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Renfrewshire Council

Notice of Special Meeting and Agenda
Council

Date	Time	Venue
Thursday, 16 February 2017	13:00	Council Chambers (Renfrewshire), Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

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

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

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Section 112 Statement

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

Procedures

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

Items of business

LOCAL GOVERNMENT FINANCE ACT 1992 - SECTION 112

RESTRICTIONS ON VOTING BY MEMBERS

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

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

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

1. Setting or adjusting the rate of Council Tax;

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

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

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

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

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

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

PROCEDURE TO BE FOLLOWED AT THE MEETING OF RENFREWSHIRE COUNCIL TO BE HELD ON 16 FEBRUARY DURING CONSIDERATION OF ITEM 1 CONCERNING REVENUE ESTIMATES AND COUNCIL TAX FOR THE FINANCIAL YEAR 2017/18

The purpose of this note is to give Members advance notice of the procedure which Provost Hall has agreed should be followed at the Meeting of the Council on 16 February 2017.

1. The Convener of the Finance & Resources Policy Board (the Convener) will make his budget statement for financial year 2017/18 and move as appropriate. He will then speak to the principal points of his proposals. The motion will require to be seconded.

2. The Leader of the Council will second the motion and may address the meeting then or reserve the right to speak at a later stage of the debate.

3. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.

4. An opportunity will then be given to the Leader of the opposition group and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together proposals for resource allocations, budget proposals, revenue estimates and the level of the council tax for the financial year 2017/18).

5. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting.

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

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

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

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

To:	**Council**
On:	**16th February 2017**
Report by:	**Director of Finance & Resources**
Heading:	**Revenue Budget and Council Tax 2017/18**

1. SUMMARY

1.1. This report provides members with an overview of the Council's anticipated financial position on the General Fund revenue budget and sets out the information required for the Council to set its budget and council tax for 2017/18. Members are expected to bring forward proposals to secure a balanced budget, and to assist in this, Directors have been providing details of the financial, service and equality implications of any changes to current service levels, as requested by members.

1.2. In setting the 2017/18 budget, members will wish to consider the medium and longer term financial context for the Council and the ongoing financial pressures and challenges facing the public sector more generally as set out in more detail in the main body of this report.

1.3. The Scottish Government has not provided any material details of spending plans beyond 2017/18. It has however published some high level figures at an overall budget level but with no detail provided at portfolio level. In broad terms, the outlook for revenue resources presents very shallow growth in cash terms, averaging around 0.5% per year up to 2019/20. By contrast, capital resources are expected to increase by an average equivalent rate of around 6%-7% per annum. As members will be aware, the Scottish Government has set out their policy priorities over the course of the current parliamentary period in relation to growing in real terms spending in the NHS, protecting Police spending in real terms and the commitment to almost double the level of free early years nursery hours over the course of the next Parliament.

1.4. In the context of this outlook for public finances in Scotland coupled with the Government's stated policy and spending commitments, the medium term prospects for the local government budget are likely to remain extremely challenging and subject to further year on year contraction in cash terms. Headline figures would suggest that 2017/18 is likely to be the best year in terms of cash growth to the Scottish Government's budget and therefore there is a significant risk that 2018/19 – 2019/20 will potentially see further increases in the scale of cash cuts applied to the local government grant settlement over that experienced in either 2016/17 or 2017/18. Significant uncertainty will remain over the scale of the

reduction which along with an expected continuation of annual cost pressures will drive a need for further significant and sustained savings in the Council's planned spending just to achieve a balanced budget position each year.

1.5. Members should note that similar to previous years and as detailed in paragraph 3.3 of this report, the Council's financial settlement for 2017/18 is conditional upon the package of measures linked to the local government finance settlement. To date the Cabinet Secretary for Finance and the Constitution has not provided any confirmation of the financial sanction of not agreeing to the full package of measures other than to indicate that any Council that does not sign up to the full package will suffer a downward revision to their financial settlement. By way of context, members may wish to note that the Council's share of national resources linked to teacher numbers (£88 million nationally) is approximately £3.8 million and adult social care resources transferred via the Health budget (£357 million nationally) is £12.499 million.

1.6. As outlined in more detail in the main body of the report, in setting out the terms of the local government finance settlement, the Scottish Government have replaced the application of the condition linked to maintaining a Council tax freeze with a cap at 3% on any agreed increase for 2017/18. There is no element of the grant award directly linked to this condition but equally no detail provided by the Scottish Government of any adjustment that would be made to the financial settlement were the Council to increase council tax beyond the 3% cap. In addition and as outlined in section 11 of the report, from the 1st April 2017 the impact of new regulations on Council Tax arrangements introduced by the Scottish Government will take effect. The regulations make changes to relationship of council tax bands E-H to Band D which in effect increases the level of council tax charge for these bands by between 7.5% - 22.5%. At the same time the Scottish Government has made changes to the Council Tax Reduction Scheme to increase reliefs to low income households. Taking account of both changes there is a budgeted net increase in resources available to the Council in 2017/18 of approximately £2.9 million based on the existing Band D council tax level of £1,164.69.

1.7. The Council, in setting its 2016/17 budget, continued as in previous years to take a medium term view of the Council's finances, agreeing a package of savings measures which has supported investment in priority areas, principally covering economic and cultural regeneration, digital connectivity in Renfrewshire's town centres and investment in parks across Renfrewshire. Since setting the budget, a number of the assumptions contained in the draft 2017/18 figures have been updated and in some cases confirmed, including most notably the confirmed grant available to the Council in 2017/18 and the associated conditions, the impact of new statutory obligations, the potential impact of increasing demographic and demand pressures and expected council tax yield levels for 2017/18. Taking all of these factors into account and as outlined in detail in the main body of the report, the Council has been presented with a budget deficit in 2017/18 of almost £16 million, equivalent to 4.1% of the total resources available from Government Grant and Council Tax.

1.8. As members will be aware, the Council has continued to take a number of decisions as part of the medium term financial strategy through to 2017/18 linked to the Better Council Change Programme and Debt Smoothing Strategy that support the release of significant savings in 2017/18. After taking account of the impact of these savings, there is, as presented in this report, a temporary revenue surplus of £4.236 million for 2017/18 subject to any further decisions taken by members. Members should note that this in year revenue surplus emerged only after the Scottish Government made available additional grant for 2017/18 during the course of their budget consultation and the parliamentary process for the budget bill ongoing during February. As referred to later in this report and based on information released by the Scottish Government, it would appear that these resources are underpinned predominantly by the use of the Scottish Government's budget flexibility mechanism that supports the carry forward of non recurring resources between financial years. There remains the risk therefore that the majority of this funding is supported by revenue resources that may be available to the Scottish Government only for a single year, creating uncertainty as to whether it will form part of local government's recurring baseline budget moving into 2018/19. Given there is no detail in relation to the Scottish Government's budget beyond 2017/18 it is not possible to draw any conclusions in this respect.

1.9. Notwithstanding this uncertainty and given the anticipated financial outlook beyond 2017/18 of an annual saving requirement of potentially up to £27 million per annum, the in year surplus on the budget for 2017/18 is expected to be temporary in nature and it is recommended by the Director that members should consider carefully any investment decisions that are not one off or temporary in nature.

1.10. The Council's financial projections beyond 2017/18 include, by necessity, a range of key assumptions and there remains significant and in some cases increasing uncertainty in relation to key elements of the Council's future financial position. Most notably the areas of key uncertainty are focused upon:

- *Future grant settlement* – as referred to above, the Scottish Government has not provided any material details of spending plans beyond 2017/18 but merely high level figures which present an indication of relatively shallow cash growth in their revenue budget over 2018 - 2020. In addition and as outlined to members in the report *"Financial Outlook 2017/18 – 2019/20"* to the Council meeting in September 2016, the Scottish Government's budget now carries increased risk as more revenue raising powers are devolved as part of the Scotland Act 2016. As the transition of powers moves the Scottish budget towards almost 50% of spending being supported by devolved tax raising powers, the economic performance of the Scottish economy relative to the UK becomes a key determinant in the overall level of resources that will be available to the Scottish Government's budget each year. At present, economic growth in Scotland is lagging that of the UK and there exists a wide range of downside risks associated with economic and political uncertainty linked to the UK exit process from the European Union and wider global influences on the UK and Scottish economies. In this context, the Scottish Government's budget will experience new and uncharted levels of uncertainty. This context, coupled with the Scottish Government's stated commitments over the course of the current parliamentary period in relation to growing in real terms spending in the NHS, protecting Police spending in real terms, both of which may become increasingly challenging commitments when inflation is anticipated to be on an upward trajectory over this period, and the commitment to almost double the level of free early years nursery hours over the course of the next Parliament, presents what is likely to be unprecedented levels of uncertainty over the medium term for local government grant levels in Scotland. Notwithstanding this scale of uncertainty, it remains the expectation that the level of government grant reduction the Council will experience over 2018 – 2020 is likely to be at a similar level or potentially worse than the 3.5% experienced in 2016/17 and 4% initially set by the Scottish Government in their initial draft budget for 2017/18.

- *Future Pay Settlements* - at present no national agreement has been reached on a pay settlement for 2017/18 for any of the Council's employee groups. Pay increases of 1.5% and 1% were agreed for 2015/16 and 2016/17 respectively and overall across the economy sustained cash increase in pay are beginning to move back towards pre-financial crisis levels. This position across the wider economy is likely to provide some important context for future negotiations but equally so will be the challenging medium term financial outlook for public finances and local government in particular.

- *Demand led Pressures* – demographic and socio-economic demand led cost pressures, in particular on both Children's Services and Adult Social Care, continue to be a key financial risk moving forward. In response, the Council in partnership with

Renfrewshire Health and Social Care Partnership continues to actively progress a wide range of key demand and cost management actions which have sought to mitigate the financial impact of these cost pressure over many years whilst seeking to achieve better outcomes for clients and their families. Despite these actions, it is recommended that financial provision of approximately £4.4 million is made by the Council to manage the potential net impact of such pressures in 2017/18. Such pressures remain a key area of financial risk both in the short term for the Council and moving forward over both the medium and longer term. The medium term forecasts outlined in this report take account these pressures and expectations of the scale of mitigation that is achievable. There will however always remain the risk that as these pressures continue to grow in their impact, the ability of the Council and partners to mitigate and dampen them over the medium term is not able to keep pace and this will be a key determinant on the Council's medium term financial position.

1.11. The nature of the Council's medium term financial outlook, both in scale and potential for movement, means that the Council needs to continue to adopt a strategic and sustainable plan linked to the delivery of priorities approved in the Council Plan and agreed with partners in the Community Plan. These strategic priorities will continue to provide a focus in future budget decisions, where the delivery of core services must be balanced with the resources that will be available to the Council. It is also important that the Council's underlying financial strategy maintains a medium term perspective focused on financial sustainability, recognising the uncertainty around key elements, the wide variation in potential scale of savings that will be required over the medium term and the ambitions of the Council to direct investment to support the delivery of key outcomes.

1.12. In addition, members should continue to be alert to the timing of future spending plan announcements from the Scottish Government. It is likely that the next set of announcements from the Government will not emerge until the second half of 2017 which could mean that results for individual councils may not be known until December 2017, two months before the Council would normally look to set the 2018/19 budget. In addition there is no certainty that future budget announcements by the Scottish Government will extend beyond a single year. The Council should therefore continue to progress financial planning on the basis of the possibility that over future financial years there may be limited time to respond to the confirmed grant settlements and that these may continue to be focused on single year announcements. Consequently it is important that the Council continues to pro-actively progress financial planning work in the context of the medium term outlook through the Better Council Change Programme and to prepare for what is anticipated to potentially be the most financially challenging and uncertain period ever for the Council.

1.13. In setting the 2017/18 budget, members should remain aware that any commitments to additional recurring expenditure will increase the projected medium term deficit in future years unless they are offset by sustainable savings or increase in resources arising from an increase in Council Tax. Finally, members are encouraged to take a holistic view of the Council's total resources, covering both capital and revenue, in coming to final budget decisions and attention is drawn to capital resources available to the Council of £1.841 million, as detailed at Item 2 of this agenda.

2. RECOMMENDATIONS

Members are asked to:-

2.1 Submit for approval proposals for any savings and/or investments and any service changes as part of delivering a balanced budget for 2017/18, and in doing so, to consider the equality impact of any proposed service changes as referred to at paragraph 8.7 and also to assess whether adequate provision is being made in the 2017/18 budget to deliver against the specified commitments linked to the Council's grant settlement for 2017/18, as detailed at paragraph 3.3.

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

2.3 Approve the revenue estimates for all services for 2017/18 subject to adjustment for the allocation of central support costs, central repairs costs, capital charges, specific grants, inflationary allowances and any proposals for service changes approved by Council.

2.4 Approve the proposed mechanism to manage the release of additional resources being made available in 2017/18 to Renfrewshire Health and Social Care Partnership as set out in paragraph 4.5.

2.5 Approve that the Council retains unallocated general fund balances of at least £7 million in 2017/18.

2.6 Submit for approval the council tax banding levels A to H inclusive to apply for 2017/18.

3. GRANT SETTLEMENT

3.1 On the 15th December 2016 the Scottish Government published their draft budget for 2017/18 which will be subject to parliamentary approval over the course of February 2017. At the same time, the draft local government finance settlement was published, which set out the provisional revenue and capital grant allocations for local government across Scotland. In a similar vein, the local government settlement is at this stage draft and is subject to the Local Government Finance (Scotland) Order 2017 which will be presented to Parliament in late February.

3.2 The Local Government Finance Circular 9/2016 was issued to councils on 15th December 2016, providing details of the provisional revenue and capital funding allocations for 2017/18. A revised circular was subsequently issued on 16th December following an adjustment made to the main grant floor arrangements. In addition, further changes were confirmed in the middle of January following a number of calculation issues identified during the course of the checking process undertaken by the Scottish Government in partnership with council officers.

3.3 Updated for notified adjustments circular 9/2016 confirmed 2017/18 Scottish Government revenue grant funding for the Council of £296.521 million. The Cabinet Secretary for Finance and the Constitution has outlined the set of associated conditions that make up the provisional funding allocation and which constitute:-

1. Maintaining at a national level the overall pupil teacher ratio (PTR) at 2016/17 levels and providing places for all probationers who require one.

2. The use of funding provided through the health budget, which has been increased nationally from £250 million to £357 million to support Adult Social Care services provided through Renfrewshire Health and Social Care Partnership (the Council's share of these resources in 2017/18 total £12.499 million). The £3.720 million increase in these resources which the Council is accessing in 2017/18 is intended to support sustaining the living wage for carer staff, sleepovers and sustainability, the removal of war pensions from income assessments for social care charging and pre-implementation work for the new carers' legislation.

3. The removal of the condition associated with a council tax freeze and the introduction of a cap of 3%, representing the maximum increase that can be applied locally by an individual council as part of setting the 2017/18 budget.

There is sufficient resource included within the proposed budget set out in this report to meet conditions 1 and 2 above with condition 3 being subject to elected member's decision in setting council tax levels for 2017/18. If the Council elects not to take up this package on offer from the Scottish Government, it has been confirmed that the financial settlement outlined above will be revised downwards although it has not been confirmed by the Scottish Government what the scale of the reduction would be in respect to any individual element of the conditions or in totality. By way of context however, members may wish to note that the Council's share of national resources linked to teacher numbers (£88 million nationally) is approximately £3.8 million and adult social care resources transferred via the Health budget (£357 million nationally) has as detailed above increased this year by £3.720 million to £12.499 million.

3.4 The financial settlement provides grant figures for one year only, covering 2017/18 and is expected to be formally considered for approval by the Scottish Parliament in late February 2017. The grant floor (which doesn't include all revenue funding but the majority) has been set by the Scottish Government at a maximum reduction of 5%. Seven councils are immediately on the floor, with a further eleven (including Renfrewshire) pulled down onto the floor once the floor calculation mechanism is applied. There are therefore eighteen of the thirty two councils on the grant floor with the grant change ranging from a cut of 5% down to a cut of 3.47%

3.5 The Council's settlement figure includes a number of adjustments for new spending burdens and responsibilities, most notably £4.248 million linked to the new Pupil Equity fund and £2.816 million linked to the new arrangements associated with Criminal Justice. Discussions remain ongoing with the Scottish Government in relation to the operation of the new pupil equity fund. At present it is expected that this funding which totals £120 million across all authorities will be provided by way of a ring fenced specific grant which will be required to support new spending and with spending authority devolved to individual headteacher level. There is therefore no expectation that these resources will be available to support the Council's wider budget and sustain existing service provision within Renfrewshire moving from 2016/17 into 2017/18. The resources linked to criminal justice, reflect funding changes associated with the disbanding of Community Justice Authorities, the funding of which previously sat outwith the Council's direct budget arrangements. These resources are required to support the transfer of responsibilities into the Council's core functions and similar to the pupil equity funding, are not therefore available to support existing service provision. There is also a range of differences in the planned timing of distribution of resources linked to discretionary housing payments, council tax reduction scheme and probationer teachers from the settlement position outlined for 2016/17.

3.6 After adjusting for these areas of new spending burdens, new responsibilities and timing differences in the distribution of funding, the Council's 2017/18 grant figure as set out in the provisional local government finance settlement has, on a like for like basis, decreased by 4% from 2016/17 against a 3.8% cut across all Scotland. The Council's share of the overall local government revenue funding settlement has remained broadly static at 3.17%.

3.7 Subsequent to the draft local government settlement announcement on 15th December, the Cabinet Secretary for Finance and the Constitution on 2nd February announced the release of additional resources to local government in 2017/18 following the Budget Bill Stage 1 debate in Parliament. Subject to Parliamentary approval in the final stages of the Budget Bill and Local Government Finance (Scotland) Order 2017, it is proposed that a further

£160 million (split £130 million for revenue and £30 million for capital) will be made available to local government in 2017-18 in addition to the sums previously confirmed in Local Government Finance Circular 9/2016.

3.8 Based on the information released by the Scottish Government, the additional resources made available were part of an overall package of additional spending plans for 2017/18 of £220 million, of which £160 million was made available to local government. The package is funded from £29 million of additional tax revenues and £191 million to be funded through use of the budget exchange mechanism, updated profile of the Scottish Government contribution required to bring the non-domestic rates pool into balance and a reduction in the anticipated cost of borrowing repayments in 2017/18.

3.9 The availability of these resources are underpinned predominantly by the use of the Scottish Government's budget flexibility mechanism that supports the carry forward of non recurring resources between financial years. There remains the risk therefore that the majority of this funding is supported by revenue resources that may be available to the Scottish Government only for a single year, creating uncertainty as to whether it will form part of local government's recurring baseline budget moving into 2018/19. Given there is no detail in relation to the Scottish Government's budget beyond 2017/18 it is not possible to draw any conclusions in this respect.

3.10 Notwithstanding this uncertainty moving forward, the availability of this additional £130 million of revenue grant, of which the Council will receive £4.236 million, reduces the like for like cut in government grant for the Council in 2017/18 from the 4% reflected in the provisional local government finance settlement to 2.65% against an all Scotland cut of 2.44%.

3.11 In addition to the direct revenue grant provided to the Council in 2017/18, the Council's share of resources provided via the Health budget will, as referred to earlier, increase by £3.720 million to £12.499 million. However, it should be noted that this funding is to be directed to fund new cost burdens such as sustaining the payment of the increased living wage to carers in Adult Social Care, supporting changes in sleepover payments, the removal of war pensions from income assessments for social care charging and pre-implementation work for the new carers' legislation. It is also available to support wider budget pressures in adult social care including demographic and demand led pressures. The budget proposals detailed in this report will provide for an increase in excess of this amount to be made available to the Health and Social Care Partnership in 2017/18.

3.12 In addition, the Scottish Government have confirmed that there is £60 million sitting outside the local government settlement (within the Education and Skills portfolio of the Scottish Government budget) to support the commencement of the planned expansion in free childcare towards 1140 hours. These resources are split into two £30m tranches for workforce development and capacity building (revenue) and first phase of infrastructure development (capital). The Scottish Government has indicated that future engagement will be progressed through COSLA in respect to how this funding will be distributed and applied. In this context no provision has been made in the budget in relation to this funding stream.

Table 1 – Grant Settlement 2017/18

	2017/18 £000
Allocated Government Grant Funding	
Specific Grants	7,088
Non Domestic Rate Income	96,682
Revenue Support Grant	196,987
TOTAL CONFIRMED ALLOCATED GOVERNMENT GRANT FUNDING	**300,757**

3.13 As detailed above, beyond 2017/18, although no specific grant figures are available for local government across Scotland and consequently for Renfrewshire, it is anticipated that local government in Scotland will continue to face a challenging medium term financial outlook with further sustained reductions in the levels of revenue grant made available by the Scottish Government. At present there is significant uncertainty over what the scale of this reduction will be, however based on current information there is little to suggest that it is likely to be any better than the reduction experienced by the local government budget in 2016/17 or as initially outlined in the provisional 2017/18 announcement on 15th December 2016.

3.14 There also remain wider risks that could yet further influence the level of resources made available to the Scottish Government budget through what continues to be a fluid and fast changing political and economic environment, within Scotland, the UK, across Europe and indeed globally. It is expected that greater clarity over future grant settlement levels will emerge in the latter half of 2017, with the risk that the Scottish Government may continue to set out detailed spending plans only for the forthcoming year. Moving forward members will be kept appropriately briefed and informed as announcements are made by the Scottish Government during the course of 2017 and in addition, of any significant developments in the wider economy which are likely to materially change the future financial outlook for the Council.

4. SPENDING PRESSURES, MANAGING DEMAND, AND AGREED SAVINGS

4.1 An analysis has been enclosed with this report detailing, for each service, the proposed budget changes between 2016/17 and 2017/18. The budget has been adjusted to reflect:-

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

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

(iii) the implementation of the approved medium term debt smoothing strategy which will support the delivery of significant budget savings on financing charges in 2017/18; and

(iv) Additional £3.720 million of resources that will be made available via NHS Greater Glasgow & Clyde to support Adult Social Care Budgets that will be made available to Renfrewshire Health and Social Care Partnership in 2017/18.

4.2 Demographic and socio-economic factors continue to play a major role in driving spending pressures for the Council, specifically in relation to both Adult and Children's Services and relating mainly to:-

- older people's services linked to the shift in the balance of care, supporting older people to live safely at home for as long as possible, and facilitating prompt discharge from hospital;

- the increasing number and complexity of care packages required to support adult clients to live as independently as possible in the community; and

- the continued commitment to protecting vulnerable children and young people, and supporting them into independent adulthood.

4.3 The Council has for a number of years been taking forward a wide range of mitigation strategies designed to dampen the impact of demand led growth. These strategies have focused on multiple perspectives including:-

- Seeking to provide more cost effective services - for example Children's Services has been focusing significantly on a strategy to shift the balance of foster care provision to predominantly in-house provided foster carers as opposed to those sourced through more expensive external agencies.

- Investing in preventative measures and redesigned services to reduce longer term demand growth - for example within Adult Service delivering intensive short term reablement service to support older people to be cared for at home when they leave hospital and reduce demand for more expensive residential care.

- Better service provision to reduce ongoing demand - for example Children's Services has focused on improving how well the service is able to support children through to places of permanency, principally aimed at delivering better sustainable outcomes for the children but at the same time reducing ongoing demand for temporary care arrangements.

4.4 As a result of the growing positive impact of the wide range of measures implemented over the years, the Director of Children's Services has confirmed that the expected resources released as a consequence of these mitigation measures will be sufficient to manage the impact of new demographic and socio-economic demand led pressures on the service. As a consequence there is no requirement to provide any associated adjustment to the Children's Services base budget moving into 2017/18 for such pressures.

4.5 In relation to Adult Services, although a similar impact is being achieved through demand and cost mitigation strategies, the scale of demand led cost pressures is significant. In addition, over the course of 2017/18 Adult Services will be exposed to potentially significant cost pressures arising from a number of long term contractual arrangements that will come to an end and are subject to renewal, the financial impact of the negotiated application of the increased living wage across the sector, legislative changes impacting upon the cost of delivering sleepover arrangements and the negotiated increase on the National Care home contract, agreement of which remains outstanding. Based upon a broad range of projections, it has been estimated that the demand and cost growth across Adult Services may extend to £4.406 million net of any mitigation measures taken by the Chief Officer. It is however recognised that within this estimate there remains uncertainty over the actual cost and demand pressures that will emerge over the course of 2017/18, in particular from contractual renewal processes and negotiation arrangements associated with the living wage and National Care home contract. In these circumstances, it is proposed that the Council makes provision in 2017/18 for £4.406 million of additional resources to be made available for drawdown by the Health and Social Care Partnership in 2017/18 to manage these pressures. The actual level of drawdown will be agreed between the Council Director of Finance & Resources and the Chief Finance Officer of the Partnership on the basis of the actual financial impact of the cost pressures that crystalise over the course of the financial year. Full updates in relation to the application of this resource drawdown mechanism will be appropriately reported over the course of the year through the existing budget monitoring arrangements within the Council and the Health and Social Care Integrated Joint Board.

4.6 Table 2 below summarises the recommended base budget adjustments to reflect the pressures facing the Council in 2017/18. Also included in the table is an adjustment arising from the ongoing implementation of the Council's medium term debt smoothing strategy and Better Council Change Programme which continue to support the delivery of significant budget savings in 2017/18 of almost £20 million.

Table 2 - Summary of Recommended Base Budget Adjustments 2017/18

	2017/18	
	£ms	**£ms**
Net impact of previous Council and Board Decisions	(2.406)	
Debt Smoothing Reduction in Financing Costs	(17.410)	
Total Savings Applied for 2017/18		**(19.815)**
Add:		
Adult Services Demographic, Socio-Economic and Contractual Pressures	4.406	
Legislative Impact on Pension and Other Pay Costs	2.000	
Contract Payment and ICT Licensing	1.525	
Non Domestic Rates including 2017 Revaluation Impact	0.600	
Financial Settlement Adjustments	1.163	
Other Net Base budget changes	1.526	
Total Base Budget Increases		**11.219**
Net Base Budget (Reduction)		**(8.596)**

5. PAY AND PRICE PRESSURES

5.1 The 2017/18 budget position detailed in Table 3 at paragraph 8.1, includes provision for pay inflation at £5.598 million for 2017/18 across all pay groups. This reflects the required budget uplift to account for the impact of the new Apprenticeship Levy introduced by the UK Government, the impact of the uplift in the living wage to be applied to appropriate staff groups and a provision for the 2017/18 pay award across all staff groups which at present remain subject to ongoing negotiation through the national arrangements.

5.2 In setting its 2016/17 budget, the Council decided not to apply any general inflationary uplift to non-pay budgets. Given the financial challenges facing the Council, in particular over the medium term and in line with historic practice general non pay inflation is not provided for in the 2017/18 budget.

5.3 The Financial Regulations require charges for services to be reviewed at least annually and a 2% increase in charges would generate additional income of £0.080 million. The overview of the Council's spending in Table 3 at paragraph 8.1 makes provision for an inflation adjustment to charges at 2%.

6. FINANCING COSTS

6.1 The provision for financing costs includes both debt charges payable as a result of the Council's capital investment programme and the interest gained on temporary investment of cash. In assessing financing cost requirements, an assumed average interest rate of 4.33% has been applied. A minor adjustment has been made to the temporary interest income budget reflecting existing cash management approaches, the anticipated temporary cash deposits levels over the course of 2017/18 and an expectation that interest rate levels are unlikely to materially increase over the course of the year.

6.2 As previously reported to members, a strategy of debt smoothing, with the intention of releasing budget savings over the medium term, is incorporated into the Council's medium term financial planning assumptions. As referred to earlier in this report, approximately £17 million of savings are being released from the financing cost budget in 2017/18 as part of the strategy to address the underlying medium term budget deficit and overview position outlined in section 8.

6.3 As reported to members in the September 2016 Financial Outlook report, given it is anticipated that the Council will be moving into a further period of sustained and significant cost reductions beyond 2017/18, a review was completed to reassess the approach employed to implement the final stages of the current debt smoothing strategy. The strategy has now been adapted and resources previously earmarked to deliver accelerated debt repayment will now be utilised to directly support the revenue budget over the medium term, providing relief from annual debt charges. This change in approach will allow a further phase of debt smoothing savings moving beyond 2017/18 to be established for a defined medium term period. This adjustment to the strategy will provide the opportunity through this period of financial challenge to protect core priority services and mitigate unnecessary reductions in service provision over the short to medium term. It would be expected that an anticipation of a return to growth in resources over the medium to longer term will facilitate a smooth exit as the associated debt smoothing resource comes to a natural end. In addition, the change in approach will also provide access to a flexible resource to support the Council to deliver the inevitable scale and pace of change that will be required to meet the overall financial challenge, including costs associated with a need to continue to resize and reshape the workforce.

7. TRADING ORGANISATIONS

7.1 The detailed revenue estimates include within Miscellaneous Services the projected surpluses to be earned by the Council's Trading Operations in 2017/18. The current policy is for any surpluses and deficits to return to the General Fund. The exception to this policy is Building Services where a proportionate element of any trading surplus/deficit is currently transferred in to the Housing Revenue Account based on the level of Housing related turnover.

8. SPENDING OVERVIEW

8.1 The Council approved spending for 2016/17 at the meeting on 3rd March 2016 of £381.982 million. It is estimated that £379.064 million (as detailed in Table 3) is needed to fund the costs of maintaining present service levels, provide for new responsibilities and cost burdens and addressing known pressures and demands in 2017/18.

Table 3 – Estimated Spending Need 2017/18

	£000
Spending approved 2016/17 budget	**381,982**
Add:	
Recommended Budget Adjustments (per Table 2)	11,219
Savings Applied (per Table 2)	(19,815)
Revised Budget per Appendix 1	373,386
Provision for inflationary pressures (see paragraph 5.1 - 5.3)	5,678
Estimated spending need for 2017/18	**379,064**

8.2 Significant cost pressures are anticipated to persist beyond 2017/18 for the Council. Some cost pressures, such as those related to some contractual commitments and cost increases linked to landfill taxation are easier to predict for future years. Others such as future pay increases, the impact of legislative and national policy changes, movement on key commodity prices and increasingly demand led pressures are more difficult to estimate and are not necessarily within the direct control of the Council. In addition, and as referred to in section 3 above, there is significant uncertainty in respect to how much of a reduction is likely to be experienced in government grant levels over the medium term.

8.3 In this context there is significant uncertainty in relation to the scale of savings that the Council may be required to deliver in the medium term period through to 2020. As outlined to members in the Financial Outlook report to the September Council meeting, the projected budget gap each year in the period 2018 - 20 was forecast as potentially falling within a range of £16 million to £27 million (prior to the any application of changes in Council Tax levels). The outcome that has crystallised for 2017/18, an underlying budget gap and requirement for savings of almost £16 million (after taking account of additional resources announced by the Scottish Government on 2nd February), has done little to suggest that this projected range is unrealistic, particularly given 2017/18 is anticipated to be potentially more challenging for the Scottish Government in resource terms than either 2018/10 and 2019/20. The recommendation that the Council should continue to plan for a year on year saving requirement of approximately £20 million, equivalent to £40 million over the two year period remains valid. Indeed given the increase in uncertainty moving beyond 2017/18, it would be recommended that Council seek to target a £40 million 2 year saving programme, with at least £20 million being deliverable in 2018/19 to provide a degree of flexibility over the two year period.

8.4 In addition, members should be alert to the likely timing of future spending plan announcements by the Scottish Government. It is likely that this will be in the second half of 2017 and could mean that results for individual councils are not likely to be known until December 2017, two months before the Council would normally look to set the 2018/19 budget. In addition, there is no certainty that the announcement by the Scottish Government will provide draft planning figures beyond 2018/19, potentially extending the cycle of ongoing uncertainty over medium term government grant prospects for the Council.

8.5 Consequently, the Council will continue to operate with a medium term financial outlook that remains inherently uncertain, both in scale and potential for variability. It is important that the Council continues to adopt a flexible medium term perspective to the delivery of savings and maintains a strategic and sustainable focus linked to the delivery of priorities approved in the Council Plan and agreed with partners in the Community Plan. The Council should plan for the possibility that over the future financial years, there may continue to be limited time to respond to confirmed grant settlements and manage both unexpected and higher levels of cost pressures than is currently being forecast. Consequently, the Council needs to continue to pro-actively progress financial planning work for 2018/19 and beyond through the Better Council Change Programme to prepare for what is anticipated to be a highly challenging and uncertain financial period for the Council.

8.6 Members will continue to be updated on developments for future years, but should be aware that in setting the 2017/18 budget any commitments to additional recurring expenditure will increase the projected deficit in future years unless they are offset by recurring savings or increases in Council Tax. Similarly, any decisions taken now to address the future year budget deficits provides greater certainty for service planning and the workforce, and also supports the future financial stability of the Council.

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

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

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

9. RESOURCE ALLOCATIONS

9.1 Appendix 1 attached summarises the provisional resource allocation for each service in terms of the revenue estimates which accompany this report at Appendix 2. The resource allocations will be subject to amendment to reflect the Council's views on budget proposals, inflationary pressures and the allocation of central support costs, specific grants and capital charges.

10. PROBABLE OUTTURN 2016/17, BALANCES AND RESERVES

10.1 Appendix 3 to this report details an overview of the Probable Outturn for 2016/17.

10.2 The Council's general fund balances as at 1st April 2016 were £61.378 million, and as outlined in Table 4 below, the majority of this was earmarked for specific purposes. The Council in setting the budget for 2016/17 did not plan to draw from available unallocated reserves, planning for £7.013 million of general working balances to be available by 31st March 2017. As reported to members during the course of 2016/17, a very minor year-end under-spend is being projected and the position on unallocated reserves on the closure of the 2016/17 accounts is expected to be £7.020 million. This projected year end position is after accounting for planned adjustments arising from the Council's ongoing debt smoothing strategy.

10.3 It is important that the Council maintains sufficient reserves to protect it during the course of the financial year. Audit Scotland will continue to closely monitor the Council's position to ensure unallocated general working balances remain at an appropriately prudent level and it is recommended that in the context of the Council's risk profile moving into 2017/18, unallocated reserves are maintained at least at £7.0 million, approximately 1.9% of the Council's net expenditure.

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

Table 4 – General Fund Balances 2016/17

	Balances as at 1/4/2016 £000	Forecast In Year Change and Year End Transfers £000	Forecast Closing Position as at 31/3/17 £000
Service Modernisation and Reform Fund	6,176	(861)	5,315
PPP Reserve	12,670	-	12,670
M74 Contribution	566	-	566
Development Contribution - Paisley Town Centre	1,120	-	1,120
Early Years Strategy	3,321	(600)	2,721
Waste Management Strategy	7,456	(3,035)	4,421
Invest in Renfrewshire	5,049	(2,500)	2,549
Community Safety	121	-	121
Private Sector Housing Grant	2,063	-	2,063
Support Credit Unions	340	(200)	140
Paisley Town Centre Heritage Strategy	8,284	(2,500)	5,784
City Deal	1,561	-	1,561
Commission on Tackling Poverty	3,649	(2,849)	800
Youth Employment Strategy	212	(130)	82
Service Year End Flexibility	1,777	(477)	1,300
Unallocated General Fund Balances	7,013	7	7,020
Total General Fund Balances	**61,378**	**(13,145)**	**48,233**

10.5 As previously reported to Council in its consideration of the 2015/16 accounts, and as detailed in Table 5 below, other specific reserves continue to be maintained.

Table 5 – Specific Reserves 2016/17

	Balances as at 1/4/2016 £000	Forecast In Year Movement £000	Forecast Balance as at 31/3/17 £000
Insurance Fund	2,543	-	2,543
Reservoir Repair Fund	312	-	312
Education Capital Items Fund	751	(16)	735
Investment Programme Capital Fund	55,264	25,000	80,264
Housing Capital Fund	6,773	-	6,773
Total Specific Reserves	**65,643**	**24,984**	**90,627**

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

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

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

10.9 The Capital Funds are used to hold planned contributions to the delivery of the ongoing capital investment programmes as well as resources which support the debt smoothing strategy operating across both the General Fund and Housing Revenue Account (these debt smoothing resources include a transfer from unallocated balances as agreed on the setting of the 2016/17 budget). These debt smoothing resources are utilised to manage both the debt levels linked with the respective investment programmes and the associated debt servicing costs charged to the revenue account each year. Reflecting the temporary in year surplus position outlined in the report for 2017/18, there is no drawdown planned from this fund in 2017/18.

11. <u>COUNCIL TAX</u>

11.1 The Council's council tax (Band D) for 2016/2017 is £1,164.69 and is £16 (1.39%) above the Scottish average. It is estimated that in 2017/18 each £1 of council tax will yield £70,442 which is higher than 2016/17. The increase in the yield reflects anticipated growth in the council tax base in the context of the modest recovery being experienced in the housing development market but principally reflects changes introduced by the Scottish Government, which take effect from 1st April, in relation to houses in Council Tax Bands E – H. Council Tax is applied across a range of bands from A to H and is assessed by a formula in relation to band D, which is known as the multiplier. The Scottish Government has legislated to change the council tax multipliers for properties in Bands E to H from 1 April 2017. Councils across Scotland are statutorily obliged to apply these changes, the impact of which will increase the cost of Council Tax for properties in bands E through to H.

11.2 The table below shows the current and revised multipliers for Band E to H and the illustrative percentage increase in charge based on the existing Band D charge of £1,164.69, not taking into account any discounts, exemptions or empty property charge that may apply.

Band	*Current multiplier	*Revised multiplier from 1 April 2017	Council Tax (Current)	Council Tax (new multipliers applied)	Percentage change
E	1.22	1.31	£1,423.51	£1,530.27	7.5%
F	1.44	1.63	£1,682.33	£1,892.62	12.5%
G	1.67	1.96	£1,941.15	£2,280.85	17.5%
H	2	2.45	£2,329.38	£2,853.49	22.5%

11.3 A maximum net yield of £82.043 million can be anticipated from the expected Council Tax base and present council tax levels. Within the context of the current service resources, specific collection initiatives continue to be implemented to support the collection of council tax, including the recovery of arrears for prior years. It is anticipated that £0.500 million will be collected next year from prior years.

11.4 Members are required to determine the level of council tax for Bands A to H inclusive which should apply for 2017/18, and in doing so, are reminded of the grant conditions detailed at paragraph 3.3.

12. BUDGET OVERVIEW – 2017/18

12.1 The overview budget position for the Council for 2017/18, prior to any changes in service levels or council tax levels, is outlined in Table 6 below. This overview position confirms an in year revenue surplus for 2017/18, subject to decisions by members in setting the final budget for 2017/18. Members should note that this in year revenue surplus reflects the Scottish Government announcement subsequent to the Budget Bill Stage 1 debate in Parliament of an additional £130 million of revenue grant for local government in 2017/18. As referred to in section 3 above, it would appear that based on information released by the Scottish Government, that these resources are underpinned predominantly by the use of the Scottish Government's budget flexibility mechanism that supports the carry forward of non recurring resources between financial years. There remains the risk therefore that the majority of this funding is supported by revenue resources that may be available to the Scottish Government only for a single year, creating uncertainty as to whether it will form part of local government's recurring baseline budget moving into 2018/19. Given there is no detail in relation to the Scottish Government's budget beyond 2017/18 it is not possible to draw any conclusions in this respect. In this context and recognising that the Council is expected to face a significant budget deficit over the medium term Members should be reminded that this budget position is anticipated to be temporary in nature. As such, any decisions taken in setting the 2017/18 budget which commits resources on a recurring basis will increase further this forecast deficit position for future years unless decisions are also taken to deliver corresponding savings or increase Council Tax levels and associated income.

Table 6 – Budget Overview 2017/18

	£000
Income:	
Confirmed Government Grant (per table1)	300,757
Council Tax Income	82,043
Council Tax / Community Charge Arrerars Recovery	500
Total Income	**383,300**
Less: Estimated Spending Need (Table 3)	379,064
Estimated Funding Surplus 2017/18	**4,236**

13. BUDGETARY CONTROL

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

14. FURTHER ACTION

14.1 Members wishing clarification of the details of this report or the enclosed Revenue Estimates pack should contact Alan Russell (extension 7364) or the Chief Executive or any Director in relation to their specific service responsibilities.

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

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Implications of this Report

Financial – The report and enclosures provide the background information on the 2017/18 budget, identifying a temporary in year surplus. As detailed in the report, if the Council does not formally agree to the specified set of commitments as part of agreeing the 2017/18 budget, a further grant reduction will be applied by the Scottish Government, albeit the extent of this reduction has not been confirmed.

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

Community Planning

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

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

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

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

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

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

Legal - The Council is required to set a balanced budget for 2017/18.

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

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

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

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

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

Risk - As outlined in the report, the Council continues to be faced with risk and uncertainty in setting its 2017/18 budget and future financial outlook over the medium term, principally in relation to factors outwith its direct control. In addition the scope of ongoing change underway within the Council and scale of ongoing budget reduction necessary to realign Council spending with available resources over the medium term brings with it additional risk for the Council. In recognition of this it is important that the Council’s unallocated balances remain at an appropriately prudent level and that decisions taken by the Council pay due regard to the medium term financial outlook.

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

List of Background Papers

(a) Background Papers - none

Author – Alan Russell, Director of Finance & Resources

APPENDIX 1

REVENUE ESTIMATES 2017/18
PROVISIONAL RESOURCE ALLOCATION STATEMENT
(subject to amendment for any budget proposals approved by Council)

	RESOURCES ALLOCATION £000
Service	
Chief Executive's	5,761
Children's Services	177,840
Leisure Services	9,102
Community Resources	43,417
SPTA	3,288
Finance and Resources	31,590
Valuation Joint Board	1,213
Development and Housing	6,749
Adult Services	64,104
Miscellaneous Services	31,963
NET EXPENDITURE PER APPENDIX 2	**375,027**
Less: Recoveries from accounts outwith service resource allocations	1,641
Total per Table 3	**373,386**

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

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : CHILDRENS SERVICES

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			201,696,866
Adjustments for items outwith Resource Allocation			
Less: capital charges	(15,588,350)		
		(15,588,350)	
Central support costs	(14,725,057)		
Central support recoveries			
Corporate and Democratic core costs	361,400		
		(14,363,657)	
			(29,952,007)
Adjusted 2016-2017 Estimates			171,744,859
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		6,975,500	
Transfers (PAPER 3)		(880,022)	
			6,095,478
2017-2018 Estimates			**177,840,337**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : CHILDRENS SERVICES

ED		£
1	Increased Property Rent	11,500
2	Annual Contractual PPP Contract Indexation Adjustment	150,000
3	Better Council Change Programme - Residential Service Redesign	(500,000)
4	Uplift in Teacher Numbers linked to school roll increases	250,000
5	Criminal Justice Specific Grant	2,816,000
6	Pupil Equity Specific Grant	4,248,000
	Total Increase (Decrease) to Budget	**6,975,500**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : CHILDRENS SERVICES

ED		£
1	Transfer of Policy & Commissioning budgets to Chief Executives	(93,608)
2	Allocation of prior year savings	(91,301)
3	Realignment of Leisure & Culture budgets	(774,649)
4	Realignment of Adult and Children's Social Care budget	128,190
5	Non domestic rates budget correction	300
6	Transfer Healthy Lifestyles budget to Leisure	(18,954)
7	Grounds Maintenance Transfer to Corporate Landlord	(30,000)
	Total Increase (Decrease) to Budget	**(880,022)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : LEISURE SERVICES

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			11,053,764
Adjustments for items outwith Resource Allocation			
Less: capital charges	(1,824,350)		
		(1,824,350)	
Adjustments for Central Support	(920,010)		
Central support costs			
Corporate and Democratic core costs	45,870		
		(874,140)	
			(2,698,490)
Adjusted 2016-2017 Estimates			8,355,274
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(35,000)	
Transfers (PAPER 3)		781,941	
			746,941
2017-2018 Estimates			**9,102,215**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : LEISURE SERVICES

LS		£
1	Renfrewshire Leisure Contract Payment adjustment	(35,000)
	Total Increase (Decrease) to Budget	**(35,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : LEISURE SERVICES

LS		£
1	Realignment of Leisure & Culture budget (Healthy Lifestyles, corporate landlord, maintenance costs etc)	781,941
	Total Increase (Decrease) to Budget	**781,941**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : COMMUNITY RESOURCES

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			**54,799,252**
Adjustments for items outwith Resource Allocation			
less: capital charges	(6,742,680)		
		(6,742,680)	
Adjustments for Central Support			
Central support costs	(3,761,831)		
Central support recoveries	215,294		
Corporate and Democratic core costs	180,190		
		(3,366,347)	
			(10,109,027)
Adjusted 2016-2017 Estimates			44,690,225
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(339,100)	
Transfers (PAPER 3)		(933,556)	
			(1,272,656)
2017-2018 Estimates			**43,417,569**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : COMMUNITY RESOURCES

CR		£
1	Increase In Landfill Tax	107,200
2	Contract Price Increase for Waste Disposal	38,000
3	Net budget realignment for reinstatement of Civic Amenity Sites	40,900
4	Street Lighting energy and maintenance effiencies	(677,000)
	Payments to Trading Operations	
5	Contract Payment - Catering Trading Operation	58,200
6	Contract Payment - Vehicle Maintenance Trading Operation	39,000
7	Contract Payment Increase - Roads Trading	54,600
	Total Increase (Decrease) to Budget	**(339,100)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : COMMUNITY RESOURCES

CR		£
1	Transfer of Policy & Commissioning budgets to Chief Executives	(212,692)
2	Allocation of prior year agreed savings	(702,961)
3	Realignment of Ground Maintenance	30,000
4	Realignment of Leisure & Culture Budgets	9,162
5	Transfer Parking Income	(57,065)
	Total Increase (Decrease) to Budget	**(933,556)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : FINANCE AND RESOURCES

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			8,023,017
Adjustments for items outwith Resource Allocation			
capital charges	(2,456,350)		
		(2,456,350)	
Adjustments for Central Support			
Central support costs	(8,035,144)		
Central Support recoveries	33,798,705		
		25,763,561	
			23,307,211
Adjusted 2016-2017 Estimates			31,330,228
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		948,200	
Transfers (PAPER 3)		(688,350)	
			259,850
2017-2018 Estimates			**31,590,078**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : FINANCE AND RESOURCES

FAR		£
1	ICT Contract payments and ICT licensing and maintenance	599,200
2	Impact of additional Wide Area Network circuit requirements	100,000
3	Impact of requirements to comply with Public Sector Network Healthcheck	40,000
4	Costs arising from increase in Elected Members	60,000
5	Reduction in Housing Benefit Admin Subsidy	89,000
	Total Increase (Decrease) to Budget	**948,200**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : FINANCE AND RESOURCES

FAR		£
1	Transfer of Policy & Commissioning budgets to Chief Executives	(514,549)
2	Allocation of prior year agreed savings	(39,826)
3	Realignment of Childrens Services budget	(74,742)
4	Adult services budget realignment	(118,798)
5	Realignment of Lesiure & Culture Budgets	2,500
6	Parking Income transfer	57,065
	Total Increase (Decrease) to Budget	**(688,350)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			1,243,900
Adjustments for items outwith Resource Allocation			
less: capital charges	-		
		-	
Adjustments for Central Support			
Central support costs	-		
Corporate and Democratic core costs	-		
		-	
			-
Adjusted 2016-2017 Estimates			1,243,900
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(31,100)	
Transfers (PAPER 3)		-	
			(31,100)
2017-2018 Estimates			**1,212,800**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
1	Impact of Reduced Requisition	(31,100)
		(31,100)

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : RENFREWSHIRE VALUATION JOINT BOARD

JVB		£
		-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - OTHER HOUSING

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			5,463,758
Adjustments for items outwith Resource Allocation			
less: capital charges	-		
		-	
Adjustments for Central Support			
Central support costs	(189,158)		
Corporate and Democratic core costs			
		(189,158)	
			(189,158)
Adjusted 2016-2017 Estimates			5,274,600
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(1,144,400)	
Transfers (PAPER 3)		(108,817)	
			(1,253,217)
2017-2018 Estimates			**4,021,383**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - OTHER HOUSING

OH		£
1	Support for Veterans	12,000
2	Payment of the Living Wage by care providers	6,600
3	Remove DHP Base Budget Funding (17/18 funding as yet unallocated)	(1,163,000)
	Total Increase (Decrease) to Budget	**(1,144,400)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - OTHER HOUSING

OH		£
1	Transfer of Policy & Commissioning budgets to Chief Executives	(83,400)
2	Allocation of prior year agreed savings	(25,417)
	Total Increase (Decrease) to Budget	**(108,817)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PLANNING AND ECONOMIC DEVELOPMENT

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			4,617,466
Adjustments for items outwith Resource Allocation			
less: capital charges	(652,800)		
		(652,800)	
Adjustments for Central Support			
Central support costs	(597,082)		
Corporate and Democratic core costs	156,260		
		(440,822)	
			(1,093,622)
Adjusted 2016-2017 Estimates			3,523,844
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(168,850)	
Transfers (PAPER 3)		(627,030)	
			(795,880)
2017-2018 Estimates			**2,727,964**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PLANNING AND ECONOMIC DEVELOPMENT

PED		£
1	Introduction of new Planning Application System	31,150
2	Capitalisation of salaries related to regeneration projects	(200,000)
	Total Increase (Decrease) to Budget	**(168,850)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : DEVELOPMENT & HOUSING SERVICES - PLANNING AND ECONOMIC DEVELOPMENT

PED		£
1	Transfer of Tourism & Marketing budgets to Chief Executives	(627,030)
	Total Increase (Decrease) to Budget	**(627,030)**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			
Adjustments for items outwith Resource Allocation			3,354,700
less: capital charges	-		
		-	
Adjustments for Central Support			
Central support costs	-		
Corporate and Democratic core costs	-		
		-	
			-
Adjusted 2016-2017 Estimates			3,354,700
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(67,000)	
Transfers (PAPER 3)		-	
			(67,000)
2017-2018 Estimates (Before budget decisions)			**3,287,700**

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

SPT		£
1	Impact of reduced Requisition	(67,000)
	Total Increase (Decrease) to Budget	**(67,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : STRATHCLYDE PASSENGER TRANSPORT

SPT		£
	Total Increase (Decrease) to Budget	-

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : CHIEF EXECUTIVE

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			**564,735**
Adjustments for items outwith Resource Allocation			
less: capital charges	(130)		
		(130)	
Central support costs	(303,779)		
Central support recoveries	4,031,282		
Corporate and Democratic core costs	-		
		3,727,503	
			3,727,373
Adjusted 2016-2017 Estimates			4,292,108
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(50,000)	
Transfers (PAPER 3)		1,519,163	
			1,469,163
2017-2018 Estimates			**5,761,271**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : CHIEF EXECUTIVE

CE		£
1	Impact of minor Service Restructuring	(50,000)
	Total Increase (Decrease) to Budget	**(50,000)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : CHIEF EXECUTIVE

CE		£
1	Transfer of Events Tourism Marketing budgets	627,030
2	Transfer of Policy & Commissioning budgets	904,249
3	Procurement savings	(12,116)
	Total Increase (Decrease) to Budget	**1,519,163**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : MISCELLANEOUS

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2016-2017 Estimates			31,371,266
Adjustments for items outwith Resource Allocation			
Less: capital charges	28,747,832		
		28,747,832	
Adjustments for Central Support			
Central support costs	(7,010,836)		
Trading Operations	(2,183,271)		
Corporate and Democratic core costs	(743,720)		
		(9,937,827)	
			18,810,005
Adjusted 2016-2017 Estimates			50,181,271
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		(19,089,663)	
Transfers (PAPER 3)		871,321	
			(18,218,342)
2017-2018 Estimates			**31,962,929**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : MISCELLANEOUS

MS		£
1	Provision for Superannuation Auto Enrolment	2,000,000
2	Contract adjustments for Managed Print Service	46,000
3	Scottish Council Elections May 2017 (non recurring)	400,000
4	Provision for net impact of NDR Revaluation and rate pundage changes	600,000
5	Financial settlement adjustment - Council Tax Reduction	(1,212,011)
6	Better Council change Programme - ERP / Customer Portal Savings	(500,000)
7	Debt Smoothing Strategy savings	(17,409,152)
8	Planned Reduction In Overtime	(250,000)
9	Financial Settlement adjustments	(84,000)
10	Royal National Mod	12,500
11	Provision for Changeover Impact of New £1 coin (non recurring)	100,000
12	Uplift in Adult social Care Funding Transfer from NHS	(3,720,000)
13	Provision for Council commitment to Paisley 2021 City Of Culture	1,000,000
14	Street Lighting Effiencies - CRC scheme cost reduction	(73,000)
	Total Increase (Decrease) to Budget	**(19,089,663)**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : MISCELLANEOUS

MS		£
1	Allocation of prior year savings reallocation	871,621
2	Non domestic rates budget correction	(300)
	Total Increase (Decrease) to Budget	**871,321**

PAPER 1

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
DEPARTMENT : ADULT SERVICES

Analysis of Change between 2016-2017 and 2017-2018

	£	£	£
2015-2016 Estimates			60,875,277
Adjustments for items outwith Resource Allocation			
Less: capital charges	(1,242,601)		
		(1,242,601)	
Adjustments for Central Support			
Central support costs			
Corporate and Democratic core costs			
		-	
			(1,242,601)
Adjusted 2016-2017 Estimates			59,632,676
Adjustment to Current Year Estimates			
Unavoidable Increase (Decrease) (PAPER 2)		4,405,675	
Transfers (PAPER 3)		65,350	
			4,471,025
2017-2018 Estimates			**64,103,701**
(Before budget decisions)			

PAPER 2

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
UNAVOIDABLE INCREASES (DECREASES)

DEPARTMENT : ADULT SERVICES

SW		£
1	Impact of increase in the Living wage and changes in sleepover costs	1,989,095
2	Inflationary pressures on commissioned contracts	1,170,000
3	Impact of demographic and socio-economic demand pressures	1,246,580
	Total Increase (Decrease) to Budget	**4,405,675**

PAPER 3

RENFREWSHIRE COUNCIL
SUMMARY OF 2017-2018 REVENUE ESTIMATES
TRANSFERS

DEPARTMENT : ADULT SERVICES

SW		£
1	Transfer of Disclosure Scotland Budget	66,449
2	Correction of Finance team transfer	(1,099)
	Total Increase (Decrease) to Budget	**65,350**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ended 31st March 2018
General Fund Summary
Objective Summary

Line No	Net Expenditure	2016/17 Estimates £	2017/18 Estimates £
1	Children's Services	171,744,859	177,840,337
2	Leisure Services	8,355,274	9,102,215
3	Community Resources	44,690,225	43,417,569
4	Finance and Resources	31,330,228	31,590,078
5	Valuation Joint Board	1,243,900	1,212,800
6	Other Housing	5,274,600	4,021,383
7	Planning and Ecomonic Development	3,523,844	2,727,964
8	SPT	3,354,700	3,287,700
9	Chief Executives	4,292,108	5,761,271
10	Miscellaneous	50,181,271	31,962,929
11	Adult Services	59,632,676	64,103,701
12	Net Expenditure	383,623,685	375,027,947

APPENDIX 3

Renfrewshire Council

General Fund Probable Outturn for 2016-17

Line No	Net Expenditure	2016/17 Revised Estimates £000	2016/17 Probable Outturn £000
1	Children's Services	202,553	202,553
2	Leisure Services	11,786	11,786
3	Community Resources	50,629	50,629
4	Finance and Resources	11,050	11,050
5	Valuation Joint Board	1,278	1,278
6	Other Housing	5,562	5,562
7	Planning and Ecomonic Development	6,759	6,759
8	SPT	3,355	3,355
9	Chief Executives	2,099	2,099
10	Miscellaneous	30,441	30,441
11	Adult Social Care	60,802	60,795
12	Net Expenditure	386,314	386,307

Renfrewshire Council

To: Council

On: 16 February 2017

Report by: Director of Finance & Resources

Heading: Non Housing Capital Investment Programme 2017/18 – 2019/20

1. Summary

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

1.2 On the 15 December 2016 the Scottish Government published the draft Scottish Government budget for 2017/18 which is subject to parliamentary approval. Also on this day, the Cabinet Secretary for Finance and the Constitution announced the provisional local government finance settlement which confirmed the total capital grant for Renfrewshire Council in 2017/18 of £16.946 million, of which £0.239 million is specific grant relating to cycling and walking safer streets. The Cabinet Secretary has also opted to further defer payment of the £3.231 million of capital grant deferred in 16/17 to some point in the 2018-20 period. A subsequent communication from the Scottish Government on 17 January 2017 indicted a minor adjustment to the capital grant to £16.942 million, followed by a further announcement on 2 February revising the capital grant figure to £17.783 million following the Budget Bill Stage 1 debate in Parliament.

1.3 The UK government Autumn Budget Statement announced on 23 November 2016 made little change to the capital settlement announced in the 2015 Comprehensive Spending Review for the devolved administrations, which indicates that the capital departmental expenditure limit for Scotland will be £3.1 billion in 2017/18, rising to £3.5 billion in 19/20. Should the Scottish Government choose to reflect this future growth pattern in the local government capital grant settlement then it is possible that the level of capital grant outlined in 1.2 could be maintained or indeed grow. Equally however, the medium term outlook is subject to uncertainty and potential downside risk and a reduction in the level of future capital grant remains a possibility.

1.4 It is therefore proposed that the Council continues to restrict making any further new capital investment commitments funded by capital grant beyond that level of grant which is known and allocated. It should be noted that the proposed capital plan

outlined in this report extends beyond 2017/18 reflecting approved programmes already in place which are funded by other arrangements eg prudential borrowing or specific funding related to the City Deal. It should be further noted that this approach does not preclude the Council taking further investment decisions as part of the budget process where separate funding arrangements are established.

2. Recommendations

2.1 It is recommended that the Council:

2.1.1 Approves the investment programme covering the period up to 2019/20 as summarised in Table 2 of the report, and detailed in Appendices 1-5 attached.

2.1.2 Notes that, subject to the approval of the proposed investment programme, there are uncommitted resources of £1.841 million held in the Strategic Asset Management Fund, available for allocation to new investment priorities for the Council.

2.1.3 Notes the ongoing uncertainty in relation to the Council's capital grant funding position beyond 2017/18 and that no assumptions are included within the planned programme beyond this financial year in respect to future grant levels, with the exception of the payment of £3.231 million deferred by the Scottish Government from the 2016/17 capital grant to a future settlement period.

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

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

2.1.6 Approve the treasury management strategy for 2017/18, including the treasury management indicators, set out in Appendix 6 to this report.

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

3. Overview of Capital Resources and Current Programme

3.1 Given there is little visibility of capital grant funding for local government beyond 2017/18, the updating of the capital programme outlined in this report focuses on the 2017/18 financial year**.** It is against this background that this report is presented and which includes:

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

- In line with the Council's agreed medium term financial planning principles and as confirmed at the September 2016 Council meeting, general capital grant is directed in the first instance to maintain the delivery of the Council's rolling lifecycle maintenance programmes across the Council's key asset classes as follows:

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

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

- maintenance programmes for the Council's transport infrastructure covering roads & footpaths (£2.839 million, in addition to the £0.4 million that is supported through prudential borrowing), and bridges (£0.5 million). It should be noted that the roads programme would support a steady state and would not deliver any material improvement in the overall measured condition of the roads infrastructure.

- in recognition of the commitment made by the Council to support a bid for the City of Culture 2021 earmarking resources to address backlog maintenance and support the development and regeneration of key venue properties (£6 million).

- as approved by Council in June 2015, a total of £11m has previously been allocated for improvements in streetlighting, mainly relating to the replacement of current lights with more efficient LED lights. This replacement programme is ongoing, however a recurring investment of £0.250 million is proposed in order to fund the rolling replacement of life expired lighting columns.

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

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

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

Table 1: Resource Availability 2017/18 - 2019/20

Project Title	Programme 2017/18 £000s	Programme 2018/19 £000s	Programme 2019/20 £000s
Prudential Borrowing	36,285	8,957	31,296
TOTAL BORROWING	**36,285**	**8,957**	**31,296**
Specific Grant	799	49	0
General Capital Grant	17,544	3,182	0
City Deal Grant	6,018	8,034	6,729
City Deal interim borrowing	4,610	35,571	40,813
Usable Capital Receipts	7,831	0	0
C.F.C.R.	5,400	2,040	2,500
Total Resource Availability	**78,487**	**57,833**	**81,338**

Table 2: Programme 2017/18 - 2019/20

Project Title	Programme 2017/18 £000s	Programme 2018/19 £000s	Programme 2019/20 £000s
Major Programmes			
Schools Estate Programme	21,947	6,618	400
Close Support Unit	500	0	0
Grass Pitches & Changing Facilities	5,690	3,411	0
Community Halls & Facilities Programme	2,000	0	0
Parks Improvement Programme	1,250	0	0
Street Lighting Investment Strategy	3,003	0	0
Transformation & ICT	2,912	400	400
Private Sector Housing Programe	2,500	0	0
City Deal Projects	10,628	43,605	55,312
Library Relocation	1,800	1,350	0
Paisley Museum	1,000	1,000	23,826
Townscape Heritage 2	2,810	0	0
Depots investment	2,243	0	0
Local Green Area Networks Projects	39	0	0
Asset Lifecycle Maintenance Programmes			
Vehicle Replacement	1,500	0	0
Roads & Footpaths	3,239	449	400
Bridges	500	0	0
Lighting Columns	250	0	0
Waste Transfer Station Upgrade	400	0	0
Venue Development and backlog maintenance	6,000	0	0
Buildings Capital Lifecycle	6,435	1,000	1,000
Strategic Asset Management Fund - unallocated	1,841	0	0
Total Planned Spend	**78,487**	**57,833**	**81,338**

3.3 Strategic Asset Management Fund

As detailed in table 2 above, there is £1.841 million of unallocated resources currently held in the Strategic Asset Management Fund (SAMF). These available resources are linked to capital receipts from asset disposals secured during previous years, and unallocated capital grant.

4. Lifecycle Maintenance of Existing Assets

4.1 As indicated earlier in this report, the Council has committed to a financial planning principle that capital grant resources would be directed in the first instance to supporting appropriate lifecycle maintenance programmes to protect the Council's existing assets and infrastructure. Annual lifecycle investment across the Council's key asset classes during 2017/18 is included within the capital programme detailed in Appendix 3.

Property Lifecycle Maintenance

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

4.3 It is recognised that a sufficient degree of flexibility in the management of the lifecycle maintenance fund is required to allow resources to be directed in a timely and appropriate manner to address changing priorities that may emerge. It is therefore proposed that as in previous years, the Head of Property Services, in consultation with the Director of Finance and Resources, is delegated authority to adjust the allocation of resources within this proposed programme, with appropriate reporting to the Finance and Resources Policy Board. This flexibility has been utilised in 2016/17 to rephase £1.4m of resource to 2017/18 in order to accommodate planned works schedules and ensure effective procurement.

Roads & Footpaths

4.4 The proposed investment level detailed in this report for 2017/18 will provide a broadly standstill level of condition across the network. However, members should note that as has been previously recognised, the Council's road network, as is common across Scotland, has a significant level of backlog maintenance requirements. Appendix 5 provides a breakdown of the proposed use of the resources across key programmes for 2017/18. Similarly to property lifecycle maintenance, it is proposed that the Head of Amenity Services, in consultation with the Director of Finance & Resources, is delegated authority to adjust the allocation of resources within this programme.

Streetlighting and Bridges & Other Road Structures

4.5 Council agreed in June 2015 to a significant investment in streetlighting, replacing the current largely sodium-vapour lights with more energy efficient LED lighting. This investment was predicated on savings from both lighting maintenance and electricity being utilised to fund the borrowing costs associated with the investment. Based on the business case costs, total funding of £11m was approved, funded by both borrowing and the application of capital lifecycle maintenance resources. This replacement programme is ongoing, however it is proposed that in order to maintain the overall condition of lighting columns, that a lighting column rolling replacement programme is agreed.

4.6 Similar to the Council's property portfolio, a maintenance backlog has historically existed across the bridges and structures portfolio. Progress has been made over recent years with a range of significant bridge improvement projects, however it is recommended that a rolling maintenance programme of £0.5 million is agreed.

Vehicle & Plant Replacement Strategy

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

Venue Development and backlog maintenance

4.8 The Council has committed to bidding for UK City of Culture in 2021. In recognition of the commitment made by the Council and to support a bid for the City of Culture 2021 the proposed investment plan includes earmarked resources to address backlog maintenance and support the development and regeneration of key venue properties.

Private Sector Housing Grant (PSHG)

4.9 The PSHG is utilised to support a range of support programmes for private sector housing owners and is funded through a mix of revenue and capital funding. A priority component of this programme has been to support owner occupiers in meeting the costs of common works being delivered in mixed tenure blocks as part of the housing business case investment programme.

5. Prudential Framework for Capital Finance and Treasury Management Strategy 2017/18

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

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

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

5.3 Their key objectives are to ensure that:

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

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

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

5.6 Attached at Appendix 6 to this report are full details of the Council's prudential indicators for 2017/18 and treasury management strategy for 2017/18 based upon the details outlined in this report.

6. Equalities

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

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

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

2017/18 – 2019/20 Capital Investment Programme Resources

Project Title	Programme 2017/18 £000s	Programme 2018/19 £000s	Programme 2019/20 £000s
Prudential Borrowing	36,285	8,957	31,296
TOTAL BORROWING	**36,285**	**8,957**	**31,296**
Specific Grant	799	49	0
General Capital Grant	17,544	3,182	0
City Deal Grant	6,018	8,034	6,729
City Deal interim borrowing	4,610	35,571	40,813
Usable Capital Receipts	7,831	0	0
C.F.C.R.	5,400	2,040	2,500
Total Resource Availability	**78,487**	**57,833**	**81,338**

2017/18 – 2019/20 Capital Investment Programme Summary

Department	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
Schools Investment	21,947	6,618	400
Leisure Estate	5,690	3,411	0
Community Resources	14,385	449	400
Development & Housing Services	16,277	45,955	79,138
Corporate Projects	17,188	1,400	1,400
Childrens' Social care	500	0	0
Private Sector Housing Grant	2,500	0	0
TOTAL GENERAL SERVICES PROGRAMME	**78,487**	**57,833**	**81,338**

Appendix 3

2017/18 – 2019/20 Capital Programme

Project Title	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
Primary Schools Estate Programme(SEMP)			
St Fergus PS - New Build	2,662	0	0
St John Bosco/Bargarran PS - Refurb Shared Campus & Exter	13,918	0	0
St Paul's PS/Foxlea Nursery Co-location/Refurb	4,967	1,279	0
St Anthony's PS/Spateson Pre 5 Co-location/ Refurb	0	4,939	0
Primary School Estate Programme Sub-Total	**21,547**	**6,218**	**0**
OTHER PROGRAMMES			
Technology Replacement Strategy ICT	400	400	400
TOTAL CHILDRENS SERVICES PROGRAMME	**21,947**	**6,618**	**400**

Project Title	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
LEISURE INVESTMENT PROGRAMME			
Grass Pitches & Changing Facilities	1,372	229	0
Ferguslie Regional Sports Facility	4,318	3,182	0
TOTAL LEISURE SERVICES PROGRAMME	**5,690**	**3,411**	**0**

2017/18 – 2019/20 Capital Programme

COMMUNITY RESOURCES

Project Title	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
PROGRAMME FUNDED BY SPECIFIC GRANT			
Cycling, Walking & Safer Streets - Outwith Travel Plans	239	49	0
Total Programme Funded By Specific Consent	239	49	0
ASSET LIFECYCLE MAINTENANCE PROGRAMMES			
Vehicle Replacement Programme	1,500	0	0
Bridge Assessment/Strengthening	500	0	0
Roads/Footways Upgrade Programme	3,000	400	400
Lighting Columns Replacement	250	0	0
Waste Station Transfer Upgrade	400	0	0
PARKS IMPROVEMENT PROGRAMME			
Barshaw Park Improvements	560	0	0
Robertson Park Improvements	560	0	0
Other Renfrewshire Parks Improvements	130	0	0
OTHER MAJOR PROGRAMMES			
LED Street Lighting Investment Strategy	3,003	0	0
Community Halls & Facilities Improvement Programme	2,000	0	0
Depots improvements	2,243	0	0
TOTAL COMMUNITY RESOURCES PROGRAMME	**14,385**	**449**	**400**

Appendix 3

2017/18 – 2019/20 Capital Programme

DEVELOPMENT & HOUSING

Project Title	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
CITY DEAL			
Airport Access	2,424	2,474	3,315
Glasgow Airport Investment Area	5,835	4,301	17,975
Clyde Waterfront & Renfrew Riverside	2,369	36,830	34,022
Total CITY DEAL	**10,628**	**43,605**	**55,312**
OTHER PROGRAMMES			
Townscape Heritage Initiative 2	2,810	0	0
Local Green Area Networks Projects	39	0	0
Paisley Library Relocation	1,800	1,350	0
Paisley Museum	1,000	1,000	23,826
TOTAL DEVELOPMENT & HOUSING PROGRAMME	**16,277**	**45,955**	**79,138**

Project Title	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
ICT PROGRAMME			
ICT Infrastructure Maintenance & Renewal Programme	1,400	400	400
Total ICT Programme	**1,400**	**400**	**400**
OTHER CORPORATE PROGRAMMES			
Strategic Asset Management Fund	1,841	0	0
Venue Development and backlog maintenance	6,000		
Lifecycle Capital Maintenance (LCM) Fund	6,435	1,000	1,000
Enterprise Resource Planning	1,512	0	0
TOTAL CORPORATE PROJECTS PROGRAMME	**17,188**	**1,400**	**1,400**

Appendix 3

2017/18 – 2019/20 Capital Programme

CHILDREN'S SOCIAL CARE

Project Title	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
ASSET MANAGEMENT			
Close Support Unit	500	0	0
TOTAL SOCIAL WORK SERVICES PROGRAMME	**500**	**0**	**0**

PRIVATE SECTOR HOUSING GRANT

Project Title	Revised Programme 2017/18	Revised Programme 2018/19	Revised Programme 2019/20
PRIVATE SECTOR HOUSING GRANT PROGRAMME			
General PSHG Programme	2,500	0	0
TOTAL PSHG PROGRAMME	**2,500**	**0**	**0**

Appendix 4

Property Lifecycle Maintenance Programme 2017 - 18

	2017/18 £m
Minor Works & Roofing Programme	1.000
Energy Programme	0.100
Fire Risk Works – compliance with Fire Safety legislation following inspections	0.005
Asbestos Works – compliance with Asbestos legislation following inspections	0.010
Electrical Installations Works – compliance with Electrical testing inspections	3.000
Gas Installations Works – compliance with Gas testing inspections	0.500
Demolitions – Various locations	0.050
Office Accommodation	0.100
Design and Pre Contract Works Allocation	0.100
TOTAL	**5.000**

(Note – the above breakdown excludes £1.435m of resource carried forward from 2016/17 which has been committed in line with the breakdown approved by Council on 3 March 2016)

Appendix 5

Roads & Footpaths Lifecycle Maintenance Programme 2017 - 18

	2017/18 £ms
Patching programme in advance of future surface dressing programmes	0.250
Footway Resurfacing	0.300
Carriageway Resurfacing	2.000
Drainage Improvements	0.200
Defect Patching	0.250
Walking, Cycling and Safer Streets	0.239
Total	**3.239**

Appendix 6

Prudential Framework for Capital Finance 2017/18 – 2019/20 and

Treasury Management Strategy 2017/18

Prudential Framework for Capital Finance 2017-2020 (estimates) and Treasury Management Strategy Statement 2017-2020

1. Summary

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

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

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

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

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

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

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

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

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

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

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

2.5 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This will be done by the same body that takes the decisions for the Council's budget, that is, the full Council. The chief finance officer is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration, and for establishing procedures to monitor performance.

2.6 Prudential indicators for previous years will be taken directly from information in the Council's Annual Accounts. If any item within the Accounts that is relied upon for a prudential indicator is the subject of audit qualification, this must be highlighted when the prudential indicators are set out or revised.

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

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

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

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

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

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

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

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

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

3.1 **Capital expenditure**

Capital expenditure is defined in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* and must be consistent with financial reporting standards for accounting purposes. In addition, under the Local Government in Scotland Act 2003, local authorities have a duty to observe proper accounting practices.

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

3.3 The Council is required to make estimates of the capital expenditure it plans to incur for the forthcoming financial year and at least the following two years, and to keep these estimates under review. Separate estimates should be made for the Housing Revenue Account ("housing") and for General Fund ("non-housing") services. Details in relation to the planned investment programmes for housing and non-housing services are presented to this Council meeting in the main body of this report, and take account of the capital resources that will be made available to the Council from the Scottish Government over the spending review period 2017-2018 through 2019-2020 and the updated Scottish Housing Quality Standard (SHQS) delivery programme in relation to housing services.

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

Capital expenditure	**2017-18 estimate £m**	**2018-19 estimate £m**	**2019-20 estimate £m**
Non-housing	78.487	57.833	81.338
Housing	19.895	24.133	21.073
Total	**98.382**	**81.966**	**102.411**

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

3.6 After the year-end, the actual capital expenditure incurred during the financial year will be recorded for housing and for non-housing. These figures will be included in the Council's Statement of Accounts, with explanations of significant variations from expectations. The actual capital expenditure incurred in 2015-2016 was £47.438 million.

3.7 **Capital financing requirement**

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

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

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

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

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

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

Capital financing requirement	31 March 2018 estimate £m	31 March 2019 estimate £m	31 March 2020 estimate £m
Non-housing	271	307	371
Housing	142	146	149
Total	**413**	**453**	**520**

3.12 After the year-end, the actual capital financing requirement as at the year-end will be calculated for housing, for non-housing and the total of the two. These figures will be included in the Council's Annual Accounts, with explanations for significant variations from expectations. At 31 March 2016 the capital financing requirement was £357.925 million.

3.13 Members will note from the above table that there is an anticipated significant increase in the projected CFR over the next three years. This is predominantly related to the City Deal projects spend and associated borrowing. Members will also be aware that the borrowing undertaken is on an interim basis, with this borrowing largely funded by future grant income under the terms of the City Deal arrangements with the UK and Scottish Governments.

3.14 **Statutory repayment of loans fund advances**

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

3.15 A variety of options are provided to the Council so long as prudent provision is made each year. The Council is recommended to approve the following policy on the repayment of loans fund advances:-

- For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply Statutory Method (option 1), with all loans fund advances being repaid by the annuity method.

- For loans fund advances made after the 1 April 2016, the policy for the repayment of loans advances will be the Statutory Method (option 1), with loans fund advances being repaid by the annuity method. The Council is permitted to use this option for a transitional period only, of five years until 31st March 2021, at which time it must change its policy to use alternative approaches based on depreciation, asset life periods or a funding/income profile.

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

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

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

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

4.4 The Council is required to set for the forthcoming financial year and the following two years an operational boundary for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the operational boundary over the three-year period 2017-2018 through 2019-2020:

Operational boundary for external debt	**2017-18 estimate £m**	**2018-19 estimate £m**	**2019-20 estimate £m**
Borrowing	336	380	449
Other long-term liabilities	77	74	71
Total	**413**	**454**	**521**

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

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

4.7 The Council is required to set for the forthcoming financial year and the following two years an authorised limit for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the authorised limit over the three-year period 2017-2018 through 2019-2020:

Authorised limit for external debt	2017-18 estimate £m	2018-19 estimate £m	2019-20 estimate £m
Borrowing	353	399	471
Other long-term liabilities	77	74	71
Total	**430**	**473**	**542**

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

4.9 The Council's actual external debt at 31 March 2016 was £301.336 million of which £218.848 million related to borrowing and £82.488 million to outstanding obligations on finance leases.

4.10 The actual external debt is not directly comparable to the authorised limit nor to the operational boundary, since the actual external debt reflects the position at one point in time. In addition, the external debt indicators are set based on the Council's potential external borrowing requirements for capital investment purposes. However, as part of the ongoing treasury management strategy the Council may utilise internal borrowing where it is deemed appropriate to avoid unnecessary exposure to interest rate risk. The adoption of this strategy results in the Council's net external borrowing being lower than the capital financing requirement. The projected external debt compared to the estimated capital financing requirement for the three-year period 2017-2018 through 2019-2020 is detailed at section 10.3.

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

5.1 The prudential indicator in respect of treasury management is that the Council has adopted the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code"). Indeed, the revised 2009 edition of the Treasury Management Code was adopted by the General Management and Finance Policy Board of 3 March 2010. This requires that the annual treasury management strategy statement is approved by Council, along with treasury limits for the three-year period 2017-2018 through 2019-2020.

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

5.3 The Treasury Management Code requires, amongst other things, that the Council approves, annually in advance, a strategy for its treasury management activities. The treasury management strategy for 2017-2018 is set out at sections 8 to 12 of this report.

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

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

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

6.3 The projected capital financing requirement at 31 March 2020 is £520 million (section 3.11). Net external borrowing should not exceed this level and, indeed, the projected operational boundary at 31 March 2019 is £521 million (section 4.4). The Council had no difficulty in meeting this requirement at 31 March 2016 and no difficulties are anticipated in meeting this requirement in the future.

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

7. Prudential framework for capital finance: prudential indicators for <u>affordability</u>

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

Ratio of financing costs to net revenue stream	2017-2018 estimate	2018-2019 estimate	2019-2020 estimate
Non-housing	4.79%	5.57%	5.93%
Housing	43.84%	45.08%	45.06%

† 2018-2020 Non-housing estimates are currently based on the 2017-2018 settlement figures because the current spending review does not extend past 2017-2018.

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

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

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

Impact of capital investment decisions	2017-2018 estimate	2018-2019 estimate	2019-2020 estimate
... on Band D Council Tax	£0.00	£0.00	£0.00
... on weekly housing rents	£1.83	£4.40	£6.66

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

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

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

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

8.3 The Council's **treasury management strategy statement** for 2016-2017 is set out here at sections 8 through 12, and constitutes the Council's annual strategy and plan in relation to its treasury management activities as defined by the Treasury Management Code.

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

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

for **borrowings**:

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

for **temporary investments**:

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

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

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

9.3 The suggested treasury management strategy for 2017-2018 is based upon the views on interest rates, supplemented with market forecasts provided by Capita, and covers the following aspects of the treasury management function:

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

10. Treasury management strategy statement: borrowing strategy

10.1 Current external borrowing position

The Council's external borrowing position as at 30 December 2016 was as follows:

External borrowing position	borrowing position as at 31.03.2016		borrowing position as at 30.12.2016		change in the year
	£m	average interest rate	£m	average interest rate	£m
Long-term borrowings:					
PWLB: fixed rate	165.932	5.24%	187.444	4.83%	21.512
PWLB: variable rate	0.000	0.00%	0.000	0.00%	0.000
Market loans	52.916	4.70%	52.916	4.70%	0.000
Total long-term borrowings	**218.848**	**5.11%**	**240.360**	**4.80%**	**21.512**
Short-term borrowings:					
Temporary loans	0.000	0.00%	0.000	0.00%	0.000
Renfrewshire Leisure deposit	0.609	0.59%	1.207	0.55%	0.598
Total short-term borrowings	**0.609**	**0.59%**	**1.207**	**0.55%**	**0.598**
Total of all external borrowings	**219.457**	**5.11%**	**241.567**	**4.78%**	**22.110**

10.2 The increase in Public Works Loan Board (PWLB) borrowing reflects the decision to take 3 new loans totalling £32m during 2016/17 while PWLB rates were near historical lows. This borrowing was undertaken to both replace existing maturing loans and also to prepare for significant capital spend related to the Council's proposed capital plans. Details of the loans taken out are:

- £11 million @ 2.71% 47 years
- £11 million @ 2.71% 48 years
- £10 million @ 2.24% 45 years

The increase in PWLB debt was partially offset by the £11.522m of scheduled debt principal repayments. The Renfrewshire Leisure deposit represents funds which are invested temporarily in the Council's loans fund as part of Renfrewshire Leisure's short-term cash flow management arrangements. The increase is expected to be short term and is as a result of the decision taken to broaden the remit of Renfrewshire Leisure to include all cultural, sports facilities and services.

10.3 **Projected borrowing position**

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

Borrowing Position	**31 March 2018 estimate £m**	**31 March 2019 estimate £m**	**31 March 2020 estimate £m**
Borrowing	**263.715**	**289.233**	**342.138**
Other long-term liabilities	**77.178**	**74.274**	**71.437**
Total external debt	**340.893**	**363.507**	**413.575**
Capital financing requirement	**413.000**	**453.000**	**520.000**
Under-borrowing	**72.107**	**89.493**	**106.425**

10.4 A number of the prudential indicators are designed to ensure that the Council carries out its treasury management activities within well-defined limits. One of these indicators is that gross external debt does not, except in the short term, exceed the total of the capital financing requirement in 2016-2017 plus the estimates of any additional capital financing requirement for 2017-2018 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken in order to fund revenue expenditure.

10.5 The Council has complied with this prudential indicator during 2016-2017 and it is envisaged this will remain the position moving forward over the forthcoming three-year period. As detailed in the table above, it is anticipated that the borrowing strategy will continue to progress on the basis of utilising internal borrowing where possible over the medium term to mitigate both interest rate risk exposure for the Council, and also risks associated with maintaining adequate capacity with appropriate investment counterparties. However, significant shorter term borrowing will be required to fund the City Deal projects. This borrowing is required as the grant income for City Deal is phased over a 20 year period from 2015/16, while the project expenditure is incurred from 2015/16 to 2024/25. The requirement for borrowing to cover the period in advance of grant receipt is continually monitored and refined as project designs develop, and this requirement is incorporated into the overall Council borrowing forecast.

10.6 **Interest rate forecast**

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

Interest rate forecast: Bank Rate	March 2017	June 2017	Sept 2017	Dec 2017	March 2018	March 2019	March 2020
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.75%

Interest rate forecast: PWLB borrowings							
5-year loans	1.60%	1.60%	1.60%	1.60%	1.70%	1.80%	2.00%
10-year loans	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.70%
25-year loans	2.90%	2.90%	2.90%	3.00%	3.00%	3.20%	3.40%
50-year loans	2.70%	2.70%	2.70%	2.80%	2.80%	3.00%	3.20%

10.7 **Borrowing decisions**

The main borrowing decisions to be made for 2018-2019 are:

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

10.8 Based on the capital investment programme, it is anticipated that the Council may need to borrow up to £35.601 million to fund new capital expenditure during 2017-18 and to replace loans due to mature that year.

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

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

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

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

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

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

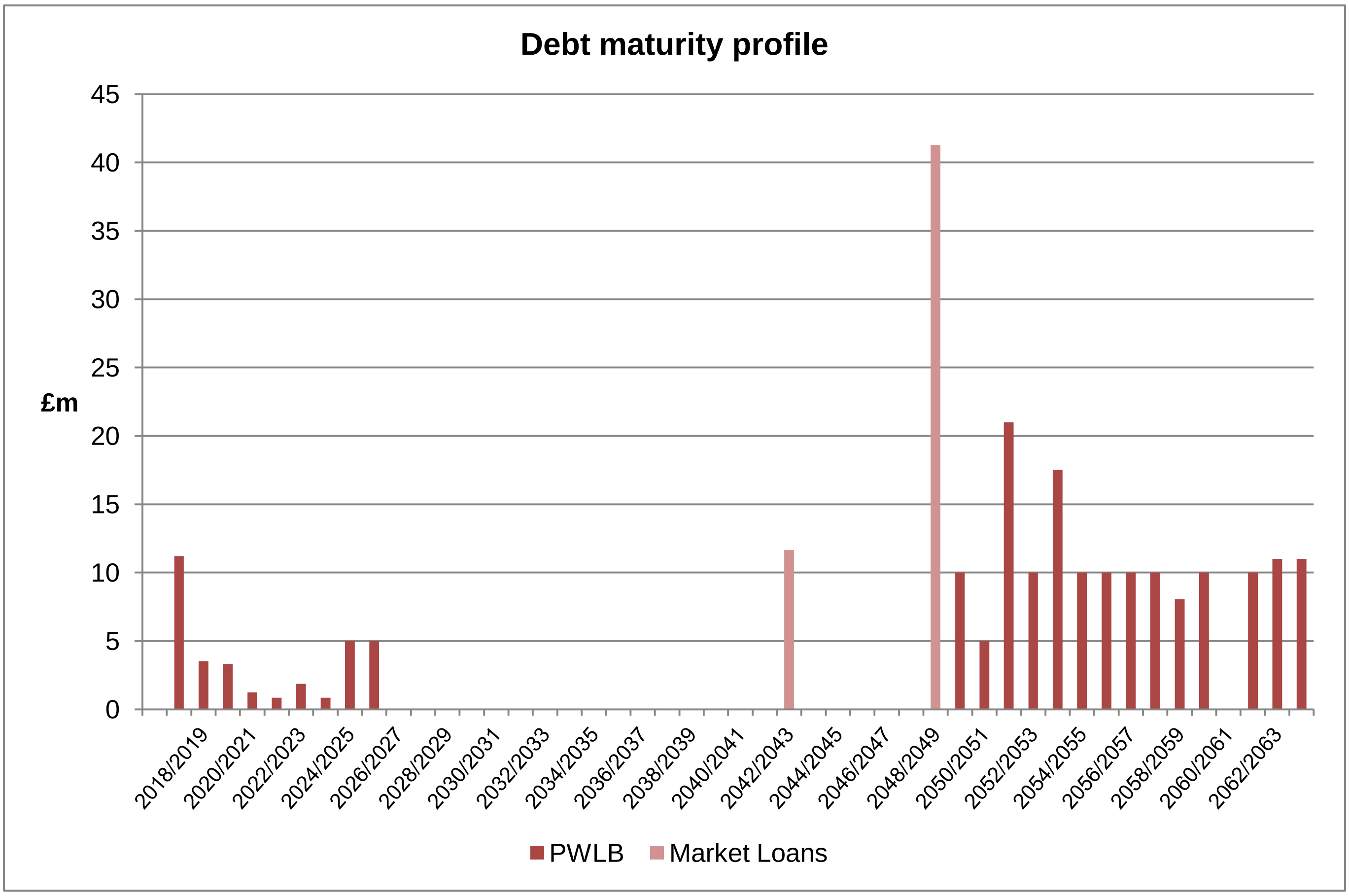
10.10 **Sensitivity of the interest rate forecast**

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

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

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

10.11 The forecast debt maturity profile at 31 March 2017 per the graph below shows the amount of debt maturing in future years. The Council has less than 15% of its total borrowings redeeming in any one of the next 30 years. This is well within the Council's treasury indicators for debt maturity, and therefore provides the Council with the flexibility needed to structure new borrowing over this period in a manner that minimises debt interest costs.



10.12 Since the Council has a capital investment plan covering the period to 2019-2020 and detailed investment/borrowing analyses, advantage can be taken of opportunities that may arise to achieve beneficial borrowing rates over the same period, minimising interest rate risk. The Council will not borrow more than, or earlier than, required with the primary intention to profit from the investment return of the extra sums borrowed. Pre-borrowing of this nature will only be taken for risk management reasons and subject to sound justification. The timing of any new borrowing of this nature will take into account the management of liquidity and counterparty risk, and also the projected movement in interest rates.

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

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

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

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

11. Treasury management strategy statement: annual investment strategy

11.1 **Investment policy**

In carrying out investment activities, the Council will have regard to The Local Government Investment (Scotland) Regulations 2010, the accompanying Scottish Government Finance Circular 5/2010 and the 2011 CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code"). The Council's investment priorities are:

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

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

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

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

11.5 **External investment position**

The Council's external investment position as at 30 December 2016 was as follows:

External investment position	investment position as at 31.03.2016		investment position as at 30.12.2016		change in the year
	£m	average interest rate	£m	average interest rate	£m
Temporary investments:	109.280	0.59%	151.753	0.50%	42.473

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

- the decision to take PWLB borrowing in the year of £32m
- the short-term cash flow position of the Council over the holiday period;
- the re-profiling of elements of the current capital programme;

11.7 The average rate of interest received on the Council's temporary deposits has fallen over the period following the Bank of England's cut in the base rate (however, it continues to out-perform the Bank Rate). The Council has continued to lock into longer-term temporary deposit deals with counterparties of particularly high creditworthiness, thus securing a higher overall rate of return across the portfolio without compromising the security of investments.

11.8 **Creditworthiness policy**

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

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

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

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

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

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

11.11 The approved list of counterparties also defines a maximum limit on the aggregate value of deposits placed with each counterparty. The purpose of this is to ensure that the Council does not deposit an excessive proportion of its funds with any single institution. Currently the counterparty limit for each bank has been set at 15% (with the exception of the nationalised/part-nationalised UK banks, for which the counterparty limit for each bank has been set at 30%), 10% for building societies and 5% for money market funds, of the total cash balances held by the Council at the time the investment is made, and taking into account the relevant investment period. These 15%, 30%, 10% and 5% limits are applied subject to a maximum total exposure of £25million, £30million, £15million and £10million respectively. This approach allows the Council to meet its cash flow management objectives whilst appropriately spreading investments over a range of counterparties.

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

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

11.14 **Investment decisions**
The Bank Rate was cut by the Bank of England in August last year to 0.25%. Current market forecasts indicate that the Bank Rate is not expected to rise until quarter two of 2019, and then to rise gradually thereafter. Bank Rate forecasts are outlined at section 10.6 above.

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

12. Treasury management strategy statement: treasury management indicators

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

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

12.3 **Interest rate exposures**

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

Interest rate exposures	2017-18	2018-19	2019-20
Upper limit for fixed interest rate exposure	100%	100%	100%
Upper limit for variable rate exposure	25%	25%	25%

12.4 **Maturity structure of borrowing**

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

Maturity structure of borrowing	2017-18	
	lower limit	upper limit
under 12 months	0%	15%
12 months and within 24 months	0%	15%
24 months and within 5 years	0%	45%
5 years and within 10 years	0%	50%
10 years and above	0%	100%

Annex A: Permitted investments

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

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

Permitted investments table 1: cash-type instruments arranged in-house	**minimum credit criteria**	**liquidity risk**	**market risk**	**maximum share of total invest-ments**	**maximum maturity period**
Debt Management Account Deposit Facility (DMADF)	not applicable	term	no	100%	2 years
Term deposits with local authorities	not applicable	term	no	75%	2 years
Call accounts and notice accounts with banks and building societies	per approved counter-party list	instant / notice period	no	100%	up to 100 days
Term deposits with banks and building societies	per approved counter-party list	term	no	100%	per approved counter-party list
Certificates of deposit issued by banks and building societies	per approved counterparty list	T+1	yes	10%	per approved counter-party list
Treasury Bills	UK sovereign rating	T+1	yes	75%	1 year
UK Government Gilts	UK sovereign rating	T+1	yes	75%	2 year
Enhanced cash funds	long-term AAA volatility rating	T+1 to T+5	yes	75%	not applicable
Money market funds	long-term AAA volatility rating	instant	no	75%	not applicable

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

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

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

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

A.3 **Treasury risks**

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

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

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

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

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

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

A.4 **Controls on treasury risks**

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

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

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

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

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

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

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

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

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

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

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

† In recognition of the restricted number of approved counterparties that now meet our more stringent lending criteria, there is an added degree of flexibility introduced to the maximum deposit level. The deposit level with any one institution can now extend to a maximum of £25million, where the element which exceeds the 15% threshold is deposited on the basis of a call account deposit with the institution.

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

(iv) *Certificates of deposit (CDs).* These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank

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

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

(vi) *Enhanced Cash Funds (ECFs).* These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer.

Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

(vii)Treasury bills. These are short term bills (up to 12 months, although none have ever been issued for this maturity) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

(viii) Gilts. These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

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

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

Implications of the Report

Financial – the report proposes a £216.817 million investment programme over the period 2017/18 to 2019/20.

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

Community Planning

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

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

Empowering our Communities – None

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

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

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

Legal - *none*

Property/Assets – the investment projects outlined in the report will improve the Council's property and wider asset portfolio.

Information Technology - the investment projects outlined will improve the Council's ICT infrastructure and systems to support the better delivery of services to our customers.

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.

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

Procurement - none

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

Privacy Impact - none

List of Background Papers

None

Author: Alan Russell, Director of Finance & Resources

PROCEDURE TO BE FOLLOWED AT THE MEETING OF RENFREWSHIRE COUNCIL TO BE HELD ON 16 FEBRUARY 2017 DURING CONSIDERATION OF ITEM 3 CONCERNING THE HOUSING REVENUE ACOUNT BUDGET, RENT LEVELS 2017/2018 AND HOUSING CAPITAL INVESTMENT PLAN 2017/2018-2019/2020

The purpose of this note is to give Members advance notice of the procedure which Provost Hall has agreed should be followed at the Meeting of the Council on 16 February 2017 viz:

1. The Convener of the Housing & Community Safety Policy Board (the Convener) will make his budget statement for financial year 2017/2018 and move as appropriate. He will then speak to the principal points of his proposals. The motion will require to be seconded.
2. For the purposes of the subsequent discussion and voting, the Convener's proposals will be taken as one motion.
3. An opportunity will then be given to the Leader of the opposition group and any other Members to move, and to have duly seconded, comprehensive amendments to the motion (i.e. taking together budget proposals, the rent levels and the capital investment plans).
4. The motion and any amendments will require to be produced in writing and a copy given to each of the Members present prior to being spoken to at the meeting.
5. There shall be no formal restriction upon the length of time given to the Convener and the Leader of the opposition group to move their respective budget statements and speak in support of the principal points of their proposals. However, Provost Hall shall have the power to require any person speaking to limit their speech in order to facilitate the conduct of the meeting.
6. Provost Hall will then invite other Members to take part in the debate.
7. The debate will conclude with Provost Hall giving the Convener an opportunity to reply.
8. A vote or votes will then be taken in accordance with the provisions of standing orders.

To: **Council**

On: **16 February 2017**

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

Heading: **Housing Revenue Account Budget & Rent Levels 2017/18 and Housing Capital Investment Plan 2017/18 to 2019/20**

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1. Summary

1.1 This report details the proposed Housing Revenue Account (HRA) budget for financial year 2017/18 and sets out the information which allows consideration of rent levels for 2017/18.

1.2 The report also provides an update on the consultation process with tenants on the annual rent setting process.

1.3 The report highlights an improved financial outlook over the medium term as a result of a slower than expected roll out of welfare reform including universal credit and direct payments, and improved performance in bad debt, and rental loss through voids.

1.4 As a consequence the report is recommending no rent increase in 2017/18.

1.5 The report also details the Housing Capital Investment Plan for the three year period 2017/18 to 2019/20.

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2. Recommendations

2.1 It is recommended that the Council:

a) Considers the contents of this report and agrees no increase in rents or charges for 2017/18,

b) Notes the findings of the recent Tenant Consultation exercise,

c) Approves the Housing Revenue Account Budget for financial year 2017/18 as detailed in Appendix 2,

d) Notes the Council's continued commitment to mitigate the impacts of welfare reform on Council tenants through the earmarked HRA resources over the period to 2017/18 to deliver a programme of measures intended to support tenants to manage the negative impacts of welfare reform,

e) Approves the Housing Capital Investment Plan 2017/18 to 2019/20 as detailed in Appendix 3 of the report, and

f) Notes the continuing requirement to achieve best value and an optimum workflow over the 3 years of the investment plan and authorises the Director of Development and Housing Services to work in conjunction with the Director of Finance and Resources to re-profile the capital programme and available resources, as necessary, in line with the appropriate limits established under the Council's capital prudential framework arrangements.

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3. Background and Medium Term Financial Context

3.1. The HRA operates on the basis of a rolling 30 year Business Plan model which is the standard operating practice amongst local authorities and Registered Social Landlords. The 30 year basis of the model reflects the need for a long term planned approach to replacement of major items such as rewiring, central heating etc aligned to the lifecycle of the element, which will be required following the completion of the current 5 year investment programme. The model ensures that rental income is sufficient over the term of the plan to cover the costs of servicing capital expenditure, the costs of appropriately maintaining the housing stock and staffing costs.

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

3.3. The HRA has continued to operate in a period of uncertainty as a result of the UK Government's Welfare Reform policy changes, which have placed additional financial stress on families, pressure on Council services and present a significant financial risk to the HRA, particularly relating to the roll out of Universal Credit.

3.4 The roll out of Universal Credit in Renfrewshire commenced in June 2015, limited to single new claimants in receipt of Job Seekers Allowance (Income Based). The numbers affected remain small (c. 350 at December 2016), however initial reviews have highlighted that it is more likely that this group will fall into arrears due to many having existing arrears prior to migration and due to the procedural delays in making payments by DWP. In order to address this, additional resources have been allocated for staff support to the management of this area in 2016/17 and 2017/18 and to date the current levels of bad debt have remained in line with those experienced over the previous two financial years at c. 2.5%.

3.5 More recently the Scottish Government have announced their policy intention to utilise devolved powers in relation to social security under the Scotland Act 2016, by giving claimants the option to choose to have Universal Credit payments paid fortnightly instead of monthly and also offering to pay housing costs direct to social landlords. A consultation paper is expected to be released by the Scottish Government this month on the necessary regulations.

3.6 In light of the factors outlined in paragraphs 3.4 and 3.5 the current planning assumption for financial year 2017/18 assumes that the planned provision for bad debt should remain at 2.5%. This level of bad debt is considered prudent and reflects the expected pace of the roll out of Universal Credit over the short term and is expected to continue into financial year 2018/19.

3.7 The Council set aside HRA balances of £5m to support measures to mitigate the impact of welfare reform over the period from 2013/14 to 2017/18. This included additional staffing to deal with the increased contact needed with tenants, support for the development of initiatives for unemployed Council tenants and the establishment of a Council Tenant Assistance Fund (CTAF). Changes to the funding arrangements associated with Discretionary Housing Payment (DHP) in 2014/15, together with a streamlined application process removed the need for the CTAF.

3.8 It is expected that £581,000 of the Welfare Reform fund will be used to support staffing to deal with the increased contact needed with tenants and the continuing employment initiatives for unemployed Council tenants during financial year 2017/18. The staffing levels to support the increased contact needed with tenants has become embedded in the Housing Officer function over the period from 2013/14 to date and it is expected that this function will be mainlined into HRA service delivery in April 2018. Thereafter any sums remaining in the Welfare Reform Reserves will be transitioned into core funding arrangements to support the continuing level of service for tenants and any increased levels of bad debt which may occur over the medium term.

3.9 The HRA is a ringfenced account and any financial strategy must ensure that service delivery can be maintained within the available resources on the account. It is therefore essential to maintain a level of general reserves which provides adequate protection to the HRA against the short term impact of the materialisation of any risks, including the uncertainty over the impact of welfare reform on arrears and rental collection. It is considered prudent, therefore, to maintain the level of unallocated balances on the HRA at £6.8m entering financial year 2017/18.

4. HRA Budget Planning Assumptions

4.1. The rental income generated by the HRA must support service delivery, the costs of appropriately maintaining the housing stock and the financing costs to service the investment required in HRA assets. Details are provided in Appendices 1 and 2.

4.2. **Key Assumptions are:**

4.2.1 Estimated housing stock for 2017 is 11,723.

4.2.2 An allowance has been made for pay inflation for 2017/18 notwithstanding it is recognised that this is subject to national negotiations which remain ongoing.

4.2.3 There is no provision for non pay inflation in the 2017/18 budget.

4.2.4 Recurrent savings of £1.145m were delivered by the service through 2016/17.

4.2.5 Rental loss from voids is reduced from 3% to 2.5% as a result of improved letting times.

4.2.6 Bad debt provision is maintained at 2.5% for 2017/18, and 2018/19 given the slower than expected roll out of universal credit, subject to review thereafter.

4.2.7 An additional £500,000 to be invested in an enhanced planned maintenance programme which will assist in managing the number of responsive repairs over the medium to long term.

4.2.8 The additional £500,000 approved in 2015/16 for decoration in voids will continue given positive impacts on letting performance, and tenant satisfaction.

4.2.9 The current rent charging structure was agreed by Council and introduced from April 2011. The revised charging structure was implemented to ensure the overall rental income required was redistributed across the stock in a fairer and more consistent way. Over the six financial years since April 2011, the revised system has been implemented in phases with a transitional premium cap of £1.50 per week for any rent which requires to be increased and it is expected that by the end of financial year 2016/17 approximately 96% of tenants will have reached the target rent for their property.

4.2.10 In order to implement a standstill rent for 2017/18 with no increase, it is proposed to suspend any transitional increase to be implemented under the charging structure to ensure all tenants benefit from no increase in rent in 2017/18.

4.2.11 The strategy of using HRA surpluses and Capital Financed from Current Revenue (CFCR) to reduce new debt and smooth debt repayments will continue to be used to ensure the medium to long term sustainability of the HRA.

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5. **Tenant Consultation**

5.1. The Scottish Housing Charter established the need to consult with tenants on key aspects of service, including rent charges. Consultation with tenants on proposed changes to rents for financial years 2015/16 and 2016/17 was conducted through the Peoples News. The consultation with tenants on options for a rent increase in 2017/18 was carried out by a telephone survey of a sample of tenants, delivered by external consultants from week commencing Monday 12 December 2016.

5.2 A total of 600 telephone interviews were undertaken with Renfrewshire Council tenants between 13 December 2016 and 10 January 2017. Tenants were asked which two things (from a list of six) were most important for the Council to consider when setting the rent increase for 2017/18. Overall, tenants said that ‘affordability for tenants’ was most important, with 71% of respondents ranking this as the top or second most important factor. This was followed by ‘funding for improvements to existing stock’ (50%) and then ‘building new Council houses’ (48%).

5.3 Tenants were also asked about the level of rent increase for 2017/18. More than half (56%) thought that rents should remain at current levels or increase below the rate of inflation. Just over one third of respondents (34%) said rents should increase in line with inflation and 7% said that rents should increase slightly above inflation to allow scope for additional investment.

5.4 At the Council Wide Forum meeting in December 2016, tenant and resident representatives took part in workshop discussions on the rent increase for 2017/18. Most rated affordability as the most important factor, followed by funding for improvements to existing stock. Some representatives thought that rents should increase in line with inflation while others thought they should remain at current levels or increase below the rate of inflation.

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6. Housing Capital Investment Plan – 2017/18 to 2019/20

6.1. <u>Overview</u>

6.1.1 The proposed Housing Capital Investment Plan for the 3 year period from 2017/18 to 2019/20 is attached at Appendix 3. The total value of the plan is £65.1m and includes allowances for new build homes, regeneration and the planned investment programmes required to ensure council house stock is maintained at the Scottish Housing Quality Standard (SHQS).

6.1.2 The planned capital investment in 2017/18 will be £19.9m, followed by £24.1m in 2018/19 and £21.1m in 2019/20. The plan will be reviewed on an annual basis incorporating an ongoing assessment of risk.

6.1.3 Authority is granted to the Director of Development & Housing Services to flexibly manage the capital investment programme as necessary to ensure optimum use of resources within the corporate limits of prudential borrowing. It is proposed that this facility remains in place over the life of the new three year plan detailed in Appendix 3.

6.1.4 The table below sets out the proposed composition of the plan for 2017/18 and how it will be funded.

2017/18 Programme		Funding	
Planned Investment Programmes	£13.7m	Prudential Borrowing	£19.9m
Regeneration & New Build	£6.2m		
Total	**£19.9m**	**Total**	**£19.9m**

6.1.5 No receipts from Council House Sales have been assumed for 2017/18 onwards following the end of the Right to Buy Scheme in August 2016.

6.2. Planned Investment Programmes

6.2.1 Since achieving compliance with the Scottish Housing Quality Standard (SHQS) in April 2015, there has been an ongoing requirement to ensure our housing stock continues to be maintained at this standard. This requirement will continue to be the driver for the planned investment programmes which will focus on:

- Investing in those properties which had been assessed as complying prior to 2015 but which subsequently drop below the standard

- Ensuring properties in the abeyance category which subsequently become void are upgraded prior to being relet

The capital programme for 2017/18 to 2019/20 will deliver a total investment of £36.9m in planned investment programmes.

6.2.2 The Council is required to ensure that all stock achieves the minimum energy rating under the Energy Efficiency Standard for Social Housing (EESSH) by the first milestone of 31 December 2020. It has been assessed that by April 2017 around 70% of the Council's housing stock will meet the 2020 standard as a result of the measures introduced to achieve SHQS. The Council's position is that EESSH will be achieved through the capital funding plans for planned investment programmes, together with Government sourced supplementary funding (e.g. HEEPS:ABS) and other external sources such as ECO.

6.2.3 As a result of the level of investment during the SHQS programme which saw internal improvements delivered to 10,700 homes, the main focus of the planned investment programme now shifts towards external improvements which will also contribute to the achievement of EESSH. There will continue to be a programme of heating renewals in 2017/18 and the smaller programme of kitchen, bathroom and rewiring combinations will only be carried out in properties which are void or were otherwise in abeyance at the end of the SHQS programme. This is likely to remain the position with internal upgrades until 2020 at least.

6.2.4 The main categories of planned investment programmes are:

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

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

- Multi storey flat and sheltered housing improvements, and

- Other investment including disabled adaptations, asbestos removal and rotworks.

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

2017/18 Planned Improvements	**Number of Properties**
External fabric upgrading	340
External door replacement	1,500
Kitchen, bathroom and rewiring replacement	170
Heating renewals	250

6.3 Regeneration

6.3.1 The capital investment plan also includes an allowance of £4.4m in 2017/18 for the Council's contribution to planned regeneration programmes, including for example in the West End of Paisley. Allowance has also been made for the acquisition of privately owned houses and the demolition of vacant blocks associated with the regeneration of Johnstone Castle, which will be progressed over the course of the next few years.

6.4 New Build

6.4.1 The Capital Investment Plan also continues to include provision for investment in affordable social housing in Renfrewshire. The plan includes provision for over 300 new build properties, which includes around 100 Council homes at Dargavel Village, Bishopton and around 100 in the Johnstone Castle area. Provision for a further 100 new build Council homes has been made as part of the regeneration initiatives currently being progressed in regeneration areas across Renfrewshire.

6.4.2 These projects are included in the Strategic Housing Investment Plan (SHIP) 2017/18 to 2021/22 and it is intended to secure Scottish Government grant funding from the Affordable Housing Supply Programme to help deliver these new homes. The current grant benchmark for Council new build is £57,000 per unit with the remainder of the development cost being funded through the HRA.

6.4.3 In the period between 2011/12 and 2016/17 working with housing association partners a total of 950 new affordable homes have been delivered in Renfrewshire. The ambition over the coming 5 year period is to deliver up to 300 new affordable homes per year, which will be provided in part through Council new build and in partnership with RSL partners. An additional pipeline of projects is actively being developed to ensure that potential funding which may become available through the Scottish Government's Affordable Housing Supply Programme is maximised.

Implications of the Report

1. **Financial –** The report and appendices detail the proposed HRA budget and average weekly rent increase for 2017/18 and the Housing Capital Investment Plan for 2017/18 to 2019/20.

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

3. **Community Planning**

   Community Care, Health & Well-being - Improving and maintaining housing conditions for the benefit of tenants.

   Empowering our Communities – Tenants were consulted on the proposed changes to rents for 2017/18 and tenant representatives are involved in the specification and monitoring of the investment programme.

   Safer and Stronger – Ensuring the long term stability of the housing stock.

4. **Legal** – The council is required to set an HRA budget for 2017/18 and agree rent changes for notification to tenants.

5. **Property/Assets** – The report proposes the Housing Capital Investment Plan for 2017/18 to 2019/20.

6. **Information Technology** – None.

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

8. **Health & Safety** – None.

9. **Procurement –** The proposed Capital Investment Plan for 2017/18 to 2019/20 will include procurement of contracts. .

10. **Risk –** The HRA Business Plan remains subject to a number of risks including the impact of welfare reform and relevant cost.

11. **Privacy Impact** – None.

List of Background Papers

None.

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Appendix 1

Housing Revenue Account – Budget Changes for 2017/18

Expenditure					
Subjective Heading	**2016/17 Budget £000**	**Change £000**	**2017/18 Budget £000**	**Major Changes**	**Change £000**
Employee Costs	7,270	143	7,413	Reallocation of employee costs budget to Administration Costs to reflect the transfer of staff (Rents Team) to Finance & Resources.	(131)
				Realignment of National Insurance costs to reflect the revision to rates in financial year 2016/17.	128
				Realignment of staffing costs to reflect the posts required to progress capital projects which will be recovered through fees charged to capital.	115
				Reduction in additional pension costs to reflect pension fund profiles.	(40)
				1% pay award for APT&C and manual staff.	71
				Total Movement in Employee Costs	**143**
Property Costs	14,339	(660)	13,679	Transfer of CFCR budget from Property Costs to Loan Charges.	(1,387)
				Increase in repairs budget to implement further planned maintenance programmes.	500
				District Heating maintenance contract cost for new systems installed.	132
				Increase in garden assistance scheme budget.	75
				Increase in cleaning budget to reflect additional requirements.	20
				Total Movement in Property Costs	**(660)**
Supplies & Services	330	(7)	323	Realignment in supplies costs to reflect prior years levels.	(7)
Contractors	23	0	23		
Transport	17	0	17		
Administration Costs	2,924	131	3,055	Increase in the Central Administration Recharge to reflect the transfer of budget from Employee Costs for staff (Rents Team) to Finance & Resources.	131
Payments to Other Bodies	3,983	(252)	3,731	Reduction in void loss budget to reflect efficiencies made in this area.	(252)
Loan Charges	22,809	(258)	22,551	Transfer of CFCR budget from Property Costs to Loan Charges.	1,387
				Realignment of repayment of principal debt to reflect the debt smoothing strategy.	406
				Realignment of interest and expenses payable to reflect the debt smoothing strategy.	(664)
				Realignment of the CFCR budget transferred from Property Costs to reflect the debt smoothing strategy.	(1,387)
				Total Movement in Loan Charges	**(258)**
Total Expenditure	**51,695**	**(903)**	**50,792**		

Housing Revenue Account – Budget Changes for 2017/18 (cont'd)

Income					
Subjective Heading	**2016/17 Budget £000**	**Change £000**	**2017/18 Budget £000**	**Major Changes**	**Change £000**
House Rents	46,710	(903)	45,807	Reduction in income to reflect RTBs and other stock movements.	(903)
Transfer from balances to fund Welfare Reform activity	581	0	581		
Supporting People Income	897	0	897		
Commercial Rents	1,131	0	1,131		
SHQS Professional Fees	800	115	915	Increase in fees charged to capital projects to reflect posts required to deliver capital projects.	115
Service Charges	317	0	317		
Building Services Rebate	444	(220)	224	Reduction in the surplus rebated back to the HRA due to additional contractor operating costs.	(220)
Temporary Interest	131	0	131		
Lock Up Rents	290	0	290		
Renewable Heat Initiative (RHI) income	0	100	100	Grant income associated with the new District Heating systems installed.	100
Other Income	394	5	399	Small recovery relating to property enquiry fees.	5
				Total Movement in Income	**(903)**
Total Income	**51,695**	**(903)**	**50,792**		
HRA surplus transferred to balances	**0**	**0**	**0**		

Appendix 2

1
Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2018
Housing Revenue Account
Subjective Summary

Line No	Expenditure	16/17 Board Estimates £	2016/17 Virements £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2017/18 Estimate £
1	**Employee Costs**	**7,270,120**	**(42,840)**	**115,000**	**71,300**	**7,413,580**
2	Salaries - APT&C	4,937,840	(130,790)	115,000	49,200	4,971,250
3	Superannuation - APT&C	902,750		0	9,000	911,750
4	National Insurance - APT&C	433,640	127,950	0	5,600	567,190
5	Overtime - APT&C	1,000		0	0	1,000
6	Salaries - manual workers	432,140		0	4,300	436,440
7	Superannuation - manual workers	74,480		0	700	75,180
8	National Insurance - manual workers	51,760		0	500	52,260
9	Overtime - manual workers	198,610		0	2,000	200,610
10	Travel and Subsistence	87,400	(2,100)	0	0	85,300
11	Pension Increases	103,000	(37,900)	0	0	65,100
12	Training Costs	47,500		0	0	47,500
13	**Property Costs**	**14,338,870**	**(1,235,000)**	**575,000**	**0**	**13,678,870**
14	Community alarm maintenance	55,000		0	0	55,000
15	Contract trading service - cleaning	133,400	20,000	0	0	153,400
16	Electricity	273,380		0	0	273,380
17	Factoring & common charges	39,000		0	0	39,000
18	Garden assistance scheme	296,200		75,000	0	371,200
19	Gas	209,560		0	0	209,560
20	Improve garden / close cleaning	494,400		0	0	494,400
21	Maintenance of Gardens and Open Spaces	233,800		0	0	233,800
22	Maintenance of houses	10,457,600	124,830	500,000	0	11,082,430
23	CFCR Contribution to SHQS Investment Programme	1,387,000	(1,387,000)	0	0	0
24	Property insurance	334,200		0	0	334,200
25	Rates	104,700		0	0	104,700
26	Office Rent	0	32,000	0	0	32,000
27	Water metered charges	16,000		0	0	16,000
28	Repairs direct	47,830	(24,830)	0	0	23,000
29	Special uplift service	198,900		0	0	198,900
30	Commercial Refuse	3,200		0	0	3,200
31	Supply of bins	11,700		0	0	11,700
32	Running costs of Home Exchange shop	35,000		0	0	35,000
33	Other Property Costs	8,000		0	0	8,000
34	**Supplies and Services**	**329,700**	**(7,000)**	**0**	**0**	**322,700**
35	Clothing/Uniforms	25,700		0	0	25,700
36	Computer software & licenses	146,600		0	0	146,600
37	Equipment maintenance & replacement	43,400		0	0	43,400
38	Publicity	26,000		0	0	26,000
39	Removal costs	25,300		0	0	25,300
40	Temporary Accommodation	11,500		0	0	11,500
41	Other supplies & services	51,200	(7,000)	0	0	44,200
42	**Contractors**	**23,300**	**0**	**0**	**0**	**23,300**
43	Customer research	23,300		0	0	23,300
44	**Transport**	**16,950**	**0**	**0**	**0**	**16,950**
45	Internal Transport - Hire	9,850		0	0	9,850
46	Internal Transport - Maintenance	2,500		0	0	2,500
47	Internal Transport - Garaging	2,000		0	0	2,000
48	Vehicle Licenses	100		0	0	100
49	Internal transport - Fuel	2,500		0	0	2,500
50	**Carried Forward**	**21,978,940**	**(1,284,840)**	**690,000**	**71,300**	**21,455,400**

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2018
Housing Revenue Account
Subjective Summary

Line No	Income	16/17 Board Estimates £	2016/17 Virements £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2017/18 Estimate £
1	**Other Income**	**51,694,750**	**105,000**	**(1,008,100)**	**0**	**50,791,650**
2	District heating income - Tenants	29,700		0	0	29,700
3	District heating income - Owner Occupiers	60,100		0	0	60,100
4	Renewable Heat Incentive (RHI) income	0	100,000	0	0	100,000
5	Launderette income - Tenants	65,000		0	0	65,000
6	Launderette income - Owner Occupiers	161,900		0	0	161,900
7	Other charges to Owners	20,000		0	0	20,000
8	Supporting People - Sheltered	150,000		0	0	150,000
9	Supporting People - Customer Support Team	746,990		0	0	746,990
10	Rental income - commercial properties	1,131,000		0	0	1,131,000
11	Rental income - houses	46,709,570		(902,500)	0	45,807,070
12	Rental income - lock ups	289,790		0	0	289,790
13	Rechargeable Repairs Income (net of write offs)	150,000		0	0	150,000
14	Temporary interest	131,500		0	0	131,500
15	SHQS Professional Fees	800,000		115,000	0	915,000
16	Admin Recoveries	30,000		0	0	30,000
17	Building Services Rebate	444,600		(220,600)	0	224,000
18	Commission on Insurance	8,000		0	0	8,000
19	Recharge of Capital costs to Building Services	145,000		0	0	145,000
20	Other income	40,600		0	0	40,600
21	Property Enquiry Fees	0	5,000	0	0	5,000
22	Transfer from balances to fund Welfare Reform Activity	581,000		0	0	581,000
23	**Carried Forward**	**51,694,750**	**105,000**	**(1,008,100)**	**0**	**50,791,650**

3

Renfrewshire Council
Estimates of Expenditure and Income for the Year Ending 31st March 2018
Housing Revenue Account
Subjective Summary

Line No	Expenditure	16/17 Board Estimates £	2016/17 Virements £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2017/18 Estimate £
51	**Expenditure Brought Forward**	**21,978,940**	**(1,284,840)**	**690,000**	**71,300**	**21,455,400**
52	**Administration Costs**	**2,923,910**	**130,790**	**0**	**0**	**3,054,700**
53	Advertising	21,600		0	0	21,600
54	Apportionment of Central Administration	1,156,700	130,790	0	0	1,287,490
55	Apportionment of Central Administration Business Support	394,110		0	0	394,110
56	Apportionment of mgt support costs - property services	507,300		0	0	507,300
57	ASIST & Mediation recharge from Environmental Services	245,250		0	0	245,250
58	Bank Charges - Costs of Giro Collection	7,000		0	0	7,000
59	Conference/Course Expenses	5,500		0	0	5,500
60	Insurance	123,000		0	0	123,000
61	Legal expenses	83,600		0	0	83,600
62	Membership fees & subscriptions	33,750		0	0	33,750
63	Tenant Consultation	15,000		0	0	15,000
64	Postage	93,600		0	0	93,600
65	Printing and stationery	55,050		0	0	55,050
66	MSS Recharge - Centralised Printing	38,850		0	0	38,850
67	Telephones	105,000		0	0	105,000
68	Other Administration Costs	30,800		0	0	30,800
69	path/hnda	7,800		0	0	7,800
70	**Payments to Other Bodies**	**3,982,650**	**0**	**(252,100)**	**0**	**3,730,550**
71	Council tax re empty properties	238,500		0	0	238,500
72	Garden competition prizes	9,700		0	0	9,700
73	Grants to tenants / housing associations	12,000		0	0	12,000
74	Irrecoverable rent - housing	1,137,900		0	0	1,137,900
75	Employment Initiatives	250,000		0	0	250,000
76	Neighbourhood housing forums	269,500		0	0	269,500
77	Voids - commercial	200,000		0	0	200,000
78	Voids - operational	1,191,140		(252,100)	0	939,040
79	Voids - lock ups	47,710		0	0	47,710
80	Strategy & Quality Initiatives	67,690		0	0	67,690
81	Commissioned Costs - Customer Support	558,510		0	0	558,510
82	**Loan Charges**	**22,809,250**	**1,259,050**	**0**	**(1,517,300)**	**22,551,000**
83	Loan charges - expenses	102,710		38,290	0	141,000
84	Loan charges - interest	6,902,050		(702,050)	0	6,200,000
83	Loan charges - principal	15,804,490	(127,950)	663,760	(130,300)	16,210,000
84	Capital Financed from Current Revenue (CFCR)	0	1,387,000	0	(1,387,000)	0
85	**Total Expenditure**	**51,694,750**	**105,000**	**437,900**	**(1,446,000)**	**50,791,650**

4

Renfrewshire Council

Estimates of Expenditure and Income for the Year Ending 31st March 2018

Housing Revenue Account

Subjective Summary

Line No	Income	16/17 Board Estimates £	2016/17 Virements £	Tsfrs, Savings & Unavoidables £	Rent Increase/ Inflation, etc £	2017/18 Estimate £
86	**Income Brought Forward**	**51,694,750**	**105,000**	**(1,008,100)**	**0**	**50,791,650**
87	**Total Income**	**51,694,750**	**105,000**	**(1,008,100)**	**0**	**50,791,650**
88	**Total Expenditure**	**51,694,750**	**105,000**	**437,900**	**(1,446,000)**	**50,791,650**
89	**Net Expenditure**	**0**	**0**	**1,446,000**	**(1,446,000)**	**0**

Appendix 3

Housing Capital Investment Plan – 2017/18 to 2019/20

Expenditure Category	2017-18 £m	2018-19 £m	2019-20 £m
Existing Housing Stock			
Internal Investment	2.4	2.3	2.3
Low Rise External Improvements	7.0	5.1	6.4
Multi Storey Flats Improvements	0.1	0.0	0.0
Sheltered Housing Improvements	0.6	0.5	0.2
Other Investments	1.7	1.8	1.6
Professional Fees	1.9	1.5	1.5
Total Existing Housing Stock	**13.7**	**11.2**	**12.0**
Regeneration and New Build			
General	0.1	0.1	0.1
Johnstone Castle Regeneration	2.2	2.8	2.3
Tannahill Regeneration	1.0	2.9	1.7
West End Regeneration	1.5	2.9	2.7
Dargavel New Build	1.4	4.0	1.4
Seedhill Regeneration	0.0	0.3	0.9
Total Regeneration and New Build	**6.2**	**13.0**	**9.1**
Overall Housing Investment Total	**19.9**	**24.2**	**21.1**