed to retain future increases Non Domestic Rates Income arising as a result of their investment which they can use to finance it.

Mutual Investment Model (MIM) - MIM is a profit sharing form of public-private revenue finance which has been developed by the Welsh Government. Under MIM, a delivery company is established to undertake specific infrastructure investment. The delivery company finances infrastructure investment through a mixture of bank debt, bonds and risk capital from the public and private sector. To pay for the cost of the infrastructure investment, the delivery company receives a unitary charge from the Scottish Government (typically over a 25-year period). Under the MIM model, profits arising from the delivery of infrastructure are shared between the public and private sector investors.

Hub - Hub is a public-private partnership delivery vehicle developed by Scottish Futures Trust but will no longer be used for design, build, finance and maintain (DBFM) contracts. HubCos can and do also provide assets directly funded by Councils and others, who draw on the HubCo procurement and construction expertise. 'Hub' is a term used both to describe the revenue-finance model and the procurement route."

Financial Transactions (FTs) - FTs are a form of finance allocated to the Scottish Government by HM Treasury. FTs can only be used to make loans or equity investments in private sector entities, e.g. universities, or individuals. FTs need to be repaid to the Scottish Government for onward repayment to HM Treasury.

Guarantees - The Scottish Government has the ability to issue "guarantees". For example, the Scottish Government may agree to fund the gap between expected and actual income. Guarantees are designed for investment projects where there are clear policy benefits but little current appetite in financial markets for support.

Matching Finance to Projects

Increasing SG Cost of Capital

Public Sector **<u>Central Government</u>** e.g. roads, rail, digital projects, justice, colleges, health.	**Public Sector** **<u>Local Government</u>** e.g. schools, housing and local economic development.	**Notes** (The cost of finance presented below in this table was estimated by Scottish Future Trust, more detail can be found at https://www.scottishfuturestrust.org.uk/publications)
	Tax Incremental Finance (TIF)	Council finances the asset through loans from Public Works Loans Board (PWLB) and is incentivised by extra tax revenues. TIF cost-neutral to SG if Non-Domestic Rates displacement arising from the new asset is accurate.
Capital Grant Capital Borrowing	Capital Grant Capital Borrowing	Capital grant block grant is provided by HM Treasury. The PWLB interest cost for borrowing is estimated at 1.4 to 2.1 times the capital value or cost of asset.
	Growth Accelerator (GA) Outcomes Finance (OF)	Local Authority borrows from PWLB and is incentivised by SG resource grant subject to meeting pre-agreed outcomes. Council Prudential Borrowing and SG affordability limits the use of GA. As above, the PWLB interest cost for borrowing is estimated at 1.4 to 2.1 times the capital value or cost of asset.
Mutual Investment Model (MIM)		Finance cost is estimated at 1.9 to 2.8 times the capital value or cost of asset.

*The total 25-year cost of maintenance is estimated to be 0.5 times the capital value or cost of the asset.

Increasing SG Opportunity Cost of Capital

Private Sector Universities, SMEs, Housing Associations, GPs, individuals	Notes
UK Guarantees Scheme (UKGS)	A UK wide £40bn fund for nationally significant infrastructure projects is available and open until at least 2026. UKG guarantees up to 100% of the principal and interest payments on infrastructure debt issued by the borrower to banks or investors. All guarantees are issued on a commercial basis. UKG is the guarantor; SG faces no risk. UKGS therefore represents lowest opportunity cost of financing private sector in Scotland.
Financial Transactions (FTs)	FTs can only be used for private sector loans or equity investments. SG receives FTs from HM Treasury, currently around £0.5bn p.a. SG must repay 80% to HMT and any bad debts beyond that must be met from SG capital grant.
Scottish Guarantees	Scottish Government can issue its own guarantees similar to UKGS. Any guarantee over £1m must be approved by the Finance Committee. Capital budget is required to meet any calls on guarantees therefore the risk and potential call on capital must be calculated and provided for before issuing.
Capital Grant	Capital grant should be prioritised for public sector projects which cannot be funded through other means.

Capital Borrowing Modelling

Three scenarios were selected to illustrate the impact of different capital borrowing decisions:

- deployment of remaining borrowing capacity on a steadily reducing profile over the NIM period;
- using borrowing to keep capital spending broadly level from 2021-22 (based on the MTFS central scenario to 2023-24);
- maximising borrowing until we can only borrow what we repay.

Each scenario was modelled on the basis of 10- and 25-year repayment terms and with interest rates of 2 per cent and 4 per cent.

In addition, one further scenario was modelled showing borrowing between £250 million and £450 million in each year of the National Infrastructure Mission, leaving a “reserve” of at least 10 per cent (£300 million). In this scenario the modelled borrowing terms that were applied were varied according to the amount borrowed:

- £450 million – 25 years
- £350 million – 25 years
- £300 million – 20 years
- £250 million – 10 years

Borrowing was only modelled for the period of the National Infrastructure Mission to 2025-26. The borrowing profile of the scenarios is as follows:

TABLE B.2: BORROWING PROFILES

Scenario (£ million)	19-20	20-21	21-22	22-23	23-24	24-25	25-26
1) Gradually reducing over NIM period	450	350	350	300	250	250	250
2) Borrow to keep capital level	450	350	450	300	50	50	50
3) Maximise borrowing	450	450	450	450	340-450	117-450	123-344
4) Between £250m- £450m over NIM period	450	350	350	300	300	250	250

Assumptions

The central scenario resource budget (excluding social security) has been used as the basis of the 5 per cent calculation.

Repayments are based on the equal instalment repayment (annuity) method.

Future capital grant and Financial Transactions funding is only confirmed until 2020-21. The central scenario numbers are used from 2021-22 to 2023-24 and thereafter level cash has been assumed.

The capital borrowing modelling has been undertaken in the context of the National Infrastructure Mission commitment to steadily increase infrastructure investment until it is £1.56 billion higher in 2025-26 than it was in 2019-20. It has been assumed that revenue finance will be used to bridge the gap between capital grant, FTs and borrowing to steadily increase investment and from 2026-27 keep investment at 2025-26 levels. This means the amount of investment funded through revenue finance will change as the borrowing profile changes.

For the purpose of cautious modelling assumptions, the most expensive form of revenue finance, private finance, has been modelled. The interest rate for this has been kept constant for all scenarios. However, revenue finance is broader than just private finance and, for example, the growth accelerator model is a form of revenue finance which makes use of Public Works Loans Board (PWLB) borrowing, not private finance.

Conclusions

The modelled scenarios only show borrowing utilised until the end of the next parliament and the end point of the National Infrastructure Mission target – 2025-26. Table B.3 below shows the remaining borrowing headroom for each of the scenarios and, with the exception of the scenarios that maximise borrowing in each year, all have borrowing headroom of greater than £300 million, 10 per cent of the aggregate borrowing limit.

As repayments are made but no further borrowing is modelled, the headroom will increase reflecting that there are choices that can be made in later years.

TABLE B.3: BORROWING HEADROOM

Scenario (£ million)	19-20	20-21	21-22	22-23	23-24	24-25	25-26
1) Borrowing reducing over NIM period 25 years 2%	1,338	1,062	797	594	451	318	194
2) Borrowing reducing over NIM period 25 years 4%	1,338	1,058	788	577	424	280	144
3) Borrowing reducing over NIM period 10 years 2%	1,338	1,089	872	740	687	661	661
4)Borrowing reducing over NIM period 10 years 4%	1,338	1,085	863	723	663	629	622
5) Level cash 25 years 2%	1,338	1,112	888	819	835	855	878
6) Level cash 25 years 4%	1,338	1,108	879	801	807	817	830
7) Level cash 10 years 2%	1,338	1,139	963	971	1,084	1,205	1,334
8)Level cash 10 years 4%	1,338	1,135	954	953	1,057	1,172	1,297
9) Maximise borrowing 25 years 2%	1,338	962	600	253	0	0	0
10) Maximise borrowing 25 years 4%	1,338	958	590	234	0	0	0
11) Maximise borrowing 10 years 2%	1,338	989	681	417	197	41	53
12) Maximise borrowing 10 years 4%	1,338	985	671	398	168	0	0
13) Borrow between £250m-£450m over life of NIM at 2% but different terms - 10-25 years depending on amount	1,338	1,066	809	618	495	397	324

Table B.4 below shows the impact of each of the scenarios on the 5 per cent revenue finance affordability limit.

TABLE B.4: IMPACT ON 5% AFFORDABILITY LIMIT							
Scenario	**19-20**	**20-21**	**21-22**	**22-23**	**23-24**	**24-25**	**25-26**
1) Borrowing reducing over NIM period 25 years 2%	3.27%	3.42%	3.50%	3.47%	3.57%	3.66%	3.78%
2) Borrowing reducing over NIM period 25 years 4%	3.27%	3.44%	3.54%	3.52%	3.63%	3.73%	3.85%
3) Borrowing reducing over NIM period 10 years 2%	3.27%	3.52%	3.66%	3.69%	3.84%	3.97%	4.11%
4) Borrowing reducing over NIM period 10 years 4%	3.27%	3.53%	3.69%	3.74%	3.89%	4.03%	4.18%
5) Level cash 25 years 2%	3.27%	3.42%	3.50%	3.49%	3.56%	3.63%	3.77%
6) Level cash 25 years 4%	3.27%	3.44%	3.54%	3.54%	3.62%	3.71%	3.85%
7) Level cash 10 years 2%	3.27%	3.52%	3.66%	3.73%	3.85%	3.92%	4.05%
8) Level cash 10 years 4%	3.27%	3.53%	3.69%	3.78%	3.90%	3.99%	4.12%
9) Maximise borrowing 25 years 2%	3.27%	3.42%	3.52%	3.48%	3.57%	3.64%	3.71%
10) Maximise borrowing 25 years 4%	3.27%	3.44%	3.56%	3.53%	3.64%	3.73%	3.80%
11) Maximise borrowing 10 years 2%	3.27%	3.52%	3.70%	3.74%	3.91%	4.05%	4.21%
12) Maximise borrowing 10 years 4%	3.27%	3.53%	3.74%	3.79%	3.97%	4.13%	4.29%
13) Borrow between £250m-£450m over life of NIM at 2% but different terms - 10-25 years depending on amount	3.27%	3.44%	3.53%	3.51%	3.63%	3.73%	3.88%

None of the scenarios breach the 5 per cent limit, with the closest being scenario 12 in 2025-26 at 4.29 per cent (maximising borrowing over 10 years at 4 per cent). A change in interest rate had minimal impact compared to a change in the repayment term.

The scenario that maximised borrowing to the limit to the extent that we borrow only what is repaid has a positive impact on the 5 per cent because the amount of investment financed by more expensive private finance is reduced.

Annex C – Fiscal Framework Update

This Annex shows changes in the net position of the Scottish Budget following the latest Scottish Fiscal Commission (SFC) forecasts and Block Grant Adjustment (BGA) estimates informed by Office for Budget Responsibility (OBR) forecasts, as well as the latest capital borrowing and Scotland Reserve balances.

Tax

Table C.1 shows the latest forecasts for tax revenues from the SFC and BGA estimates from the UK Government's Spring Statement in March 2019.

TABLE C.1: LATEST FORECASTS OF TAX REVENUES AND BLOCK GRANT ADJUSTMENTS

£ million		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Income Tax	Revenue	11,005	11,486	11,703	12,332	12,831	13,374	13,985	14,613
	BGA[1]	11,127	11,665	11,709	12,380	12,825	13,300	13,805	N/A
	Difference	**-122**	**-179**	**-5**	**-48**	**6**	**74**	**180**	**N/A**
LBTT[2]	Revenue	557	553	616	655	691	724	759	794
	BGA[1]	584	547	535	568	611	651	705	N/A
	Difference	**-27**	**6**	**81**	**88**	**80**	**73**	**54**	**N/A**
SLfT[2]	Revenue	148	143	109	87	12	14	15	15
	BGA[1]	113	105	92	86	92	84	72	N/A
	Difference	**35**	**38**	**17**	**1**	**-80**	**-71**	**-57**	**N/A**
TOTAL	Revenue	11,710	12,182	12,429	13,075	13,534	14,112	14,758	15,421
	BGA[1]	11,824	12,318	12,336	13,034	13,528	14,035	14,582	N/A
	Difference	**-114**	**-136**	**93**	**41**	**7**	**77**	**176**	**N/A**

Note 1: The BGAs shown are calculated using the Indexed Per Capita (IPC) indexation method. This method in practice determines the BGAs applied to the budget. Figures may not sum due to rounding.

Note 2: The 2017-18 LBTT and SLfT revenue and Block Grant Adjustment are outturn figures.

Figures may not sum due to rounding.

These revised estimates for income tax revenues and Block Grant Adjustments for 2017-18, 2018-19 and 2019-20 do not have any immediate impact on the Scottish Budget. Under the Fiscal Framework, BGAs for income tax are fixed for a financial year based on the forecast at the previous fiscal event.

The updated forecasts for future years provide an indication of the level of revenues that the SFC anticipates, but these figures will not be used to set the 2020-21 Budget in December 2019, as that will make use of the next set of forecasts that the SFC produces.

Future Reconciliations

The forecasts for both Scottish tax revenues and corresponding BGAs are based on the latest available information at the time of the Budget. Once the outturn data is available for the Scottish tax revenues and the BGAs, reconciliations will be carried out.

Income Tax

For Scottish income tax, outturn data is available around 16 months after the end of the financial year. For example, 2017-18 income tax outturn data will be available in summer 2019 and a reconciliation will be applied to the 2020-21 Budget to both forecast revenues and the BGA.

The potential scale of the reconciliations required are shown below for the 2020-21, 2021-22 and 2022-23 Budgets using the latest forecasts.

TABLE C.2: INCOME TAX RECONCILIATION TO 2020-21 BUDGET (£ MILLION)

2017-18 INCOME TAX	Revenues	BGA	Net Position	Forecast Reconciliation
Budget 2017-18	11,857	11,750	+107	
Latest forecast	11,005	11,127	-122	
Change	-852	-623		-229

TABLE C.3: INCOME TAX RECONCILIATION TO 2021-22 BUDGET (£ MILLION)

2018-19 INCOME TAX	Revenues	BGA	Net Position	Forecast Reconciliation
Budget 2018-19	12,177	11,749	+428	
Latest forecast	11,486	11,665	-179	
Change	-692	-84		-608

TABLE C.4: INCOME TAX RECONCILIATION TO 2022-23 BUDGET (£ MILLION)

2019-20 INCOME TAX	Revenues	BGA	Net Position	Forecast Reconciliation
Budget 2019-20	11,684	11,501	+182	
Latest forecast	11,703	11,709	-5	
Change	20	208		-188

Figures may not sum due to rounding.

Since the 2017-18 Budget, the forecast updates have shown a deterioration in the net budget position, which - if proved correct in the outturn - would lead to negative reconciliation requirements in future Budgets.

However, these forecast positions are not certain and will not be known for sure until outturn receipts are available for 2017-18 in summer 2019, for 2018-19 in summer 2020 and for 2019-20 in summer 2021.

It is also worth noting that 2017-18 and 2018-19 revenue and BGA forecasts for income tax were based on a forecast 2016-17 baseline. Income tax outturn data for 2016-17 has now been published, and will be used from now on as the baseline value for the income tax revenue forecasts and BGA. This figure is £806 million lower than the 2016-17 forecast used at the 2017-18 Scottish Budget and £495 million lower than the one used at the 2018-19 Scottish Budget.

While the use of this outturn figure causes forecast revenue and BGA figures to be lower, the 2016-17 outturn data has no direct impact on the Scottish Budget. This is because the BGA deducted from the Budget and the forecast tax revenues added to the Budget have been revised down by the same amount to account for the new baseline value.

Fully Devolved Taxes

Revenue Scotland manages and collects LBTT and SLfT and these revenue streams feed in to the Scottish Budget as they are collected. There is no reconciliation required for these revenues; the Scottish Government manages any variance between what was forecast and actual revenues as part of its in-year budget management process. The latest 2019-20 forecasts for LBTT and SLfT are shown in Tables C.5 and C.6.

TABLE C.5: LBTT 2019-20 REVENUE FORECAST (£ MILLION)	
SFC Revenue Forecast – Budget 2019-20	643
SFC Revenue Forecast – MTFS 2019	616
Change	-27

TABLE C.6: SLfT 2019-20 REVENUE FORECAST (£ MILLION)	
SFC Revenue Forecast – Budget 2019-20	104
SFC Revenue Forecast – MTFS 2019	109
Change	+6

The BGAs for these taxes are reconciled twice. The first ‘interim reconciliation’ is made within the financial year at the Autumn Budget, on the basis of the most recent OBR forecasts. The latest forecast interim reconciliation to the 2019-20 LBTT and SLfT BGAs is shown in Tables C.7 and C.8.

TABLE C.7: LBTT 2019-20 FORECAST BGA INTERIM RECONCILIATION (£ MILLION)	
Forecast BGA – UK Autumn Budget 2018	567
Forecast BGA – UK Spring Statement 2019	535
Forecast Reconciliation to 2019-20 Budget	+32

TABLE C.8: SLFT 2019-20 FORECAST BGA INTERIM RECONCILIATION (£ MILLION)	
Forecast BGA – UK Autumn Budget 2018	91
Forecast BGA – UK Spring Statement 2019	92
Forecast Reconciliation to 2019-20 Budget	-1

Once outturn data is available in the following financial year, a final reconciliation is applied to the block grant for the financial year thereafter (i.e. two years after the year to which the revenues relate). Tables C.9 and C.10 show the forecast final reconciliation for 2018-19 LBTT and SLfT BGAs.

TABLE C.9: LBTT 2018-19 FORECAST BGA RECONCILIATION (£ MILLION)	
Forecast BGA - UK Autumn Budget 2018	546
Forecast BGA - UK Spring Statement 2019	547
Forecast Reconciliation to 2020-21 Budget	-1

TABLE C.10: SLfT 2018-19 FORECAST BGA RECONCILIATION (£ MILLION)	
Forecast BGA - UK Autumn Budget 2018	104
Forecast BGA - UK Spring Statement 2019	105
Forecast Reconciliation to 2020-21 Budget	-1

Social Security

Carer's Allowance

For social security benefits, the Block Grant Adjustments are additions rather than deductions. Carer's Allowance is the only social security benefit in current operation that requires a Block Grant Adjustment. Table C.11 shows the SFC's latest expenditure for Carer's Allowance (not including the supplement) and the Block Grant Adjustment estimate provided at the Spring Statement 2019.

TABLE C.11: FORECASTS OF CARER'S ALLOWANCE EXPENDITURE AND BLOCK GRANT ADJUSTMENTS (£ MILLION)

		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Carer's Allowance	SFC Expenditure Forecast – MTFS 2019	152	286	304	325	351	371	393
	BGA Estimate - UK Spring Statement 2019	157	287	304	325	355	385	N/A
	Difference	5	1	0	0	4	14	N/A

There is no reconciliation required for Carer's Allowance expenditure, as the Scottish Government manages any variance between forecast and actual revenues in-year.

As with the fully devolved taxes, the BGAs for benefits are reconciled twice. The first 'interim reconciliation' is made within the financial year at the Autumn Budget, on the basis of the most recent OBR forecasts. The latest interim reconciliation to the 2019-20 Carer's Allowance BGA is shown in Table C.12.

TABLE C.12: CARER'S ALLOWANCE 2019-20 FORECAST BGA INTERIM RECONCILIATION (£ MILLION)

Forecast BGA - UK Autumn Budget 2018	290
Forecast BGA - UK Spring Statement 2019	287
Forecast Reconciliation to 2019-20 Budget	-3

Once outturn data is available in the following financial year, a final reconciliation is applied to the block grant for the financial year thereafter. There will be a reconciliation to the 2018-19 Carer's Allowance BGA as part of the 2020-21 Budget. Table C.13 shows the forecast final reconciliation.

TABLE C.13: CARER'S ALLOWANCE 2018-19 FORECAST BGA RECONCILIATION (£ MILLION)

Forecast BGA - UK Autumn Budget 2018	157
Forecast BGA - UK Spring Statement 2019	157
Forecast Reconciliation to 2020-21 Budget	0

Discretionary Housing Payments and Best Start Grant

The Scottish Fiscal Commission forecasts expenditure on Best Start Grant and Discretionary Housing Payments (DHPs) and Scottish Government spending plans on DHPs, as shown in Table C.14 below.

TABLE C.14: FORECASTS AND SPENDING PLANS FOR BEST START GRANT AND DISCRETIONARY HOUSING PAYMENT EXPENDITURE (£ MILLION)

		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Best Start Grant	SFC Expenditure Forecast	4	21	16	16	17	17	18
DHPs – Bedroom Tax Mitigation	SFC Expenditure Forecast	51	53	55	57	58	60	62
DHPs – Other Spend	SG spending plans	11	11	11	11	11	11	11

Best Start Grants and DHPs are not funded through Block Grant Adjustments. They are instead initially funded by ‘Machinery of Government’ transfer payments directly from the Department of Work and Pensions until the end of the Spending Review period. After that, funding for these benefits becomes part of the core resource block grant, or ‘baselined’ into the block grant, and subject to the Barnett formula. This means that there are no BGAs calculated for these benefits and no reconciliation process. Funeral Support Payment, commencing in summer 2019, will also commence through this process. Table C.15 shows the funding transfers that the Scottish Government has agreed before funding becomes part of the core resource block grant.

TABLE C.15: BEST START GRANT AND DISCRETIONARY HOUSING PAYMENT FUNDING TRANSFERS (£ MILLION)

		2018-19	2019-20
Best Start Grant	Funding Transfer	1	2
DHPs	Funding Transfer	20	20

Benefits Yet to Commence

Executive competence for the remaining benefits will commence in April 2020 and, where relevant, Block Grant Adjustments will be agreed at the UK Government’s Autumn Budget 2019.

Capital Borrowing

Table C.16 shows the Scottish Government's current capital borrowing plans.

The Scottish Government has borrowed £250 million in 2018-19 to support capital expenditure. This is less than the £450 million originally planned, largely as a result of additional consequential capital funding received from the UK Government.

In 2019-20, the Scottish Government has announced plans to borrow the annual maximum of £450 million capital intended over a 25-year period. Final decisions on the specific borrowing arrangements for 2019-20 will be taken over the course of the year.

The Scottish Government currently plans to borrow a further £350 million in 2020-21 to support the National Infrastructure Mission. Final decisions on future borrowing levels will be taken as part of the 2020-21 Budget and subsequent budget processes.

Chapter 3 sets out the Scottish Government's policy of borrowing between £250 million and £450 million over the remaining period of the National Infrastructure Mission, but this is not included in table C.16 at this stage. Final decisions are always taken within the relevant budget year, depending on circumstances.

On the basis of existing and planned borrowing included in the table, the Scottish Government will have accumulated £1.66 billion in capital debt by the end of 2019-20, 55 per cent of its overall limit. Details on previous borrowing can be found in the Fiscal Framework Outturn Report published on 20 September 2018.

The capital outlook assumes that the maximum amount of capital borrowing (£450 million) will be undertaken in 2019-20 and £350 million in 2020-21. As set out in chapter 3, our policy is then to borrow between £250 million and £450 million over the remaining period of the National Infrastructure Mission, but this is not included in modelling of the capital outlook. Final decisions are always taken within the relevant budget year, depending on circumstances.

TABLE C.16: CAPITAL BORROWING AND REPAYMENT SCHEDULE

£ million		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Borrowing		**450**	**250**	**450**	**350**				
Repayment on 2015-16 borrowing	*Capital*	9.43	9.43	9.43	9.43	9.43	9.43	9.43	9.43
	Interest	0	0	0	0	0	0	0	0
Repayment on 2016-17 borrowing	*Capital*	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1
	Interest	0	0	0	0	0	0	0	0
Repayment on 2017-18 borrowing	*Capital*		7.07	14.35	14.62	14.90	15.19	15.48	15.77
	Interest		7.72	8.35	8.07	7.80	7.51	7.22	6.93
Repayment on 2018-19 borrowing	*Capital*			11.95	24.06	24.29	24.52	24.76	24.99
	Interest			2.06	2.21	1.98	1.74	1.51	1.27
Repayment on 2019-20 borrowing	*Capital*				6.5	13.3	13.6	14	14.3
	Interest				9.8	11	10.7	10.3	10
Repayment on 2020-21 borrowing	*Capital*					5.1	10.4	10.6	10.9
	Interest					7.7	8.6	8.3	8
Repayment on 2021-22 borrowing	*Capital*								
	Interest								
Repayment on 2022-23 borrowing	*Capital*								
	Interest								
Total Repayments of Principal		**20.53**	**20.53**	**32.48**	**51.10**	**63.22**	**69.06**	**69.89**	**70.73**
Repayment period for borrowing (years)		25	10	25	25				
Interest rate		1.9	0.95	2.5	2.5				
Is interest rate fixed or variable?		Fixed	Fixed	Fixed	Fixed				

Scotland Reserve

Table C.17 shows the 2018-19 Reserve position as reported at Spring Budget Revision and provided to the Scottish Fiscal Commission for its May 2019 forecasts.

TABLE C.17: 2018-19 SCOTLAND RESERVE FORECAST AT 31 JANUARY 2019

£ million		
2018-19 Opening Balance		**(538.0)**
2018-19 Forecast Movements		**38.3**
In-year Reserve Drawdown	250.0	
Forecast Underspends	(211.7)	
2018-19 Forecast Closing Balance		**(499.7)**
2019-20 Expenditure Commitments		**407.5**
Budget Bill (anticipated drawdown)	313.5	
Budget Bill - Stage 2	94.0	
Less: Additional 2019-20 Funding		**(208.0)**
Late budget consequentials carried forward through HMT Reserve	(148.0)	
QLTR Receipts deferred from 2018-19	(60.0)	
2019-20 Planned Reserve Drawdown		**199.5**
2019-20 Forecast Residual Balance		**(300.2)**
Of Which		
Resource	(145.7)	
Capital	(154.5)	

Additional funding commitments for 2019-20 totalling £313.5m were made when the budget was initially published in December 2018, with the full amount of this funding to be met through anticipated drawdown from the reserve. A further £94m of spending was committed at Stage 2 of the Budget Bill giving a total commitment to be funded of £407.5m as shown above. However, the overall funding position had changed by the time the additional spending was committed at Stage 2. Additional Budget consequentials of £148m were provided by the UK government and income from the Queen and Lord Treasurer's Remembrancer account of £60m originally intended for deployment in 2018-19 could now be deferred. These two elements of additional funding have been applied against the total spending commitment of £407.5m reducing the planned drawdown from the reserve in 2019-20 to the £199.5m shown in the table.

Annex D – Transparency on Borrowing Powers and Scotland Reserve

To support understanding and scrutiny of the Scottish Government's decisions in relation to the planned and actual use of its Reserve, borrowing powers and revenue-finance investment, and how these decisions align with our principles and policies, the Scottish Government will provide the information outlined below.

Month	Publication	Information provided on the use of the Reserve, Borrowing and Revenue-Finance Investment
December	Scottish Budget document	Alongside the Scottish Government's tax and spending proposals for the financial year ahead, this document sets out the Scottish Government's capital borrowing plans. Resource borrowing plans would also be covered in this document, although there has been no resource borrowing to date. In relation to revenue-finance investment, the document details the monitoring of the long term investment commitments funded from revenue, and sets out these commitments as a percentage of the resource budget (excluding social security), and when they will peak. The document will also update on progress against the National Infrastructure Mission. Where drawdown from the Reserve will support spending plans for the financial year ahead, detail will also be provided in this document.
May	Medium-Term Financial Strategy	This document sets out a range of possible funding scenarios for the Scottish Budget, the Scottish Government's approach to fiscal principles and policies, and the broad financial plans over the coming five-year period. For borrowing, the document sets out the borrowing undertaken to date, the repayment details, and sets out planned or modelled borrowing for future years, where known. It sets out the broad approach to borrowing, including relevant context and developments: for example, how it will be used to deliver the National Infrastructure Mission. For revenue-finance investment, this document sets out the revenue commitments as a

		percentage of the resource budget (excluding social security) and provides a breakdown of committed and planned projects by category. For the Scotland Reserve, it sets out the closing balance for the previous financial year and the planned use for the current financial year. It also sets out the broad approach to use of the Reserve.
September	Fiscal Framework Outturn Report	This report focuses on the operation of the Fiscal Framework, reporting on the reconciliation process, the Scotland Reserve and borrowing powers and is based on audited information, as far as possible. It sets out the borrowing undertaken during the past financial year, and an assessment of the borrowing against the borrowing limits, as well as the implications of borrowing in terms of the estimated profile of future repayments. For the Scotland Reserve, it outlines the payments into and withdrawals from the Reserve and gives the Reserve balance at the start and end of the previous financial year. It also details the arrangements for borrowing in the current year, where known, and the forecast closing balance on the Reserve for the current year. For revenue-finance investment, the report notes the 5 per cent limit and the commitments that are included within this.

The Scottish Government will also provide updates on the use of the reserve and borrowing powers at a number of points during the financial year. The Scottish Government will also inform the Finance and Constitution Committee directly when it draws down any planned borrowing.

Month	**Publication**	**Information provided on borrowing and the Reserve**
October	Autumn Budget Revision	Provides an in-year running balance on the Reserve.
February	Spring Budget Revision	Provides an in-year running balance on the Reserve.
June	Provisional Outturn Statement	For capital borrowing, the statement details the actual amount borrowed in the preceding financial year and shows the aggregate position against the overall borrowing cap. It would detail the same for resource borrowing, should there be any. It shows the updated reserve position after allowing for the provisional underspend position. It shows any planned drawdown in the current year and details the residual balance.

In addition, a number of publications provide further information on the use of our powers, as set out below.

Unitary Charges Publications

We provide funding or part-funding for a number of Non-Profit Distributing (NPD) and Public Private Partnership/Private Finance Initiative (PPP/PFI) projects in Scotland.

We publish three documents annually which provide details of the actual/estimated annual unitary payment charges paid/to be paid by public sector procuring bodies in Scotland to private sector consortiums for services agreed over the length of the contracts:

Three separate publications for unitary charges covering:

- pipeline NPD/Hub projects
- operational PPP/PFI projects
- operational NPD projects pre-November 2010

Publication is generally in March.

Scotland Act Annual Report

This a statutory report that we produce every year, normally in April, to inform Parliament of the operation and implementation work we have done on fiscal powers in the Scotland Acts 2012 and 2016.

This provides information on the operation of the capital and resource borrowing powers since the previous report and any implementation work taken forward in relation to the powers. The report also gives an update on the Reserve balance.

Scotland’s Economic and Fiscal Forecasts

In addition to the Scottish Government’s key publications, the Scottish Fiscal Commission produces two annual forecasts. Both publications cover five-year forecasts of the Scottish economy, tax receipts and social security expenditure and an assessment of whether the Scottish Government’s projections of borrowing are reasonable (including use of the Reserve). The December forecast publication informs the Scottish Budget for the next financial year.

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This publication is available at **www.gov.scot**

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Item 5

Renfrewshire Council

To: **Council**

On: **27 June 2019**

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

Heading: **Governance Arrangements – Membership of Boards**

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1. **Summary**

1.1 The purpose of this report is to consider changes to the membership of Council Boards intimated by the Labour Group.

1.2 Councillor Devine has indicated the following changes should be considered:

- Councillor Hood should replace Councillor Dowling on the Audit, Risk and Scrutiny Board;
- Councillor Sharkey should replace Councillor Dowling on the Investment Review Board;
- Councillors Sheridan and Harte should replace Councillors Bibby and Kennedy on the Leadership Board; and
- Councillor Brown should replace Councillor Hood on the Communities, Housing and Planning Policy Board.

2. **Recommendation**

2.1 That the Council considers the appointment of:

(a) Councillor Hood as a replacement for Councillor Dowling on the Audit, Risk and Scrutiny Board;

(b) Councillor Sharkey as a replacement for Councillor Dowling on the Investment Review Board;

(c) Councillors Sheridan and Harte as replacements for Councillors Bibby and Kennedy on the Leadership Board; and

(d) Councillor Brown as a replacement for Councillor Hood on the Communities, Housing and Planning Policy Board.

Implications of the Report

1. **Financial –** None
2. **HR & Organisational Development** - None
3. **Community/Council Planning –** None
4. **Legal** – None
5. **Property/Assets -** None.
6. **Information Technology –** None
7. **Equality & Human Rights**

   (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 -** None
10. **Risk –** None
11. **Privacy Impact -** None.
12. **Cosla Policy Position** – not applicable

List of Background Papers – E-mail from Councillor Devine dated 11 June 2019 headed 'Proposed Changes to Board Membership Following Council - 27 June 2019'

Author: **Dave Low, Democratic Services Manager**. Tel: 0141 618 7105
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To: **Council**

On: **27th June 2019**

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

Heading: **Statutory Review of Polling Places and Polling Districts**

1. Summary

1.1 In terms of the Representation of the People Act 1983, as amended, local authorities are required to divide their area into polling districts for the purposes of parliamentary and other elections and to designate polling places for these polling districts and keep them under review.

1.2 The Electoral Registration and Administration Act 2013 further amended the Representation of the People Act 1983 by introducing a statutory duty for all polling districts and polling places to be reviewed by the end of January 2015 and at least every 5 years thereafter.

1.3 A report was considered and noted at the Council Meeting of 28th February 2019. That report set out the process for conducting the next statutory review which must be concluded by January 2020 and included a timetable for that process.

1.4 This report sets out a revised timetable for the conduct of the statutory review.

2. Recommendations

2.1 That the Council note the revised timetable for the conduct of the statutory review.

3. **Background**

3.1 The Representation of the People Act 1983 as amended by the Electoral Registration and Administration Act 2013, introduced a duty for all polling districts and polling places to be reviewed by the end of January 2015 and at least five yearly thereafter.

3.2 Here in Renfrewshire the current polling arrangements were approved by Council on 27th February 2014, for use in all elections thereafter in the period to the next review.

3.3 Following the report to Council of 28th February, a Notice commencing the statutory review procedure was published on 1st March 2019. That set an initial period of public consultation which closed on 1st May 2019. A significant number of responses to the consultation have been received from individuals and groups. Those responses include a number of suggestions for potential alternative polling places.

3.4 As Members will be aware, the European Parliamentary Elections were called on 15th April, with polling day being 23rd May and the count on 26th May. When the timetable for the conduct of the statutory review was set, it was not anticipated that the said elections would require to be conducted. As a result, officers have not had the opportunity of assessing the alternative polling places suggested by the consultation responses. It is therefore necessary to revise the timetable for the statutory review to allow these assessments to be made and for the Returning Officer to comment on the proposals.

3.5 The revised timetable for the conduct of the review will now be as follows:

1	Notice Published	1 March 2019
2	Representations by interested parties were sought by	1 May 2019
3	Council will consider a report on the initial proposals on	26 September 2019
4	The Council will consider all representations received and will produce draft proposals for public consultation by	10 October 2019
5	Further comments/suggestions on these proposals must be received by	15 November 2019

6	Final proposals, having regard to any comments/suggestions received will be considered by Council on	12 December 2019

3.6 A report will be brought to the next Council on 27th September 2019 setting out the comments received during this initial period of consultation, along with the Returning Officer's response thereto. Recommendations will be made for the content of a draft Polling Plan for further consultation as set in the table above.

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** – The current Polling Plan involves the use of various council properties and consultation will take place with the appropriate officers as part of review.

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 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 premises currently used as polling places have been inspected and appropriate arrangements and/or adaptations have been made as necessary to obviate risk to staff and voters.

9. **Risk** – *N/A*

10. **Privacy Impact** – None

11. **Cosla Policy Position** - None

List of Background Papers - None

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To: **Council**

On: **27 June 2019**

Report by: Chief Executive

Heading: Annual Report of the Community Protection Chief Officers Group 2018/19

1. Summary

1.1 This is the fourth annual report of the Chief Officers Group. It provides an overview of the main elements of work of those involved in public protection over the course of 2018/19, and in doing so highlights the key benefits of excellent partnership working.

1.2 As elsewhere in the country, Renfrewshire continues to face challenges in addressing a range of local protection issues, however the Community Protection Chief Officers Group and the local multi-agency partnerships continue to recognise, alongside scrutiny and reflection, the value of a proactive focus on awareness raising and preventative approaches to protect people in the community. This has been evident in the work of those groups, agencies and partnerships involved in public protection.

1.3 In addition to providing a summary of the key achievements and developments over 2018/19, the annual report also sets out key priorities which the Chief Officers Group will progress jointly during 2019/20.

2. Recommendations

2.1 It is recommended that members note:

- the key activities progressed during 2018/19 by the Community Protection Chief Officers Group and;
- the identified priorities to be taken forward in partnership during 2019/20 .

3. Background

3.1 Renfrewshire Community Protection Chief Officers Group is responsible for leadership and strategic oversight of performance in relation to multi agency public protection practice in Renfrewshire. The Chief Officers Group has a critical role in ensuring links are made across community and public protection activity at operational, tactical and strategic levels.

3.2 The six strategic partnerships covering the areas of public protection work, report into the Chief Officers' Group which oversee performance and ensure the provision of quality services in relation to child protection, adult protection, wider protection, offender management, alcohol and drugs, and gender based violence. These are:

- Renfrewshire Child Protection Committee
- Renfrewshire Adult Protection Committee
- Multi Agency Public Protection Arrangements Strategic Oversight Group
- Renfrewshire Alcohol and Drug Partnership
- Renfrewshire Gender Based Violence Strategy Group
- Community Protection Steering Group

3.3 The purpose of the Member Officer Group is to provide senior elected members with the opportunity to formally and regularly discharge their strategic independent scrutiny and assurance role in relation to key activity and significant developments which have implications for public protection matters in Renfrewshire.

4. Key activities during 2018/19

4.1 A significant range of activities have been undertaken during 2018/19, which are detailed within the full annual report at Appendix 1. These include:

- Renfrewshire Community Planning Partnership established an independent Alcohol and Drugs Commission to gain a true picture of the impact of alcohol and drug use in has on individuals, families and communities across Renfrewshire. The work of the commission is ongoing; however, it is anticipated that findings and recommendations will be concluded in early 2020. The Commission has the full support of the Chief Officers Group and across all key partner organisations.
- Partners have worked collaboratively in relation to preparations for Brexit. At a national level this has involved engagement in national groups and contingency arrangements, and at a local level partners have maintained communication on preparations being undertaken by each organisation.
- Renfrewshire Adult Protection Committee hosted its biennial conference in March 2019 and attracted over two hundred participants.
- A multi-agency case file audit took place in May 2018 as part of Renfrewshire Child Protection Committee's ongoing commitment to self-evaluation. Overall the audit found evidence of very good and good practice and identified learning opportunities that will be taken forward.
- The annual Renfrewshire Child Protection Committee development session was held in Johnstone Town Hall on 24 October 2018. The event, brought together a wide range of stakeholders to take stock of the key issues arising locally and nationally to help inform priorities for the coming year.

- Renfrewshire Community Safety Hub has focused on using partnership resources including Daily Tasking; Our Home, Your Street, Our Community; Renfrewshire Wardens, Youth Teams, Investigators and Mediators and CCTV operators to tackle the use of Etizolam and other illegal drugs.
- Renfrewshire continues to develop an innovative partnership approach to supporting unaccompanied asylum seeking children and recently took part in research carried out by the United Nations High Commissioner for Refugees.
- A development group, chaired by the Chief Social Work Officer, was established to research best practice with the intention of developing a plan to help make Renfrewshire become a "trauma informed and trauma responsive" area.

4.2 A key achievement to note has also been the development of a new collaborative leadership programme across key agencies including Scottish Ambulance Service, Scottish Fire and Rescue, NHS GGC, Police Scotland, Renfrewshire Health and Social Care Partnership and representatives from Renfrewshire Council services. The programme which has operated as a pilot since November 2018, also included representatives from local third sector organisations.

4.3 The pilot programme is aimed at 1st or 2nd tier line managers who show potential to advance within their relevant service. A special meeting of the Chief Officers Group took place on 7 June 2019 to discuss the outcomes and recommendations from the pilot. There is a clear appetite across all agencies to continue to develop the programme going forward.

5. Strategic Focus 2019/20

5.1 In terms of the future work programme of the Chief Officers Group, a range of key priorities have been identified as key priorities for 2019/20. It should be noted that these priorities are high level and there is significant partnership work to improve and develop service over and above those mentioned. Priorities can be summarised as follows:

- Prioritise work on alcohol and drugs use across Renfrewshire and drive forward the recommendations from the Alcohol and Drugs Commission to reduce the impact on individuals, families and communities;
- Support positive mental health and wellbeing with a focus on suicide prevention and people presenting to agencies in distress;
- Monitor the potential impact of the UK leaving the European Union undertaking activities on a partnership basis as required;
- Consider the findings and recommendations of the recent national Thematic Inspection of Adult Support and Protection to ensure that all appropriate actions are taken in a Renfrewshire context;
- Support the implementation of Renfrewshire's Community Justice Outcomes Improvement Plan 2018-2021 and respond to the planned presumption against short sentences which will be extended to 12 months;
- Explore the potential for Renfrewshire Community Planning Partnership to become trauma informed and responsive;
- Consider the findings of the National Child Protection Improvement Programme as these are developed and implement as appropriate;

- Evaluate the Leadership Collaborative Programme and consider the next steps:
- Review our arrangements for sharing learning from initial and significant case reviews which have been undertaken locally, regionally and nationally; and
- Undertake an independent review of existing community protection governance arrangements to identify opportunities to further strengthen these arrangements.

5.2 The Chief Officers Group will continue to seek to ensure that performance and practice are scrutinised at a strategic level, to identify what works well, to highlight any areas for improvement, and to consider where further opportunities for early intervention and prevention activity would achieve improved outcomes for local people.

Implications of the Report

1. **Financial - None**.
2. **HR & Organisational Development - None**
3. **Community/Council Planning – None**
4. **Legal – None**
5. **Property/Assets – None**
6. **Information Technology- None**
7. **Equality & Human –** 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 - None**
9. **Procurement - None**
10. **Risk - None**
11. **Privacy Impact - None**
12. **Cosla Policy Position – None**

List of Background Papers

None

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Renfrewshire Community Protection Chief Officers Group

Annual Report 2018/19

Table of Contents

1. Introduction

Renfrewshire Community Protection Chief Officers Group is responsible for leadership, strategic oversight and scrutiny in relation to multi agency public protection activity and practice in Renfrewshire. The Chief Officers Group oversees the work of six strategic partnerships which examine the performance and ensure the provision of quality services in relation to child protection, adult protection, wider public protection, offender management, alcohol and drugs, and gender based violence.

As elsewhere in the country, Renfrewshire continues to face challenges in addressing a range of local protection issues, however the Chief Officer Group and the local multi-agency partnerships, continue to recognise, alongside scrutiny and reflection, the value of a proactive focus on awareness raising and preventative approaches to protect people in the community. This has been evident in the work of those groups, agencies and partnerships involved in public protection.

This is the fourth annual report of the Chief Officers Group. It provides an overview of the main elements of work of those involved in public protection over the course of 2018/19, and in doing so highlights the key benefits of excellent partnership working.

A significant range of activities have been undertaken during 2018/19, which are highlighted within the body of this report and include:

- During 2018/19, Renfrewshire Community Planning Partnership agreed to establish an independent commission to gain a true picture of drug and alcohol use in Renfrewshire, and to make recommendations on what partners can do together to support local people and communities adversely affected by drug and alcohol use and to improve life outcomes. The first meeting of Renfrewshire's Alcohol and Drugs Commission took place on the 19th March 2019 and it is envisaged that the commission will conclude and report on its recommendations early 2020.
- Etizolam (Street Valium) remains a concern within Renfrewshire with Police Scotland continuing to disrupt the supply and distribution including recovering pill presses, wherever possible. In response, the Renfrewshire Community Safety Hub is continuing a focus on using partnership resources including Daily Tasking; Our Home, Your Street, Our Community; Renfrewshire Wardens, Youth Teams, Investigators and Mediators and CCTV operators to tackle the use of Etizolam and other illegal drugs.
- Renfrewshire continues to develop a sector leading partnership approach to supporting unaccompanied asylum seeking children and recently the Unaccompanied Asylum Seeking Children team together with the young people participated in research carried out by the United Nations High Commissioner for Refugees.
- A multi-agency case file audit took place in May 2018 as part of Renfrewshire Child Protection Committee's ongoing commitment to self- evaluation. Twenty-one families, from the twenty-five randomly selected, gave consent for the files to be audited. Overall the audit found evidence of very good and good practice and identified learning opportunities that will be taken forward.
- The annual Renfrewshire Child Protection Committee (RCPC) development session was held in Johnstone Town Hall on 24 October 2018. This is an annual event, designed to bring people together to take stock of the key issues arising locally and nationally to help inform priorities for the coming year.
- A staff development session has been held to look at the ambition and direction of trauma approaches in Renfrewshire. A development group, chaired by the Chief Social Work Officer, has been established to research best practice and over the next twelve months develop a plan to help make Renfrewshire a "trauma informed and trauma responsive" area.
- In August 2018, the Education and Children's Services Policy Board agreed Renfrewshire's anti-bullying policy. The development of this policy was informed by recently updated national guidance and involved a broad range of stakeholders including respect*me* Scotland's anti-bullying organisation. In addition, the review involved significant awareness raising, training and engagement with pupils, staff and parents

- In August 2018, Renfrewshire's Gender Based Violence Strategy 'Equally Safe in Renfrewshire' was launched and has adopted and embraced the national priorities on gender based violence which were set out by the Scottish Government.
- The Renfrewshire Adult Protection Committee hosted its biennial conference in March 2019. Two hundred professionals from a wide range of agencies attended to hear keynote speakers and engage in workshops on the theme of capacity and consent in the context of adult support and protection context.
- The Renfrewshire Prevent Professional Concerns Case Conferences has been established in order to identify individuals who may be at risk of being exploited by violent extremist narratives and drawn into terrorism; assessing the nature and the extent of their vulnerability, and, where necessary, providing an appropriate support package tailored to their needs.

2. Renfrewshire Profile

Renfrewshire Council covers an area of 261.5 km2 and is the tenth largest local authority in Scotland, in terms of population. he latest estimate (mid-year 2017) puts Renfrewshire's population at 176,830 an increase of 900 (0.51%) on 2016.

Based on 2016 figures, Renfrewshire's total population is projected to grow over the next period, increasing by 3.2% (181,603) by 2041. Its age composition is projected to change significantly. While numbers in the 16-64 age group are projected to decline by 2.1%, the 65+ population is set to increase by 24.6% to 2041, most significantly by 76.5% in the 75+ category.

In terms of ethnicity, Renfrewshire has a larger proportion of the population identifying as White Scottish and smaller percentages of all minority ethnic groups than the Scottish average. 91% of the population in Renfrewshire identify as White Scottish compared to the Scottish average of 84%. 2.8% identify as Black or Minority Ethnic compared to the Scottish average of 4%. Deprivation remains an issue in Renfrewshire.

According to the Scottish Index of Multiple Deprivation (SIMD) of Renfrewshire's 225 datazones, 13 are in the most deprived 5% in Scotland. This is a local share of 5.8% (13 out of 225) and a national share of 3.7% (13 out of 349). The 2016 release however, also evidenced a decrease in the number of people identified as income and employment deprived since 2012, by 6% and 15% respectively. It is envisaged that there will be a further SIMD release later in 2019.

Just under a quarter of children in Renfrewshire are living in poverty, and that figure is predicted to rise. This is a key concern as poverty in childhood has a severe limiting effect on the prospects of that child both in the present and later in life. We also know that the nature of poverty is changing too, with poverty rising amongst the young, working and renting. Two thirds of children living in poverty are living in a household where at least one person is working.

Analysis of current trends

Child Protection

There were 103 children on the Child Protection Register at 31 July 2018. This figure is subject to considerable fluctuation as it reflects risks and need. At the same point in time, Renfrewshire had 656 looked after children, which is 1.9% of the 0-17 population. This was the fourth highest rate in Scotland (data for Glasgow City not included in national dataset). Over the last decade, Renfrewshire has been proactive in developing services and support to reduce the looked after population and prioritise family placements wherever appropriate.

Gender Based Violence

2,146 domestic abuse incidents have been reported to the police, an increase of one percent on the previous year. Meanwhile, 1,233 crimes and offences relating to gender based violence were raised as a result of reported incidents, representing a decrease of two percent on the previous year.

Adult Protection

Between April 2018 and March 2019, 2,719 adult welfare concern and adult protection referrals were received by Renfrewshire. This is compared to 2,829, 2,578 and 2,523 for the same time periods in 2017/18, 2016/17 and 2015/16 respectively. Of these, 1,019 were adult protection concerns and 1,700 were adult welfare concerns. Following initial inquiries, 102 adult protection investigations were conducted, with 28 resulting in an initial adult case conference.

The total contacts for 2018/2019 reflect a small decline in the referral rate as compared to the previous financial year but are higher than referral numbers from 2015/16 and 2016/17. Data quality continues to be scrutinised to confirm accuracy of data. A pilot is currently underway to amend the pathway for recording adult protection data, with the intention of improved data quality.

Across the year Police Scotland were responsible for 65.7% of all referrals. While this has been a short-term increase across the financial year, the long-term trend reflects a decrease in the ratio of referrals received by Police. They were responsible for 79% of all referrals in 2015/16; 77% in 2016/17; and 70% in 2017/18. Care home referrals went up from 170 in 2017/18 to 287 in 2018/19.

Demand for Adult with Incapacity (AWI) reports, which require to be completed by a qualified Mental Health Officer (MHO), has risen steadily over recent years (this mirrors increases across Scotland). In 2018-2019 Renfrewshire received 196 requests for AWI MHO reports. In the previous year there were 208 such requests (and 137 in the 2015/2016 year). It is worth noting that 65% of all new orders granted are for periods of less than 5 years which now brings additional work pressure in respect of renewal reports required from an MHO. Often such requests arrive with less than 4 weeks until the expiry of the existing order. Orders where the Chief Social Work Officer (CSWO) is appointed Welfare Guardian have also risen significantly in recent years, from 79 in March 2015, to 107 in March 2016, to the current figure of 114. Each order requires a qualified social worker to act as the “nominated officer” on behalf of the CSWO for day to day management of the case. In addition, there are currently in excess of approximately 425 private welfare guardianship orders running throughout Renfrewshire. These require a minimum of one statutory visit by a guardianship supervisor after being granted.

Community Safety and Public Protection

In 2018/19, 126 persons linked to serious and organised crime were arrested, in addition to £818,129 being seized under Proceeds of Crime Act legislation.

Drug crime has been identified by the police as a key issue the public would like to see tackled. In 2018/19 there were 113 detections for drug supply offences, an increase of 11.9% on the previous year. Cannabis, cocaine and heroin featured most predominantly in drug supply offences, being involved in 39%, 38% and 30% of offences respectively.

Recorded sexual crime continues to follow an increasing trend, with 148 additional crime reports in 2018/19, this represents an increase of 46.5%, it should be noted that 41% of sexual offences reported in 2018/19 relate to historical offences. The detection rate of sexual crime in 2018/19 was 65.5% which is a up from 45.9% in the previous year.

The overall increase in sexual crimes is primarily attributable to increased reporting of non-recent offences such as rape, indecent assaults and lewd and libidinous practices. It is assessed that this increase directly relates to improved public confidence in reporting arising from local & national media campaigns, as well as improved multi-agency support to victims. To support this assessment, a break down of recent (within 1 year of offence) and non-recent (over 1 year) crimes reported to the Police, show an increase of 57% when compared to 2017/18.

The detection rate for rape and sexual offences within Renfrewshire was the highest recorded in Scotland for 2018/19.

131 crimes were designated as 'cyber-crimes' via application of the relevant cyber-crime marker, in 2018/19. This represents an increase of 60% on same period in 2017/18. Reported offences included online credit and debit card fraud, menacing and indecent communications offences, and threats to disclose indecent images of complainers.

Employability has been identified as a key element in preventing re-offending after prison or community sentences. Up to 1 in 3 males and 1 in 10 females in Scotland are likely to have a criminal record which may act as a barrier to employment. In August 2017 Renfrewshire was advised of the successful funding bid to the Scottish Government Employability, Innovation and Integration Fund, and over 2018/19 the Just Learning Project has worked with staff, employers and those with convictions, including those harder to reach service users such as women and those who have committed serious offences. Community Justice Renfrewshire supports this initiative which ensures that individuals gain the correct education, training and support relative to their needs in the employability pathway.

Homelessness for those released from prison is also an issue as re-offending rates are high and a holistic package of support is required to reduce reoffending. Numbers of homeless prison leavers have reduced from 2016/17 to 2017/18 In Renfrewshire. Overall homeless applications have increased slightly from 776 in 2016/17 to 860 in 2017/18, however the number of homeless applications received from people leaving prison has decreased from 105 in 2016/17 to 85 in 2017/18. Thus homeless prison leavers are a smaller percentage of the council's homeless applications, decreasing from 13.5% in 2016/17 to 9.8% in 2017/18. However, this remains an issue, against a national average of 5.3% in 2017/18. (Data subject to quality assurance).

During 2018/19 Community Justice Renfrewshire and housing colleagues have explored how additional support could be provided to these service users to reduce reoffending and maintain their tenancies. Renfrewshire's Rapid Rehousing Transition Plan (RRTP) that has been submitted to the Scottish Government proposes actions to develop a Peer Mentoring Initiative in partnership with a third party for the recruitment of 2 specialist Peer Mentoring and Engagement Workers offering specialist "wrap around "support for as long as is required to multiple excluded, repeat homeless clients with an addiction and offending background. At the present time, the Scottish Government hasn't confirmed the level of funding to local authorities.

The number of incidents of anti-social behaviour reported to Renfrewshire Council Community Safety Service in 2018/19 was 1,711 which is a reduction of 228 from the figure of 1,938 reported in 2017/18. These figures reflect reports ranging from noise complaints and youth disorder to drug and alcohol incidents and gang violence. There has been an increase in certain areas and linked to alcohol consumption but shows the excellent work undertaken by Youth Team/Wardens and partners including Police Scotland.

Alcohol and Drugs Partnership

The rate of alcohol related hospital stays (per 1,000 aged 16+) has reduced from 9.9 in 2016/17 to 9.0 in 2017/18. Most recent data show that this trend continues, a rate of 8.1 (as at December 2018) (target 8.9) which is the lowest rate achieved since the recording of this indicator in January 2009. Renfrewshire Alcohol and Drug Partnership continues to monitor the impact of services and outcome data relating to 651 individuals shows overall improvement across all recovery dimensions. The biggest improvements have been within alcohol use, drug use and use of time.

Thirty-eight drug-related deaths were registered in Renfrewshire in 2017. This was the second largest number recorded in the past decade, after 2016 when 42 were registered. The most common drugs reported in relation to each death were: heroin / morphine (38); opiate or opioids (33); heroin / morphine, methadone or buprenorphine (30); benzodiazepines (29) and methadone (19). Accidental poisoning was the most common underlying cause of drug-related death in Renfrewshire in 2017 with 33 deaths.

3. Chief Officers Group

Renfrewshire Community Protection Chief Officers Group is responsible for leadership and strategic oversight of performance in relation to multi agency public protection practice in Renfrewshire. The Chief Officers Group has a critical role in ensuring links are made across community and public protection activity at operational, tactical and strategic levels.

The six strategic partnerships covering the areas of public protection work, report into the Chief Officers' Group which oversee the performance and ensure the provision of quality services in relation to child protection, adult protection, wider protection, offender management, alcohol and drugs, and gender based violence. These are:

- Renfrewshire Child Protection Committee
- Renfrewshire Adult Protection Committee
- Multi Agency Public Protection Arrangements Strategic Oversight Group
- Renfrewshire Alcohol and Drug Partnership
- Renfrewshire Gender Based Violence Strategy Group
- Community Protection Steering Group

It is recognised that these areas of protection are very often inter-linked and can impact on each other. A key aim of the Chief Officers Group is to provide strategic leadership and oversight to ensure developments within specific areas of practice support cross cutting activity and have a positive impact on outcomes for local people.

Remit, roles and membership

The core membership of the Renfrewshire Chief Officers Group (COG) is chaired by the Chief Executive of Renfrewshire Council and comprises representation at Chief Executive level, or senior nominee, from the three statutory agencies - Renfrewshire Council, Police Scotland, and Greater Glasgow and Clyde Health Board. They are supported by the attendance of the following or their senior nominee:

- Chief Social Work Officer, Renfrewshire Council or appropriate senior nominee;
- Chief Officer of the Integration Joint Board or appropriate senior nominee;
- Independent chair of Renfrewshire Child and Adult Protection Committees;
- Child Protection Committee lead officer
- Adult Protection Committee lead officer
- Senior officer representing Renfrewshire on the Multi Agency Public Protection Arrangements Strategic Oversight Group (NSCJA MAPPA SOG) or appropriate senior nominee
- Head of Communities and Public Protection or Director of Communities, Housing and Planning
- Scottish Fire Service senior officer representation
- Chair of the Gender Based Violence Strategy Group or appropriate senior nominee
- Chair of the Alcohol and Drugs Partnership or appropriate senior nominee

The remit of the group is to provide strategic leadership and scrutiny of the work of the protection business areas on behalf of their respective agencies; to identify successes and areas for improvement and in doing so learn from experience, monitor trends and examine local and national comparisons and take appropriate action where necessary in response to performance where improvement is needed. This includes the consideration of local and national critical incident reports to inform learning where this is appropriate.

The Chief Officers Group reviews performance management information to ensure that this is being collected in a robust and regular manner, that any areas for development are identified and addressed promptly and that consideration is given to identifying further opportunities for early intervention and prevention.

4. Member Officer Group

The purpose of the Member Officer Group is to provide senior elected members with the opportunity to formally and regularly discharge their strategic independent scrutiny and assurance role in relation to key activity and significant developments which have implications for public protection matters in Renfrewshire as they relate to:

- Adult and Child Protection;
- MAPPA (Multi Agency Public Protection Arrangements); and
- Wider Community Safety and Public Protection matters including the Alcohol and Drug Partnership and Gender Based Violence Strategy Group.

The group is comprised of elected members on a cross party basis and key officers of the council as follows:

- Three senior members of the administration
- Two members of the main opposition group
- One other opposition member
- Director of Children's Services
- Chief Officer Social Work Officer
- Director of Communities, Housing and Planning
- Chief Officer, Integration Joint Board
- Health and Social Care Partnership operational head of service
- Head of Child Care and Criminal Justice
- Head of Communities and Public Protection, Communities, Housing and Planning Services
- Child Protection Officer
- Adult Support and Protection Officer
- Head of Policy and Commissioning, Chief Executive's Service
- Service Planning and Policy Development Manager, Chief Executive's Service

Also in attendance will be:

- Independent Chair of the Child Protection and Adult Protection Committees
- Divisional Commander, Police Scotland or appropriate senior nominee

The group will also invite the participation of other key individuals or agencies involved in the areas of concern of the Member Officer Group as required.

5. Strategic Partnerships Activities

5.1 Child Protection

A multi-agency case file audit took place in May 2018 as part of RCPC's ongoing commitment to self-evaluation. Taking account of the findings in the most recent inspection of services for children and young people in Renfrewshire held in 2015, the audit focused specifically on three of the quality indicators under the key area of how good the delivery of our services is for children, young people and families. The cases were selected at random across a range of ages. Of the twenty-five cases selected, twenty-one of the families gave consent for the files to be audited. Overall the audit found evidence of very good and good practice and that progress was being made in response to the recommendations of the 2015 inspection.

Concurrently, the HSCP undertook a GP record audit as part of the multi-agency case file audit for children where there have been child protection concerns. The audit highlighted significant good practice within GP practices when involved with child protection cases and robust interagency working. In summary:

- All GP records demonstrated full engagement with SW and the child protection process.
- All requests for a report for case conference resulted in a report being submitted.
- Vulnerable child read code consistently used in almost all records reviewed.
- All demonstrated that vulnerable family meetings were being held and information shared appropriately with and by HV.

Work is currently underway to refine the inter-agency referral discussion (IRD Protocol) and will be presented to the RCPC for approval in the coming months.

The Scottish Government, as part of their National Action Plan for Children and Young People, requested RCPC to host an Online Safety Live event in Renfrewshire as one of a series held across Scotland by the UK Safer Internet Centre. The event took place in Johnstone Town hall on 26 September 2018 and was attended by over one hundred and fifty staff who work directly with children and young people.

The annual Renfrewshire Child Protection Committee (RCPC) Development Session was held in Johnstone Town Hall on 24 October 2018. This is an annual event, designed to bring people together to take stock of the key issues arising locally and nationally to help inform priorities for the coming year. Invitations were extended to RCPC members, members of the 4 RCPC sub group and to Chief Officers. In total, thirty-four people attended the event. The theme was Adverse Childhood Experiences (ACEs) and included a showing of the Resilience: The Biology of Stress and the Science of Hope film, which was introduced by the Principal Educational Psychologist. This was followed by a panel discussion.

In November 2018, three RCPC network lunches took place in Paisley, Renfrew and Johnstone Town Halls presenting the learning from RCPC multi-agency Case File Audit undertaken in May 2018. A total of eighty-two professionals attended, representing health, social work, police, education, early years and third sector services. The events in Paisley and Renfrew were introduced by the Independent Chair RCPC and the Director of Children's Services. The events were concluded with some reflection on what constitutes good practice, particularly in relation to preparing quality assessments and plans.

RCPC participated in the national Eyes Open media campaign which encouraged members of the public to do their bit to help keep children safe during the school holidays. The campaign consisted of press releases at both a national and local level and included a radio interview with the then Chair of Child Protection Committees Scotland Anne Houston. The campaign was featured in local media and received local social media attention.

The Scottish Government announced the intention to reform Section 12 of Children and Young Persons Act 1937 and invited key stakeholders to comment on the proposals by 14 November 2018. The RCPC response was developed following consultation with members of the committee and attendance at a consultation event hosted by the Centre for Excellence for Children's Care and Protection. There is broad agreement with the principles of the reform as it gives the opportunity to modernise legislation written over 80 years ago in a time when the impacts of emotional and physical neglect were not so widely known and understood as they are today.

5.2 Unaccompanied Asylum Seeking Children (UASC)

Renfrewshire Council continues to provide support to individuals and families seeking asylum in the United Kingdom. The support provided to these individuals and families is provided on a partnership basis involving staff from the local authority, health, the police, the fire service and the third sector working together to improve outcomes.

Over the past twelve months the number of unaccompanied asylum seeking children being supported in Renfrewshire by the unaccompanied asylum seeking children team has remained at 19. The youngest child being supported by the team is 15 months old and the oldest is 19. All of the children have experienced considerable trauma prior to arriving in Scotland, including the following:

- War
- Military service
- Forced militia service
- Physical and sexual violence
- Persecution due to their sexual orientation, ethnicity or religion
- Trafficking/people smuggling;
- Exploitation and forced labour;
- Domestic servitude;
- Time spent in refugee camps;
- Significant separation and loss.

The UASC Team are extremely knowledgeable and experienced individuals who demonstrate a huge amount of commitment and passion for their work. They are supported by the authority's residential staff who provide a safe and loving home for some of our children whilst others are provided with foster care placements. Irrespective of where the unaccompanied asylum seeking children are living partnership working is contributing to the positive outcomes being achieved. The police and fire service have worked to ensure that unaccompanied asylum seeking children are integrated in the community.

Education staff are working to ensure that our unaccompanied asylum seeking children and young people are given the best opportunities in their learning. Support is provided to assist in the development of language skills and at present some of the older young people are undertaking SQA examinations. Several the young people being supported by the UASC Team have demonstrated an interest and aptitude in sport and have successfully represented local and national teams.

The annual report last year noted that whilst in January 2018 the UK Government had introduced secondary legislation to extend the National Transfer Scheme for UASC to local authorities in Scotland it was on hold pending enactment. There has been no progress in terms of implementing the legislation in the past twelve months.

5.3 Trauma Informed and Responsive Renfrewshire

Last year the COG Annual Report made reference to the growing awareness of the impact of Adverse Childhood Experiences (ACEs) on outcomes for children. Renfrewshire Children's Services had commenced activity to ensure staff across the partnership were provided with the best evidence to help them understand the impact of Adverse Childhood Experiences and to assist them in ensuring that appropriate supports are provided to help children grow and develop to their full potential.

Central to this work was ensuring that the film “Resilience – The Biology of Stress and the Science of Hope” was made available to staff in schools, other services and the wider community.

The COG arranged a screening of the film and engaged in a wider panel discussion facilitated by Police Scotland’s North Ayrshire Division. Following the screening the COG agreed that Renfrewshire should aspire to be more than an “ACES aware” authority but shift the discussion and focus onto addressing “trauma” both in childhood and adulthood.

An initial staff development session has been held to look at the ambition and direction of trauma approaches in Renfrewshire. A development group, chaired by the Chief Social Work Officer, has been established to research best practice and over the next twelve months develop a plan to help make Renfrewshire a “trauma informed and trauma responsive” area.

5.4 Anti-Bullying

Bullying takes many forms and exists wherever groups of people come together. Children’s Services recognises that it has a significant and vital role to play in tackling bullying across its services.

Influencing and achieving change when it comes to bullying behaviour is a complex process which takes time. Whether bullying behaviour takes place in the playground or online the impact is the same and requires a consistent and collaborative approach. In order to resolve this, a collective effort is required from teachers, parents and pupils for the most effective outcome and this is the approach being adopted in Renfrewshire.

The most recent update to the anti-bullying policy in Renfrewshire was agreed by the Education and Children’s Services Policy Board in August 2018. The development of this policy was informed by recently updated national guidance and involved a broad range of stakeholders including respect*me* Scotland’s anti-bullying organisation. In addition, the review involved significant awareness raising, training and engagement with pupils, staff and parents.

In addition to the ongoing policy review and development work it is important to note the broad range of activity which has taken place over the past year to support our schools. This includes:

- respect*me* have provided children’s services with valuable support through the availability of a self evaluation toolkit. This supports schools to review their current provision and plan for the future. The outcome of this is evident in school standards and quality reports and school improvement planning.
- Extensive awareness raising activities have been undertaken with pupils, staff and parents. This has provided a valuable focus for school communities to consider the implication of current practices, and areas for improvement.
- A series of training events have been undertaken for staff and parents. These are facilitated by respect*me* and Orbis Training and Consultancy and focus on ensuring a shared understanding of best practice.
- There are a range of programmes running in schools which support young people and are based on the wellbeing indicators (Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible, Included – SHANARRI).

5.5 Adult Support and Protection (ASP)

Renfrewshire’s Adult Protection Committee’s (RAPC) biennial self-evaluation report was approved by RAPC on 13 August 2018. The 2018 self-evaluation included a case file audit of one hundred cases; these were cases in which an Adult Support and Protection (ASP) referral was made, and for which a “no further action under ASP” decision was taken during the Inquiry phase of the process. The case file audit sample was generated to ensure proportional representation across multiple fields. The self-evaluation was undertaken in consultation with stakeholders, including service users and carers, as well as input from Glasgow Caledonian University. Subsequent actions relating to recommendations made have been progressing since the report’s publication and are kept under review by RAPC.

The RAPC Improvement Plan continues to evolve and consideration has been given to the key national messages emerging from the National Thematic Adult Support and Protection Inspection, published by the Care Inspectorate in July 2018. Likewise, actions and recommendations stemming from the adult protection committee's self-evaluation 2018 have been incorporated. Scottish Government has re-established a National Adult Support and Protection Strategic Forum and is progressing with its own improvement plan. Resultant actions relevant at a local level for Renfrewshire will be incorporated into the RAPC Improvement Plan. Scottish Government has advised of its intention to inspect the adult protection services of all those partnership areas who were not included in the national thematic inspection noted above. Renfrewshire is therefore likely to be subject to an Adult Support and Protection thematic inspection within the next 18 months.

A Large Scale Investigation took place between September 2017 and April 2018 involving an independent sector care home for older people. Following this, Renfrewshire's Large Scale Investigation guidance and procedures were revised and a consultative draft will be published in the coming weeks.

The RAPC hosted its biennial conference in March 2019. Two hundred professionals from a wide range of agencies attended to hear keynote speakers and engage in workshops on the theme of capacity and consent in the context of adult support and protection. The conference was positively evaluated by delegates. Plans are underway to create future inter-agency training opportunities based around several of the workshop topics. Workshop topics included: Gender Based Violence, Coercive Control, and ASP; Adults in Distress; Adults with Incapacity: The intersection of adults with incapacity and adult support and protection; financial harm; sexual relationships, capacity, consent and adult support and protection; alcohol, addictions, choice and adult support and protection.

The Adult Protection Committee is currently undertaking an audit alongside K-Division of Police Scotland. This audit includes Inverclyde Health and Social Care Partnership and is an opportunity to compare adult support and protection activity across the shared police division. To date, 60 cases from each partnership area have been audited. Cases reviewed include a sample of welfare concern referrals received by Police Scotland; adult protection referrals received by Police Scotland; and cases in which Police Scotland identified a vulnerability in an individual but did not submit a referral under Adult Support and Protection legislation. Half of the audit sample pertains to cases before the implementation of the General Data Protection Regulation (GDPR); the other half were brought to the attention of Police Scotland after GDPR came into effect. The intention is to analyse ASP referrals within and across the two partnership areas; to determine what, if any, impact GDPR has had on the timing or content of ASP referrals locally; and to identify good practice and areas for development in the interface between Police Scotland and local ASP social work services. Data analysis of this audit is due to commence in May 2019.

Two short life working groups under the auspices of the Renfrewshire Adult Protection Committee have been active over the past year.

- Renfrewshire recognises that the impact of hoarding can create significant issues for individuals, communities, and partnership services. Hoarding increases the risk of fire in properties; increases the risk of accident or harm to householders; and could compromise the health and safety of neighbours and the wider community. A multi-agency response is typically warranted for assessment and subsequent intervention. Within Renfrewshire several recent examples have emerged of hoarding behaviours leading to significant resource implication. A multi-agency group has been convened to develop processes in relation to adults who hoard, which will maximise the use of partners' resources to reduce the risk of harm to individuals and communities.

- A group has been established to consider the requirements and guidance stemming from the Scottish National Missing Persons Framework. This framework sets out several objectives within its implementation plan, which require a multi-agency response from partnership areas. At a local level, the group's task is to develop a Renfrewshire framework reflecting local circumstances.

To continue to strengthen RAPC scrutiny of performance it has further developed the performance management ‘scorecard’. Within this past year evolution of the “scorecard” has included; incorporation of the Scottish Ambulance Service as an explicit referral source; improvements to how NHS Greater Glasgow and Clyde ASP Learning and Development activity is reported on a quarterly basis; and the inclusion of linked smoke detector installations in partnership between Scottish Fire and Rescue and Renfrewshire’s Technology Enabled Care Service. This latter inclusion was added following a recommendation arising from a local Initial Case Review.

5.6 Gender Based Violence

In August 2018 Renfrewshire’s Gender Based Violence Strategy ‘Equally Safe in Renfrewshire’ was launched and has adopted and embraced the national priorities on gender based violence which were set out by the Scottish Government in Equally Safe. These priorities are seen as appropriate long-term goals which will guide all work in Renfrewshire.

In addition, Renfrewshire’s strategy identified the following four key priorities which are being taken forward:

1. Ensure strong partnership working within Renfrewshire’s GBV Strategy Group.
2. Provide high quality local services which meet the needs of victims and address the behaviour of perpetrators.
3. Improve the knowledge, skills and behaviour of local workers around GBV through training.
4. Improve the knowledge, skills and behaviour of the wider community around GBV training and awareness raising activity.

The impact of the strategy will be monitored annually in line with the established evaluation framework. In line with the Scottish Government’s reporting schedule an annual return will be submitted online identifying Renfrewshire’s current position and progress made against the Equally Safe Performance Framework and Quality Standards. The annual progress report on will be submitted to the Chief Officers’ Group in September 2019.

During the international 16 Days of Action campaign to eliminate gender-based violence, Renfrewshire adopted the theme 'Not just a women's issue' which encourages men to join the voices that condemn violence towards women and show their support for the cause. Throughout the campaign people were encouraged to wear a white ribbon, and held to events. The Reclaim the Night was a candlelit march which took place on 29 November 2018 - beginning outside the University of the West of Scotland, continuing down the High Street and into Dunn Square. Supporters were led by Tony Lawler and the Charleston Drum on the march to Dunn Square where the Provost made a short speech and laid a wreath to remember those lost to domestic violence. The march was organised by Renfrewshire Rising and the evening concluded with a performance for their choir.

The Walk a Mile in Her Shoes event took place on Tuesday 6 December. It followed the same route as the Reclaim the Night march and asked men, if they are able, to wear a pair of high heels to symbolically walk a mile in a woman's shoes. However, we know this is not always possible, so we encourage everyone to take part wearing red in order to create a sea of colour and make a statement about the cause.

5.7 Community Safety and Public Protection

Creation of Communities and Public Protection Service

In July 2018, Public Protection moved from Environment & Communities to form part of the newly formed Communities, Housing and Planning Service and was re-named Communities and Public Protection. At this time, Community Learning and Development moved from Children’s Services to drive the community empowerment agenda. The re-alignment of services has led to a review of Communities and Public Protection, which in turn will lead to better services to the community at times of need.

Police and Council Joint Initiatives

Erskine and Inchinnan

Following on from success last year, several weekend operations between Police Scotland and Renfrewshire Council Youth Team have been undertaken to disrupt and deter young people from drinking alcohol in the street and potentially leading to anti-social behaviour. This led to the successful seizure and disposal of alcohol providing reassurance to communities. This has continued throughout 2018/19.

Linwood

The Renfrewshire Wardens and Youth Team assisted Police Scotland in targeting patrols in the Linwood area following a number of sexual assaults. This included patrols and reassurance using the mobile CCTV van and mounted Police officers to provide the Linwood community with reassurance that the Renfrewshire Community Safety Partnership were assisting in responding to this serious issue.

Shortroods – Illegal and irresponsible parking

Police Scotland and Renfrewshire Council had a day of action targeting streets in and around Shortroods. This was to be used to advise drivers of restrictions in place and to enforce any illegal parking. Police Scotland stopped vehicles whilst Renfrewshire Council enforced parking restrictions. It proved to be very successful joint operation.

Street Stuff

The Street Stuff programme continued to deliver activities throughout Renfrewshire during 2018/19. The programme received additional funding from the Council to respond to issues identified by the Renfrewshire Tackling Poverty Commission and target areas of poverty and deprivation. Street Stuff has recorded 27,767 attendances during 2018/19 including the provision of almost 5,000 healthy meals. Almost 80% of sessional workers on the programme are former participants and volunteers have delivered over 200 hours of voluntary work in support of their personal development and enhancing their employment and training potential.

Purple Flag

Purple Flag was awarded to Paisley in February 2017 in recognition of the high standards and support for Paisley's evening and night time economy. The award was presented by the Association of Town Centre Management to Paisley First, who represent Paisley's Business Improvement District. Paisley First have undergone staffing changes and a new BID Manager is now in place and driving the Purple Flag accreditation – this has included refreshing the Purple Flag working group with businesses in the Purple Flag area. A full re-accreditation was due to be undertaken on 14 December 2018, however due to unforeseen circumstances the assessment was rearranged for 29 March 2019. The final report and findings will be received in June/July 2019.

I Am Me/Keep Safe

I Am Me is a community charity who works in partnership with the Council and Police Scotland to raise awareness of Disability Hate Crime. In 2018/19, I Am Me toured Renfrewshire primary schools delivering the #MakeaDifferenceScotland school programme which raised awareness of disability, bullying and hate crime. For the 2018/19 school programme, I Am Me worked with Recovery Across Mental Health (RAMH) to develop a specific mental health input for P6 and P7 classes, which focuses on resilience and well-being. Since September 2018, over 5,000 children have participated in the programme which has been designed to complement the curriculum for excellence and a progressive lesson plan is available for each school year (from Nursery-P7). Feedback from around 1,530 participants highlights that 97% of participants have enjoyed the I Am Me visit, 98% know bullying is wrong and 94% would tell an adult if they, or someone else was being bullied.

Keep Safe works in partnership with Police Scotland and a network of local businesses to create ‘Keep Safe’ places for disabled, vulnerable, and elderly people when out and about in the community. Keep Safe is extending across Scotland, with 29 local authorities participating in the initiative. There are now 633 Keep Safe places across Scotland, including 128 in Renfrewshire. The Keep Safe Ambassador programme is also going from strength to strength with a total of 431 people trained. There have been 349 High School Ambassadors (including Police Scotland Youth Volunteers), 39 Community Member Ambassadors, 43 Ambassadors with a learning disability and 111 Keep Safe Ambassador trainers trained across Scotland.

In 2018, I Am Me were awarded with the Queen's Award for Voluntary Service, the equivalent of an MBE and the highest award given to voluntary groups in the UK. The project founder also received an MBE for her services towards the prevention of disability hate crime.

Multi-Agency Risk Assessment Conference

The Renfrewshire MARAC continues to support high risk victims of domestic abuse. In 2018/19, support has been offered to other local authorities to implement best practice and allow them to set up their own MARAC.

To further highlight best practice, the Tasking and Deployment Manager attended the All Party Parliamentary Group (APPG) on Domestic Violence and Abuse in the House of Commons chaired by Gavin Newlands MP to take part in a debate and share best practice. The learning from the Renfrewshire MARAC was then taken further afield and discussed with New South Wales Parliament in Sydney, Australia early in 2019 to further highlight the good work being developed in Renfrewshire.

Training has been delivered in 2018/19 in partnership with SafeLives, to NHS employees, Elected Members, Members of Parliament, Parliamentary staff and Housing staff. Finally, the Tasking and Deployment Manager won the inaugural 2018 Team Member of the Year Award in the Chief Executive’s Awards for her work on preventing domestic abuse in Renfrewshire.

Online Child Activist Groups

There are organisations known as Online Child Activist Groups that seek to expose individuals who pursue connections with children online, with a view to perpetrating offending behaviour. The groups do this by posing as children in online chat rooms and broadcasting confrontations, sometimes using live feeds, through social media. There have been some cases and perpetrators confronted within Renfrewshire and these cases can have significant implications for the individual and the wider community.

Locally relationships exist across Police Scotland, Criminal Justice Social Work, Housing, Daily Tasking and Renfrewshire Community Safety Partnership to respond where someone has been highlighted by these organisations. Simply moving the person identified is not always the best solution, or legally possible. All authorities are aware of the issues and relevant services work closely together to manage these situations.

Etizolam

Etizolam (Street Valium) remains a problem within Renfrewshire with Police Scotland continuing to disrupt the supply, including raiding properties and recovering pill presses, wherever possible.

In consultation with partners at Police Scotland it is believed that Etizolam contributes to approximately 67% of drug deaths in Renfrewshire and despite a number of very significant seizures, it remains an ongoing threat in the local community, specifically to individual users as well as in relation to organised crime.

In response to the risks and criminality noted above, the Renfrewshire Community Safety Hub is continuing a focus on:

- Using the partners attending the Daily Tasking Process and Your Home, Your Street, Our Community to seek input and intelligence in relation to the supply and use of Etizolam whilst also sharing any known trends. This includes Housing, NHS staff, Social Work and Scottish Fire and Rescue Service.
- Tasking Renfrewshire Wardens, Youth Teams, Investigators and Mediators to be vigilant to the signs of use or supply of Etizolam and to signpost persons at risk of harm to support and submit intelligence in relation to potential supply locations to relevant partners.
- Tasking CCTV operators to be alert to groups and individual activity that would identify potential anti-social behaviour consistent with drug use.

Any information/intelligence gathered is shared via the Daily Tasking process.

Human Trafficking

The first annual report on the Scottish Government Human Trafficking and Exploitation Strategy was published on 14 June 2018 and was discussed at the Community Protection Steering Group on 26 June 2018. The report highlights the number of referrals through the National Referral Mechanism (NRM) process. This is a 38% increase on the year before and the breakdown is given below:

Type	Male adult	Female adult	Male minor	Female minor	Total
Domestic servitude	1	4	1	3	**9**
Labour exploitation	77	13	28	9	**127**
Sexual exploitation	2	43	2	8	**55**
Unknown	1	3	8	4	**16**
Total	**81**	**63**	**39**	**24**	**207**

The largest increase was noted in adult male victims of labour exploitation, which increased by 47% from 2016. The most common nationality of victims was Vietnamese (89) and Chinese (32). The most common European nationality was Romanian (10), which increased significantly from 3 in 2016.

Within Renfrewshire, Police Scotland deal with Human Trafficking, however it should be noted that the responsibility does not rest solely with them. Partners within the Renfrewshire Community Safety Partnership, Renfrewshire Council and third sector have a role to play in identifying and highlighting any signs of potential human trafficking and exploitation. One of the common misconceptions is that trafficking only happens when someone is brought into the country, however, it can also be movement within different areas of the UK.

The approach to respond to Human Trafficking and Exploitation will be strategically driven by the multi-agency Serious and Organised Crime/CONTEST group that will operate across the whole Police K Division (Renfrewshire and Inverclyde).

Brexit

Following on from the European Union (EU) referendum and the resultant decision for the UK to leave the EU, article 50 was triggered and a withdrawal date for the UK to leave the EU was originally set for 29 March 2019. Subsequently, the UK and EU27 agreed to extend Article 50 until 31 October 2019.

Due to this and the uncertainty of the UK's withdrawal from the EU without an agreed deal (No-deal Brexit) contingency planning arrangements are being put in place. Preparatory activities have taken place at a UK level in relation to key areas of concern, in addition the Scottish Government have engaged with COSLA and other national bodies and through national and local resilience planning networks to form detailed plans.

To help mitigate against the potential impacts, Renfrewshire Council set up a "Brexit Readiness Steering Group" chaired by the Chief Executive. This group considered several identified risks and worked through a series of actions to put in place risk control measures. The measures were primarily a range of practical measures put in place to safeguard the position of the Council and protect essential life and limb services in the event of disruption, to ensure business continuity in a range of circumstances that might be triggered by a No-deal Brexit. These included:

- A workshop was also held in October 2018 involving senior officers across the community planning partnership organisations.
- Disruption to the availability of Council, partner or supplier workforce.
- Impacts related to legislative / regulatory changes, especially with regard to supporting the Airport and international trade.
- Financial implications including additional costs of procuring goods and services.
- Disruption to key goods and services along with their supply chains – in particular food and fuel.

In terms of specific implications for the Council, Renfrewshire Trading Standards is responsible for enforcing product safety through specific acts and regulations. Under the current EU law, the service has powers to prevent unsafe goods entering the EU, the cost for this is borne by the importer. The service also has powers under UK law to seize and detain EU goods in free circulation. There is no permanent capacity based at Glasgow Airport with the service working closely with UK Border Force to ensure that where there is a concern around the nature of shipments coming into the EU appropriate checks can be undertaken. The number of checks will increase as the UK seeks to secure its own borders and is required to respond to similar regulatory requests relating to goods in transit from EU countries in a similar way to goods now entering the EU.

Trading Standards are also responsible for regulating specific weights and measures in operation at the airport and for animal health and these responsibilities and requirements are similarly likely to increase as the country restricts freedom of movement of people, goods and services. Overall it is anticipated that in the event of a hard Brexit an additional Trading Standards Officer will be required to service this additional regulatory agenda and in the event of a no deal Brexit this would increase to 2 additional officers being required, together with the costs associated with conducting analysis and investigation, prosecuting offenders and the storage and disposal of goods. It should be noted that there are limited Trading Standards Officers available in Scotland.

In addition, Environmental Health Officers are responsible for ensuring food standards are maintained and this currently involves the issuing of export certificates for foodstuffs or products of animal origin leaving the EU. This will increase should the UK not be part of the single market to goods that are destined for the EU. In addition, at present the closest border inspection post for imports is Manchester Airport. This is currently sustainable as most goods enter the EU through Rotterdam and other EU countries border inspection posts and thereafter transit within the EU to ports and airports across the UK. This model will not work once the UK leaves the EU and there is currently pressure for additional border inspection posts to be established to cope with demand. This is a decision for the airport to make – however should that happen a very significant increase in regulatory support will be required to meet the demand of additional goods entering the UK. Overall it is anticipated that in the event of a hard Brexit (as currently planned) an additional Environmental Health Officer will be required to service this additional regulatory agenda and in the event of a no deal Brexit this would increase to 2 additional officers being required together with associated costs in relation to conducting scientific analysis, storage and disposal of seized goods and conducting investigations and prosecutions.

Your Home, Your Street, Our Community

The national Building Safer Communities programme has been rolled out in Renfrewshire over the past couple of years and has been successfully delivered in Ferguslie, Gallowhill and Erskine. A working group worked with the community to leave a sustainable action plan to improve issues within the community.

In September 2018, the area of Shortroods was chosen for a focused period of time with the working group being set up to target issues in and around the Shortroods area. There was a press release/photo shoot and a survey launched within the community to allow the working group to understand the issues raised.

Learning from previous experience, the communities didn't feel engaged with the name of programme, therefore it was rebranded in Renfrewshire and renamed "Your Home, Your Street, Our Community" to allow them to understand that it relates directly to the community.

Police Scotland led on the programme with support from Renfrewshire Council (Communities and Public Protection) to ensure a partnership approach. Other members of the working group include:

- Community Pay Back Team
- Renfrewshire Council Housing Officer
- Sanctuary Housing Officer
- Youth Services
- Renfrewshire Leisure
- RADAR
- Potential Community member

Following the initiative, an exit survey was carried out with most people agreeing that the Shortroods area had improved as part of the intervention, this including interaction with youths, feeling of safety and tackling the issues raised.

The next area for the programme will be chosen in May 2019.

Automatic Number Plate Recognition

The Council has been assisting Police Scotland with the upgrading and installation of new Automatic Number Plate Recognition camera sites across the roads network. The upgrade and installation of new cameras will contribute positively to Police Scotland operational activities targeting:

- Violence, Disorder and Anti-Social Behaviour
- Serious Organised Crime
- Counter Terrorism and Domestic Extremism
- Protecting People at Risk of Harm
- Road Safety and Road Crime
- Acquisitive Crime

To date, 2 Automatic Number Plate Recognition Cameras have been installed in Renfrewshire with discussions on-going regarding a third. It is hoped that this will be installed during 2019.

5.8 Counter Terrorism and Serious and Organised Crime

The nature of terrorism and the threat that terrorist activities pose has continued to change significantly over the last few years. Early in 2018 it was noted that the existing Renfrewshire Multi Agency CONTEST/Prevent Group had highlighted the connection between groups and individuals that engage in or are vulnerable to becoming involved in terrorist activities and those that engage in or are vulnerable to becoming involved in serious organised crime. With the clear and growing connection between groups and individuals that engage in or have an interest in terrorist activities and those that have an interest in serious organised crime and these links are in place across a wider geography than Renfrewshire. The agreed response to this was to replace the current Renfrewshire CONTEST/Prevent group with a strategic CONTEST and Serious Organised Crime Multi Agency Group operating at a Police Divisional level. This group, chaired by the Head of

Communities and Public Protection, has now met with an early key priority of developing a "Local Profile" for both terrorism and serious organised crime to assist in understanding the nature of risk in the divisional area, and in prioritising the areas of focus and nature of response for the partners involved in the group.

In line with the 2015 Counter Terrorism and Security Act, a Prevent Professional Concerns Case Conferences was established in Renfrewshire. The first case conference took place late 2018and was chaired by the Head of Communities and Public Protection and all relevant agencies were represented and took the appropriate action(s) where required.

Alongside the Strategic Counter Terrorism / Serious Organised Crime Divisional Group a specific Serious Organised Crime Group has also been established This is chaired by the Detective Superintendent with responsibility for Serious Organised Crime across the division and will be responsible for strategic oversight of this agenda and tactical governance. The information and strategic understanding of the nature of the risk to Renfrewshire that will be developed by these groups will also be used to guide the work of the Community Protection (Prevent) Steering group. This will address the subject at a local level along with an additional focus on addressing the key indicators and issues that make people vulnerable to becoming involved with serious organised crime or terrorist groups or that might indicate that they are already becoming involved in activities that are of concern. This includes human trafficking, missing persons and child sexual exploitation.

Trading Standards have undertaken a number of targeted interventions, in legitimate sectors or premises where serious organised crime traditionally operate. The operation of a trading premises can facilitate the laundering of money, as well as providing a front for other illegitimate trading practices. These interventions are often carried out in partnership with Police Scotland, and contribute towards the Disrupt agenda.

Frauds and Scams

A continued focus on frauds and scams throughout the year has resulted in increased training and awareness raising for employees and elected members. Intelligence is received through Daily Tasking, and a partnership approach to the review of this intelligence allows patterns and trends to be monitored, and resources to be deployed most efficiently. Technology continues to be the key enabler to fraud, where the aim is to obtain customers' details using social engineering tools, and obtaining information by phone or by SMS text message. Partners are committed to raising the awareness of risks, with a recent example being the Police Scotland-led Shut Out Scammers initiative. The Council are now partnered with GetSafeOnline, which allows relevant services to access enhanced support materials relating to technological threats such as cybercrime.

5.9 Multi Agency Public Protection Arrangements and Community Justice

The strategic arrangements in relation to Multi Agency Public Protection Arrangements (MAPPA) continue to be overseen by the MAPPA Strategic Oversight Group, which exists across the six local authorities, previously under North Strathclyde Community Justice Authority. Information in relation to the workings of MAPPA, statistics, annual aims and objectives and work undertaken are included in the MAPPA Annual report. The most recent report covers 2017/18 and was published on the Renfrewshire criminal justice website on 9 November 2018.

Community Justice is led by the Community Justice Renfrewshire Steering Group. The Renfrewshire Community Justice Outcome Improvement Plan 2018 – 21 was published on 31 March 2018 which identified the key priorities for the partnership as, improving community understanding and participation in community justice, developing opportunities for routes into employability for people with convictions, tackling homelessness for prison leavers and raising awareness of services and pathways available in Renfrewshire which support people to improve mental health and wellbeing. Currently work is being undertaken to report on progress of year one of this plan across 2018/19 to Community Justice Scotland.

Work commenced in 2018/19 to ensure that referral pathways to mental health services are clear for those with convictions.

The partnership was successful in securing funding from the Scottish Government's Employability, Innovation and Integration Fund to support training, skills development and employability activities for people with convictions and the development of the employability pipeline in Renfrewshire. Evaluation of this project is currently underway.

Engagement with partners and local women continues to develop a Women's Centre in Johnstone. Kind Accepting Inspiring Renfrewshire's Open Space (Kairos) sets out to be a safe and welcoming place for women of all ages, offering a variety of opportunities and activities which will have good links and connections with other local services. Ongoing links exist with women subject to Community Payback Orders who have been involved in the centre's development.

5.10 Renfrewshire Alcohol and Drug Partnership (ADP)

Tackling drug and alcohol related deaths

Renfrewshire ADP updated the local Drug Deaths Action Plan which outlines key priorities for preventing deaths and includes investigating all drug related deaths and trends and reviewing areas for intervention. There were thirty-eight drug related deaths in Renfrewshire in 2017, this represents a 9.5% decrease compared with 2015, although the overall 5-year average rose by 7.7% from 26 to 28 and continues the rising trend witnessed since 2013. It is envisaged that drug related deaths in Renfrewshire during 2018 is likely to rise, official will be available August 2019.

Some of the key actions which have taken place include the provision of an evening fixed site needle exchange pilot which began at the beginning of the year and new clients, particularly those who have been identified as injectors, will continue to be prioritised and offered rapid start and titration of Opiate Replacement Therapy. Training continues to be offered to ensure distribution of naloxone which aims to prevent drug related deaths, during 2018/19 two hundred and fifty-five kits were supplied.

The rate of alcohol related deaths has remained the same in 2016 and 2017 (32.6 per 100,000 population) but is a slight increase compared to 2015 which was 31.5 per 100,000 population. An alcohol related deaths audit was carried out which resulted in a number of clear recommendations including better recording at A&E relating to levels of alcohol consumption and if individuals are identified as exceeding the recommended daily limits a referral is made to the acute addiction liaison service. The audit also identified that a number of individuals had significant financial concerns prior to their death which has resulted in robust links being established with Advice Works.

Alcohol and Drugs Commission

During 2018/19, Renfrewshire Community Planning Partnership agreed to establish an independent Alcohol and Drugs Commission to gain a true picture of the impact that alcohol and drug use has on individuals, families and communities across Renfrewshire. The commission, now formally operational since 19 March 2019, has an agreed programme of meetings until early 2020, at which point it will agree its findings and thereafter present its recommendations to the Community Planning Partnership for endorsement and action. This is the first commission of its kind in Scotland.

Recovery Oriented Systems of Care

A Whole Systems Review of Drug and Alcohol Services in Renfrewshire was commissioned in January 2018 by the ADP. The purpose was to review all aspects of service delivery to ensure the continuation of person centred and recovery focused care with clear pathways identified within Renfrewshire Addiction Services. The findings of the audit showed that alcohol and drug services in Renfrewshire have had a positive impact on individuals and that services had successfully engaged and retained significant numbers of individuals in treatment and care. Positive outcomes had been achieved in a number of areas. However, the review identified some areas of opportunity for further development:-

- Introduction of a fully integrated Alcohol and Drug Service in Renfrewshire.
- Establishment of a single point of access team for all alcohol and drug referrals.

- Future model needs to include more community based recovery orientated system of care including the development of a Recovery Hub and the provision of assertive outreach.
- Extend the model of care in relation to alcohol to include Home Detoxification.
- Establish a specialist dedicated team to provide support to the GP Shared Care.

An Implementation Plan has been developed and a Steering Group has been set up to ensure the recommendations are implemented.

Stigma and Addiction

The stigma associated with addiction to alcohol and drugs can have a negative impact on an individual's recovery as well as families and the wider community. An education and awareness raising campaign was organised by the ADP to challenge stigma. Changing Stigma to Respect Exhibition was held in Renfrewshire over a two day period with more than 100 people attending. A short film was made by both men and women from the local recovery community which highlighted the different forms of stigma that people endure in recovery from addiction. This was followed by an exhibition of photographs taken to highlight what recovery means to those affected by addiction and mental health. This was also replicated within the Sunshine Recovery Cafe. Both events were peer led with graduates from our peer training programme guiding visitors through the exhibition and engaging in conversations around stigma.

Recovery College

The ADP supported a group of individuals to attend the Scottish Recovery College. The aim of the college was to build the community development skills of individuals in recovery from addiction and had the opportunity of completing a number of modules over an eight day period. Ten students from Renfrewshire graduated and it is planned to hold a further Recovery College in 2019.

Prevention

The role of health as a statutory consultee in the licensing process has been strengthened with the post of Health Improvement Lead Alcohol Licensing commencing July 2018. Through the provision of information on the impacts of alcohol related harms at locality level to the Licensing Board there have been increased discussions on the control measures afforded under licensing legislation to protect and improve public health. As a result, three applications have seen health recommended conditions applied to date.

5.11 Collaborative Leadership Pilot Programme

In November 2018, the Collaborative Leadership Pilot Programme commenced in Renfrewshire. This is a multi-agency collaborative leadership programme aimed at 1st or 2nd tier line managers who show potential to advance within their relevant service. Seventeen candidates were selected as having potential for advancement and likely to remain within the Renfrewshire area for a reasonable time, allowing them to work collaboratively across local agencies. The purpose of the programme is to:

- Improve leadership skills
- Increase understanding of Christie Principals
- Encourage students to think about collaborative strategies
- Create relationships which will develop with the students
- Encourage students to think about their own leadership style
- Provide opportunities for students to learn from others
- Work collaboratively to successfully address Chief Officer Group challenges

A special meeting of the Chief Officers Group took place on 7 June 2019 and partners heard presentations from participants on the outcomes and recommendations flowing from a review they had undertaken of a live service area. It was agreed that this cohort would continue to engage with the Chief Officers Group on the progression of their ideas and recommendations. Partners all stated that they had been impressed with the programme and were keen to explore how this could be continued.

6. Strategic Focus

6.1 As detailed in Section 3, Renfrewshire Community Protection Chief Officers Group is responsible for leadership, strategic oversight and scrutiny in relation to multi-agency public protection activity and practice in Renfrewshire. The group also regularly scrutinises performance information across all areas of community protection activity, focusing in on areas where there are changes in referrals, incidents or concerns reported, or where national research or legislation suggests improvements or change to practice or multi agency working.

6.2 Additionally, the strategic focus for the Chief Officers Group and the Member Officers Group during 2019/20 will be as follows:

- Have a spotlight on alcohol and drugs use across Renfrewshire and drive forward the recommendations from the Alcohol and Drugs Commission to reduce the impact on individuals, families and communities;
- Support positive mental health and wellbeing with a focus on suicide prevention and people presenting to agencies in distress;
- Monitor the potential impact of the UK leaving the European Union undertaking activities on a partnership basis where this is identified;
- Consider the findings and recommendations of the recent national Thematic Inspection of Adult Support and Protection to ensure that all appropriate actions are taken in a Renfrewshire context and help prepare Renfrewshire for an inspection of Adult Support and Protection which will take place at some point in the next 18 months;
- Support the implementation of Renfrewshire's Community Justice Outcomes Improvement Plan 2018-2021 and respond to the planned presumption against short sentences which will be extended to 12 months;
- Explore the potential for Renfrewshire Community Planning Partnership to become trauma informed and responsive;
- Consider the findings of the National Child Protection Improvement Programme as these are developed and implement as appropriate;
- Evaluate the Leadership Collaborative Programme and consider the next steps;
- Review our arrangements for sharing learning from initial and significant case reviews which have been undertaken locally, regionally and nationally; and
- Undertake an independent review of the community protection governance arrangements with a view to further strengthening and building on current arrangements.

6.3 The Chief Officers Group will continue to seek to ensure that performance and practice are scrutinised at a strategic level, to identify what works well, to highlight any areas for improvement, and to consider where further opportunities for early intervention and prevention activity would achieve improved outcomes for local people.