Inverclyde council

AGENDA ITEM NO: 12

Report To:	**Policy & Resources Committee**	**Date:**	**5 February 2019**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/08/19/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Capital Strategy 2019/30**		

1.0 PURPOSE

1.1 The purpose of this report is to present to the Committee the Council's first Capital Strategy which from 2019/20 is a requirement of the Prudential Code.

2.0 SUMMARY

2.1 The Council currently receives various reports in respect of the Treasury and Investment Strategy throughout the year and each cycle receives updates in respect of the Capital Programme. Additionally every 6 months the Council considers the Financial Strategy which incorporates updates in respect of Capital, Treasury and Loans Charges.

2.2 It is now a requirement of the Prudential Code that from 2019 Councils must receive a long term Capital Strategy for consideration. There is no specific format or template for this document and as such it is highly likely that the format of the Capital Strategy presented to the Committee will evolve in future years as best practice amongst Councils is identified and shared.

2.3 The areas of capital finance, funding and balance sheets can be a complex area and the Strategy seeks to explain these in lay persons terms. The key purpose of the Capital Strategy is to explain how different facets of the Council's Treasury Strategy and Capital Programme interact and to allow Members to consider the affordability and sustainability of Capital investment decisions in the longer term.

2.4 Many of the decisions taken by the current Council will impact long after most current Members and Officers have left the Council but it is important that the Council takes a long term view when considering the sustainability of investment decisions. For the purposes of this initial Strategy, the longer term is viewed as being a period of 10-20 years.

2.5 Overall the Council is in a good position in respect of the development and delivery of Asset Management Plans and has sound governance processes in place. It has been highlighted in Audit reports at a local and national level that the Council has a higher than average expenditure on loans charges and a higher than average level of capital debt however this is a function of the significant investment in the improved school estate, leisure estate, ongoing investment in roads infrastructure plus investment in other assets within the HSCP and open spaces.

2.6 The Capital Strategy demonstrates that loan debt is expected to peak in the next 2 years and thereafter will reduce for the foreseeable future. The challenge that Members have to consider is whether to set aside any of the loans charge savings in the medium term for reinvestment in assets or to use this reduction in cost to close budget gaps.

2.7 The Strategy confirms that the Council will need to have a modicum of prudential borrowing in order to maintain its asset investment in the medium to longer term and that by the mid 2020's the Council will need to start developing funding plans for major reinvestment or replacement of many of the assets built or comprehensively refurbished since local government reorganisation in 1996. This is something that will be developed over coming years.

2.8 Overall the Capital Strategy demonstrates that current plans and requirements can be contained within the overall Financial Strategy and that the Council has a long term plan to maintain investment in assets within the Council's projected medium/long term funding envelope.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee considers the contents of the Capital Strategy and approves the Council's first Capital Strategy covering the period 2019/30.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 It is now a requirement of the Prudential Code that from 2019 Councils must receive a long term Capital Strategy for consideration. There is no specific format or template for this document and as such it is highly likely that the format of the Capital Strategy presented to the Committee will evolve in future years as best practice amongst Councils is identified and shared.

4.2 The Council currently receives various reports in respect of the Treasury and Investment Strategy throughout the year and each cycle receives updates in respect of the Capital Programme. Additionally every 6 months the Council considers the Financial Strategy which incorporates updates in respect of Capital, Treasury and Loans Charges.

4.3 The Council maintains detailed Loans Charge records which record capital spend against specific asset types and also holds detailed records of all external borrowing. From this officers are able to carry out long term projections of internal and external debt.

4.4 The Council has a contract with external treasury advisers who provide technical support and advice to the Chief Financial Officer and the Treasury team. This provides a necessary check and balance to ensure that officers are acting in the best long term interests of the Council when providing advice to Members.

5.0 CONTENTS OF THE STRATEGY

5.1 The Capital Strategy highlights the links between the Council's policy priorities, investment plans and Financial Strategy. Much of this is captured within the Corporate Directorate Improvement Plans which are reported to Committee every second reporting cycle.

5.2 The link between Corporate Priorities and longer term investment plans is made via the preparation and delivery of Asset Management Plans. Therefore the summarised update of the current position of the various AMPs is a key aspect of the Capital Strategy and forms section 3 of the Strategy.

5.3 The relationship between the Council's Annual Accounts, External Borrowing and Loans Charges can be confusing and the Strategy explains the make up and inter-relationships between them. Critically the Strategy provides long term projections and raises matters for Members to consider. The Strategy highlights the need for current Members to take the longer term view when making investment decisions which will impact on the Council's finances for several decades into the future.

5.4 The management of risk and provision of appropriate governance arrangements are vital when dealing with large sums of money and making decisions which will impact on future generations and as such the Strategy sets out the current governance arrangements including the Council's approach to managing risk. These matters are kept under regular review and this is even more pertinent in these uncertain times.

6.0 PROPOSALS

6.1 The Strategy confirms the need for the Council to have a small level of continued prudential borrowing in the medium term based on current AMPs and estimated Government Grants/Receipts. This is sustainable as the level of Loans Charges will begin to drop from 2021/22 onwards as historic debt drops out.

6.2 The above proposal does not allow for the replacement of existing assets which in the longer term will need either significant investment or full replacement eg schools, leisure facilities or major new physical infrastructure projects. To fund this the next Council will require to consider setting aside a significant part of on going loans charge savings to create a "sinking fund" for future investment needs. This matter will be captured in the Financial Strategy and will be kept under review.

7.0 IMPLICATIONS

7.1 **Finance**

The Strategy demonstrates that both the Council's loans charges and debt are due to reduce considerably over the period to 2029/30. One decision the Council will need to take is how much of this saving to set aside for future investment in new/replacement assets to address those assets which by 2030 will be due for renewal.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Loans Charges		2023/24	100		Proposed Prudential Borrowing cost increasing annually to maintain current approved asset investment levels.

7.2 **Legal**

There are no legal implications arising from this report

7.3 **Human Resources**

There are no HR implications arising from this report

7.4 **Equalities**

Has an Equality Impact Assessment been carried out?

X	Yes	See attached appendix
	No	This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

7.5 **Repopulation**

Capital investment can have a positive impact on the local community from an asset and employment perspective. Maintaining core infrastructure and Council facilities makes Inverclyde more attractive to current and future potential residents.

8.0 CONSULTATIONS

8.1 The Strategy has been prepared in consultation with relevant officers and the Strategy is supported by the Corporate Management Team.

9.0 LIST OF BACKGROUND PAPERS

9.1 Treasury Management & Investment Strategy 2019/24
Financial Strategy 2018/26

Capital Strategy

2019 – 2030

Index

1.0 EXECUTIVE SUMMARY

1.1 The Capital Strategy 2019/30 represents Inverclyde Councils first Capital Strategy which is now a requirement of the CIPFA Prudential Code. The document requires to be considered and thereafter approved by the Inverclyde Council and is viewed as being one of the key strategic financial documents along with the Councils Financial Strategy which help govern the strategic direction for the Councils financial planning.

1.2 The traditional focus of Local Government budgeting tends to be on the Revenue Budget with the annual cycle of Grant settlements from the Scottish Government, the identification of savings and investment plans and the approval of the budget along with Council Tax in February/March. As part of this the Council will generally approve a three year Capital Programme. In recent years the capital budget has been a less contentious issue for Elected Members with the Council approving significant amounts of prudential borrowing in order to deliver an ambitious Capital Programme.

1.3 The Inverclyde Outcomes Improvement Plan (IOIP) has 3 Partnership Priorities namely, Repopulation, Environment & Cultural Heritage and Reduced Inequalities all of which can be linked to the Council's Capital Programme and Asset Plans.

1.4 Within the Council's 2018/22 Corporate Plan there are 10 Organisational Priorities which support the delivery of the IOIP of which the main ones which influence the formulation of the Council's Capital Strategy are:

- To promote Inverclyde, to both residents and visitors alike, as a great place to live, work and visit
- To grow the local economy in a way that creates opportunities for all our residents, including access to good quality jobs
- To improve the health and wellbeing of residents so that people live well, and for longer
- To protect and enhance our natural and built environment
- To preserve, nurture and promote Inverclyde's unique culture and heritage
- To deliver services that are responsive to community needs and underpinned by a culture of innovation, continuous improvement and effective management of resources.

1.5 Over the last ten years the Council has undertaken a significant amount of work on Asset Management Planning. The first Asset Management Plan related to the School Estate (the SEMP) which resulted in an ambitious and comprehensive new build and upgrade programme for the full School Estate. Thereafter asset plans were created in respect of the main leisure facilities, the roads assets, office and depot assets, ICT assets and most recently, open spaces. All Asset Management Plans are linked to The Council's Organisational Priorities via the Corporate Directorate Improvement Plans (CDIPs) with delivery reported throughout the year both as part of the CDIPs but also via cyclical Capital Programme updates.

1.6 The purpose of Asset Management Plans are to not only document and quantify all the assets held and their assessed condition but also create a sustainable investment plan which can then be factored into future years Capital Programmes. The creation of the Asset Management Plan will require in many cases decisions from Members regarding a whole estate investment approach which will potentially identify assets which the Council should no longer retain. This can lead to investment in fewer assets but to a higher quality. This has certainly been the case in respect of schools, offices and depots where the Councils property footprint has reduced considerably with the sums saved from buildings no longer existence reinvested in the remaining buildings and resulted in a greatly improved estate

1.7 A significant benefit of having long term Asset Management Plans is that it allows longer term Capital Planning and the Capital Strategy includes Investment Plans for the next 10 years. This allows the Council to identify whether it's longer term Capital Investment Plans are affordable and sustainable and provides time for corrective action to be taken.

1.8 Details of the Councils asset base, borrowing and debt are included within the audited financial accounts considered by Members and attracts far less attention than the Revenue Budget and

Reserve position. At the 31st March 2018 the Council owned property plant and equipment assets valued at £380 million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £483 million. Much of the investment in this Asset Base has been funded by borrowing over preceding decades. The Council's external borrowing as at 30th September 2018 was:-

PWLB Debt	£94.3 million
Market Debt	£102.6 million
	£196.9 million

The bulk of this debt is due to be repaid at the point that the loan matures with some £46.7 million of the PWLB Debt due to be repaid by 31st March 2030.

1.9 Allied to this the Council maintains a Loans Charges record which is an internal record of investment and which is currently written down on annuity basis using the expected life span of the asset created/work carried out. For example a new school will generally be written off over 40 years whereas a roads resurfacing contract will be written off over 25 years. As at the 31st March 2019 the expected value of the Council's internal loan debt is £243 million. The repayment costs in 2018/19 are projected to be £20.6 million and these repayments include both Capital and Interest and are referred to as Loans Charges. It is Loans Charges which are funded by the Councils Revenues Budget.

1.10 The Council is coming to the end of a period of ambitious investment. This has seen a significant increase in the Councils Loan Debt over the last ten years and projections indicate that the Loan Debt will peak at approximately £250 million in 2019/20 but on the basis of limited prudential borrowing in future years the loan debt will reduce to under £180 million by 2029/30. Therefore it can be seen that there is a correlation between the reduction in the Councils internal loan debt and the repayment of the Council external borrowing to the PWLB over the next 10-15 years.

1.11 One issue which the Capital Strategy and Treasury Strategy require to demonstrate is the affordability and sustainability of the Councils Asset Management Plans, to enable Members to see the longer term financial implications of policy and investment decisions.

1.12 Much of the affordability assessment depends on the Councils Treasury Strategy. The period of the Treasury Strategy is currently four years and one product of the creation of a Capital Strategy will be to align the timescales for the Treasury Strategy, Investment Strategy and Capital Programme. Based on the projected trajectory of the Councils loans fund and external borrowing then the overall Treasury Strategy is currently to borrow on a short to medium term basis. This approach is largely influenced by the significant value of market debt held by the Council much of which was borrowed at the time of the transfer of the housing stock in 2007. The latest possible maturity date for the market loans varies from 2066-2077.

1.13 The Chief Financial Officer is supported in monitoring the Councils Capital, Treasury and Investment position by both internal officers and also the Councils Treasury Advisor with whom he meets approximately three times per year. This external support is a vital check and balance in ensuring the Council is receiving the best possible advice and support in managing the Councils considerable asset base, borrowings and future investment plans. This enables the Chief Financial Officer to provide regular reports to the Policy & Resources Committee and the Inverclyde Council on the Councils Treasury Strategy, Treasury Annual Report and Mid-Year Report as well as frequent updates on the Capital Programme.

1.14 This first Capital Strategy pulls all these aspects together and will provide a valuable addition to Elected Members overall understanding of the Council's finances and the wider impacts on policy choices in coming years.

2.0 GOVERNANCE AND REGULATORY FRAMEWORK

Legal and Regulatory Framework

2.1 The legal framework under which treasury management operates mainly involves:

- the Local Government (Scotland) Act 1973
- the Local Government (Scotland) Act 1975
- the Local Government etc. (Scotland) Act 1994
- the Local Government in Scotland Act 2003

and

- regulations and statutory guidance issued under powers in the above Acts.

2.2 In addition, CIPFA issued the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, both of which were last revised in December 2017.

The Prudential Code requires Councils to ensure that capital expenditure and investment plans are affordable, that borrowing and other long-term liabilities are prudent and at sustainable levels, and that treasury management and investment decisions are taken in accordance with professional good practice. The Code requires the production and monitoring of Prudential Indicators.

The Treasury Management Code includes requirements for Councils to consider the objectives of their treasury management activities and the effective risk management of those activities. The Code requires the production of a Treasury Management Practices document which sets out how the Council will seek to achieve its treasury management policies and objectives and how it will manage and control its treasury management activities. The Code also requires that, as a minimum, the following reports be submitted to the Council each year: a treasury management strategy, a mid-year review, and an annual report after the year-end.

2.3 The main regulations and statutory guidance that apply are:

a) Local Government Capital Expenditure Limits (Scotland) Regulations 2004
These require that Councils "have regard" to the Prudential Code when determining "the maximum amount which a local authority can afford to allocate to capital expenditure".

b) Local Government Investments (Scotland) Regulations 2010
Scottish Government Finance Circular 5/2010 was issued under these Regulations and requires the approval of annual Investment Strategies and Permitted Investments by Members as well as an Annual Report on Investments to Members within 6 months of the financial year-end.

c) The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016
Scottish Government Local Government Finance Circular 7/2016 was issued under these Regulations and replaced provisions for local authority borrowing, lending and loans funds that were in the Local Government (Scotland) Act 1975. The Circular includes requirements in relation to the prudent annual charging against the Revenue Budget for the cost of capital projects (Loan Charges) and permitted methods of calculating those charges (largely replacing the annuity method with equal instalments for new capital expenditure from 2021/22).

d) Scottish Government Local Government Finance Circular 7/2018
This Guidance replaces a Finance Circular issued in 2007 that was issued under powers in the Local Government in Scotland Act 2003. The Guidance permits accounting adjustments for some types of treasury management activities, including where Councils have incurred premiums or received discounts when refinancing PWLB loans taken out by

the Council.

Governance

2.4 For Capital Expenditure, the budgets are set and monitored by the Policy & Resources Committee with oversight of individual projects by the Service Committees.

2.5 For Treasury Management, officers prepare an Annual Treasury Management and Investment Strategy for each year (including Permitted Investments for the year, the Authorised Limit for External Debt, and the Treasury Management Policy Statement), a Mid-Year Report, and an Annual Report. These reports are submitted to the Policy & Resources Committee for review and for remission to the Full Council for formal approval, in line with the regulatory requirements above. Where the Council undertakes debt rescheduling, this is reported to the Policy & Resources Committee and the Full Council in line with agreed policy.

2.6 The cost of Treasury Management activity is included in the Revenue Budget and Budget reports to Committee as Loan Charges. The Loan Charges are comprised of the annual charges for the write-off of the cost of capital projects over an appropriate period along with the interest and expenses costs from borrowing and the treasury management activities.

2.7 The Chief Financial Officer has delegated authority to make the necessary arrangements for authorised borrowing, the temporary investment of funds, and specified changes to the Treasury Management Practices. This authority is also delegated to each of the 3 Finance Managers where the Chief Financial Officer is absent (as approved by the Council on 30 November 2017). Treasury Management requirements are also included in the Council's Financial Regulations.

2.8 The Treasury Management Practices ("TMPs") is an operational document that is updated at least every 3 years and that set-out the main principles under the Treasury Management Code and how the Council will comply with those principles. The TMPs were last updated in March 2018.

Investments

2.9 The Council's treasury management investments levels, which were previously significant, have been reducing as capital expenditure has taken place. The level, which varies day-to-day due to cash flows, is currently normally between £20m to £30m but is expected to fall to between £10m to £20m during 2019/20.

2.10 In addition to treasury management investments, the Investment Regulations applying to Scottish Councils include some items that must also be treated as investments. These include loans to third parties/external bodies and investments in property. It should be noted that the Council does not normally undertake investments in property and would not invest in property just to make a return on its investment.

2.11 The Council's creditworthiness policy uses a service provided by its treasury advisers and is used on a daily basis to assess those that the Council has funds with and would place funds with (the "counterparties") using colour categories. The service uses a sophisticated modelling approach using credit ratings from the three main rating agencies, supplemented with other information including on credit watches and credit outlooks (indicating the likelihood of ratings changes or direction of changes for a counterparty).

2.12 The Council does not place sole reliance on the use of this service from the treasury advisers. The Council also uses (where available) market data and market information, information on government support for banks and the credit ratings of that government support.

2.13 The maximum period and limits for investments with individual counterparties are as set through the Council's Treasury Management Practices (TMPs). The TMPs set out the operational policies and procedures in place to implement the treasury management and investment strategy and the principles set out in the treasury management policy statement. They are intended to minimise the risk to the capital sum of investments and for optimising the return on the funds consistent with those risks.

2.14 It should be noted that the periods set under the TMPs are the maximum periods for investments. Any investment with a counterparty is subject to the Council's policy on Permitted Investments and instruments and requires authorisation by the Chief Financial Officer or one of the 3 Finance Managers (in the absence of the Chief Financial Officer).

2.15 As indicated above, the Council have appointed treasury advisers to assist with treasury management issues, decisions and provide information. Responsibility for treasury management decisions (including investments) remains with the Council at all times and the Council must (and does) continually ensure that undue reliance is not placed upon external service providers.

3.0 ASSET MANAGEMENT PLANS

3.1 A number of years ago the Council identified the need to align capital investment against the policy priorities of the Council. This resulted in the creation of a number of comprehensive Asset Management Plans (AMPs). The first Asset Management Plan related to the School Estate (the SEMP) which resulted in an ambitious and comprehensive new build and upgrade programme for the full School Estate. Thereafter asset plans were created in respect of the main leisure facilities, the roads assets, office and depot assets, ICT assets and most recently, open spaces.

3.2 Over the last ten years the Council has undertaken a significant amount of work on Asset Management Planning and has used a combination of internal expertise and external peer review in their development. Once created the AMPs are embedded within the Councils Corporate Directorate Improvement Plans and Capital Programme formulation process to ensure that there is a strong alignment between the Council's overarching Priorities and capital investment decisions.

3.3 The Asset Management Plans not only document and quantify all the assets held and their assessed condition but also create a sustainable investment plan which can then be factored into future years Capital Programmes. In addition the creation of the Asset Management Plan will lead to Members considering a whole estate investment approach which will potentially identify assets which the Council should no longer retain.

3.4 A significant benefit of having long term Asset Management Plans is that it allows longer term Capital Investment Plans for a minimum of the next five years but the capability to project this forward for a further period of time. This allows the Council to identify whether it's longer term Capital Investment Plans are affordable and sustainable and provides time for corrective action to be taken. The next part of this section provides an overview of the current position of the Asset Management Plans being progressed by the Council.

3.5 **School Estate Management Plan**

The Council has invested in excess of £270m on its school estate over the last 14 years. The rationalisation of the estate was completed by the end of 2013. Over the period of the programme to date there have been a net reduction of 12 primary schools (from 32 to 20) and a net reduction of 2 secondary schools (from 8 to 6) with 2 of the remaining 6 secondary schools co-located within a shared community campus.

Significant progress has been made since 2004, particularly in addressing the number of Condition category C (Poor) and D (Bad) rated schools from 7 Secondary Schools and 21 Primary Schools at the start of the programme to all schools across all sectors rated A (Good) or B (Satisfactory) by 2016. In terms of Suitability there has also been significant progress made in ratings through the programme of comprehensive refurbishment and new build.

The School Estate funding model is reviewed and reported annually to the Education & Communities Committee. The current plan will see all major projects completed by 2020 which reflects the approval of the acceleration of the School Estate Management Plan agreed as part of the budget setting process in March 2016.

The plan has progressed to an advanced stage with 3 major primary school projects completed in summer 2018 (combined value £19m) and the final 2 primary school projects at an advanced stage of procurement and projected to complete by 2020. The Council decant facilities retained to facilitate the programme are also being addressed with demolition of the leased former St Stephen's HS substantially completed and the demolition of the former Sacred Heart PS planned upon completion of the final use by St Mary's PS in 2019/20.

Additional expenditure was also approved in March 2016 to address works required across the Early Years estate. A number of projects were also taken forward and completed in 2014/15 to facilitate the Scottish Government commitment to the provision of 600 hours of Early Learning and Childcare. The Scottish Government plan to increase the entitlement of early learning and childcare from 600 hours to 1140 hours by 2020 requires substantial levels of investment in workforce and infrastructure phased from 2017/18 onwards to ensure that required expanded capacity is in place by 2020. Inverclyde Council submitted its initial expansion plan to the Scottish Government in September 2017 on how it intended to deliver this expansion and this was reported to the October 2017 Education & Communities Committee. A full re-working of the plan was undertaken with submission of a revised financial template in March 2018 and the revised plan was reported to the special Education & Communities Committee in June 2018. The Scottish Government confirmed a total Capital grant of £5.98m to Inverclyde Council as part of the overall 1140 hours funding for the infrastructure and capital funded elements of the expansion plan to be delivered between 2017/21.

The Council funded elements of the Early Years estate plan have progressed to an advanced stage with 1 project completed in October 2017 and 2 further projects completed in summer 2018 (combined value of £5.8m). The final Council funded Early Years project is at design stage and is projected to be completed in line with the remaining SEMP projects and completion for 2020.

The School Estate funding model also includes a lifecycle fund designed to address maintaining the condition and suitability of the revitalised estate. The fund allocations are profiled such that the initial allocation of circa £400K in 2014/15 increases to just below £2m in 20/21 with further projected increases over time (subject to capital funding constraints and budget setting process). This funding will be vital in the years following the completion of the major capital projects and end of the SEMP programme to address the necessary elemental renewal required to maintain a good standard of asset condition and suitability across the estate.

3.6 **Office AMP**

The Council's Office rationalisation proposals were originally presented and approved in September 2010. Linked with this was the prior approval in March 2010 for the development of a Customer Service Centre within Greenock Municipal Buildings designed to transform the way the Council communicates with its customers. The programme is part of a wider programme to modernise the Council's operations and working practices which includes initiatives such as mobile and flexible working, electronic document management (EDRMS) and greater use of technology. The Offices Asset Management Plan (AMP) was taken forward on the premise that fewer desks than Employees would be provided. At September 2010 the Council had 1,014 occupied desks. It was proposed that by the end of the process of rationalisation 725 desks would be required with a notional 730 desks approved. The final projects within the Offices AMP were completed in Autumn/Winter 2017. To date the Office Rationalisation programme has resulted in a reduction of circa 40% of occupied floor space with an increased potential desk space ratio through more efficient use of space across the same number of retained properties. The future maintenance and lifecycle requirements of this element of the Council's estate strategy will now be contained / addressed within the Operational Properties portfolio and the allowances for statutory and planned maintenance / lifecycle works funded from the annual £2m General Property Service capital allocation monitored through the Environment & Regeneration Committee.

3.7 **Depot AMP**

The Council's Depot rationalisation will centralise Grounds, Waste and Transport at Pottery Street with a Gourock Civic Amenity site and the Building Service Unit (BSU) currently remaining at Devol Depot whilst an options appraisal is undertaken. The plan has been progressed to an advanced stage with the completion of the salt barn, civic amenity site and the new £5m vehicle maintenance facility / offices within Pottery Street. Work is also nearing completion on the fuel and vehicle wash facilities at Pottery Street with the refurbishment of the corner depot building and offices commenced on site in late 2018. The original Depot Asset Management Plan budget was £13m however the development of the masterplan led to refinement of the strategy and proposals with reviews of phasing and scope (last major review carried out in 1st quarter 2015 realising a further £1m saving). The current outturn cost for the Depot AMP is projected at £10.2m. The Depot AMP is due to conclude in 2020 with the final phase of the Pottery Street development and the refurbishment of the Kirn Drive Civic Amenity Site.

3.8 **Leisure AMP**

The Council undertook a review of its key Leisure Sites prior to 2009 and brought reports forward covering a review of strategic sites and a pitches strategy, with a view to modernisation and reconfiguration of leisure provision within Inverclyde. A planned investment profile was presented to Committee in September 2009 with an initial implementation timescale of August 2012. Consultation was also undertaken with Sportscotland who allocated £1m in facilities grants, part funding specific projects at Parklea and Ravenscraig. The Leisure Strategy has now been fully implemented.

The Leisure Strategy has now been fully implemented with a number of further projects completed (Ravenscraig Activity Centre / Inverclyde Indoor Bowling) and planned (Lady Octavia Sports Centre / Boglestone Community Centre) through joint Council / Inverclyde Leisure funded projects. Plans for an indoor tennis facility at Rankin Park are also being explored through Inverclyde Leisure with a Council capital funding contribution of £500K committed.

The major maintenance and lifecycle replacement requirements of the buildings for the Leisure Estate remains with the Council and this element of the Council's estate strategy is addressed within the Operational Properties portfolio and the allowances for statutory and planned maintenance / lifecycle works funded from the annual £2m General Property Service capital allocation monitored through the Environment & Regeneration Committee. Minor day to day maintenance and 'consumables' are the responsibility of Inverclyde Leisure in accordance with the Service Level Agreement which regulates access, standards of maintenance and division of responsibilities. The allocations through this fund will be vital in the coming years to address significant elemental renewal of ageing assets.

In 2018 the Council agreed to allocate £120,000 annually to supplement the funding in the Leisure Repairs and Renewals Fund to meet the life cycle costs associated with the large 3G Pitch estate. The on-going requirements for major maintenance and lifecycle replacement of sports pitches across the Leisure Estate are addressed through the Leisure Pitches Strategy Asset Management Plan and capital allocations monitored through the Education & Communities Committee.

3.9 **Roads AMP**

The Council approved a comprehensive Roads Asset Management Plan (RAMP) and funding model in August 2012. The original budget allocation was £17m based on a three year budget set in February 2013. This was increased to £29m to be invested over the five year period 1 April 2013 to 31 March 2018. A further investment in line with an updated RAMP was agreed in 2018 for the period to 31 March 2021 and proposals are included in the 2019/23 Capital Budget to extend the increased investment to March, 2023.

The RAMP has been ongoing since 2013, some 48% of carriageways have been treated; this gives rise to a continued reduction in the Road Condition Indictor (RCI) for carriageways, as follows:

	SRMCS Survey Results			
Year	**Red**	**Amber**	**Green**	**RCI**
2011/13	13.55	35.42	51.0	**49.0**
2012/14	12.69	36.55	50.8	**49.2**
2013/15	10.80	35.47	53.7	**46.3**
2014/16	10.11	33.18	56.7	**43.1**
2015/17	8.57	31.96	59.5	**40.5**
2016/18	7.09	30.80	62.1	**37.9**
2017/19	7.44	30.02	62.5	**37.5**

Inverclyde Council was named the UK's most-improved performer for roads, highways and winter maintenance as part of the 2015 Association for Public Service Excellence (APSE) Performance

Networks Awards.

3.10 Vehicle AMP

The purpose of the Vehicle AMP is to provide the Council with an efficient, flexible method of procuring and operating fleet items that reflects good fleet management practice plus a cyclical replacement of fleet assets over a 5 or 7 year cycle dependant on fleet category taking advantage of public sector collaborative procurement frameworks.
In addition it led to the introduction of a dedicated Fleet Management System and Fleet Tracking System. Without a fleet asset management plan the Council would experience a return to inefficient practices including increased fleet downtime, an increase in expensive ‘spot' hire vehicles, a requirement to increase workshop staff levels and an increase in both material and sub-contractor costs.

Looking to the future the Vehicle AMP will continue taking advantage of the latest technological advances both in terms of vehicle and management/telematics systems driving forward efficiencies within the fleet asset management plan. The introduction of more Electric Vehicles within the light vehicle fleet over the next 12 months will provide both financial benefits and environmental benefits in addition to helping the Council to work towards the Scottish Government target of ending the sale of new petrol or diesel cars and light vans in Scotland by 2032.

3.11 Open Spaces AMP

The Council has also developed an initial Open Space AMP which incorporates Burial Grounds and the Crematorium. Given the wide range and nature of the assets covered and the piecemeal nature of some of the investment, the preparation of a detailed AMP has proven to be challenging. Based on the information to date an annual capital sum of £200,000 is allocated for general lifecycle maintenance.

In addition the Council has agreed to allocate over £3.0 million over the next 2 years to expand Burial Grounds provision and replace the Council's cremators. The identification of appropriate ground for burials will present challenges for the Council in the medium/longer term.

3.12 ICT Asset Plan

The ICT Asset Management Programme delivers a modern ICT infrastructure providing the most appropriate level of equipment, at best value to the Council across all of Inverclyde Council's Offices and Schools. It aims to allow staff to undertake their roles and responsibilities in as efficient a manner as possible and provide teachers and pupils with modern and sustainable learning technologies. The ICT AMP has a budget of £0.4m.
In line with the best practices for ICT Asset Management, the physical lifecycle of an ICT Asset has two distinct phases:

- Planning & Procurement
- Lifecycle & Disposal

ICT implements a six year desktop and laptop refresh strategy. The 2018/19 refresh programme has targeted laptop devices within the school estate, replacing over 830 laptop devices across all areas of the Primary, Secondary and ASN sectors.

.
The total number of devices in the programme is 5729

	Desktop PCs	Notebook PCs	Tablet PCs	Total
Schools	2893	1131	42	4066
Corporate	936	610	117	1663
Total	3829	1741	159	5729

3.13 **Scheme of Assistance**

Section 72 of the Housing (Scotland) Act 2006 requires Local Authorities to prepare and make publicly available a statement which sets out the Council's approach to providing householders with advice and/or assistance on how to repair, improve, maintain or adapt their home.
The 2006 Act paves the way for applications for assistance with adaptations to be treated separately from applications for assistance with repairs and includes a general duty to provide financial assistance to make a house suitable for a disabled person.
All eligible adaptation works will receive a minimum of 80% grant assistance or, at the discretion of the Council, 100% grant can be awarded.

The provision of a Care and Repair/Small Repairs Service who assist eligible applicants with the grant process and progression of adaptation works. Care and Repair operate a small repairs service for plumbing, electrical, joinery and general household jobs. The services are available to homeowners and tenants in the private sector who are either disabled or are over 60 years of age.

Year	Number of Homes Adapted	Small Repairs Provided
15/16	174	1705
16/17	181	1587
17/18	171	1701

3.14 **HSCP Asset Management**

A review of HSCP properties including opportunities for reconfiguration of services to support co-location is currently underway as part of the formulation of a HSCP Property Asset Management Plan. A number of shared service offices have been addressed as part of the Offices Assets Management plan and consolidation within the Hector McNeil House building completed in 2014

Significant further asset areas are already being addressed via proposals agreed in respect of the phased re-provisioning of Inverclyde's Children's Residential Services with one new unit (Kylemore) completed in March 2013, a further unit (Cardross) completed in January 2018 and the final unit (Crosshill) commenced on site in October 2018 to complete in summer 2019.

Two further significant HSCP projects secured Scottish Government funding support with a new Adult and Older People Complex Care Beds facility (Orchard View) completed in summer 2017 and the new Greenock Health and Care Centre project targeting financial close by November/December 2018 and construction completion by August 2020. The completion of the new Health and Care Centre will facilitate further shared service / joint working with the business case predicated on the basis that the existing NHS owned Greenock Health Centre, Boglestone Clinic, Larkfield Child & Family Centre (CAMHS) Building, and Cathcart Centre, which are not fit for purpose, will be disposed of once the new facility becomes available.

The Strategic Review of Services for Adults with Learning Disabilities in Inverclyde was signed off by the Integration Joint Board in December 2016. As part of the Service redesign, a number of properties historically used by the service have been decommissioned with flats at Lynedoch Street and Hope Street vacated and released back to the relevant RSL's. Golf Road was vacated in June 2018 and the McPherson Centre decommissioned in September 2018 with full integration into the Fitzgerald Centre following work within the Fitzgerald Centre to upgrade personal care facilities, storage and sensory areas undertaken over summer 2018. The longer term plan remains for a new build or refurbishment of an existing building to design a bespoke Day & Social Community Hub with work currently being undertaken on proposals to develop a business case by May 2019.

Two other specific property issues remain for Health & Social Care around the future of the Centre for Independent Living store and the continued lease of the Unpaid Work Unit at Kingston Industrial Estate.

Day to day investment in the HSCP buildings is funded from the general Property AMP but the funding for transformational change in service delivery requires to be funded elsewhere. For the Children's Houses , funding came from a combination of prudential borrowing funded by service savings , reserves and core capital grant. Funding arising from the Learning Disability review will be identified once proposals are crystalised but is likely to again involve a cocktail of funding sources.

3.15 **City Deal**

Although not a specific Asset Management Plan the Council does have major investment plans in relation to the Glasgow Region City Deal which has a £1.13 billion Capital Infrastructure investment programme covering the 8 Local Authorities in the Glasgow City region. Inverclyde Council currently has 3 projects in various stages of development with an estimated Capital cost of £22.4 million.

It is currently anticipated that £21.1 million of this investment will be funded by grant from the Scottish and UK Governments which is due to be paid over a 20 year period ending in 2035. Due to the timing difference between the Council incurring expenditure by 2023 and the receipt of grant, the Council will require to finance the cashflow implications as well as loans charges in relation to the Councils projected £1.3 million contribution.

The funding for this has been allowed for in the Councils recurring Revenue Budget and forms a specific appendix within the Financial Strategy.

4.0 THE CAPITAL PROGRAMME

4.1 The Council has traditionally approved a rolling three year Capital Programme each budget cycle. For the March 2019 budget cycle however it is proposed to extend this to a 4 year approved programme This brings the current Capital Programme up to 2022/23 and ties in with the production of a 4 year Treasury Strategy.

4.2 Annual capital budget allocations are provided for investment in the core assets identified via the Asset Management Plans with these allocations intended to maintain the existing assets to acceptable standards. The allowances do not generally allow for expansion or replacement of existing assets which would normally be addressed through specific investment proposals.

4.3 Current annual allocations amount to £9.243m (see table below) This amount includes the increased allocation to Roads to deliver the RAMP as well as an ongoing Life Cycle Maintenance allowance for School Estate.

Recurring annual Grant Allocations:

ICT	£0.363m
Roads (RAMP)	£3.000m
Zero Waste Fund	£0.060m
Parks & Open Spaces	£0.200m
Property	£2.000m
Scheme of Assistance	£0.500m
Leisure Pitches	£0.120m
School Estate	£3.000m
Total Annual allocations	£9.243m
Estimated General Capital Grant	£8.100m

When a small contingency is added then the estimated General Capital Grant is approximately £1.5million short of the on going Asset Maintenance requirement. This would require to be funded from either capital receipts, revenue reserves and prudential borrowing.

4.4 Other investment includes the Vehicle Replacement Programme however this is funded via the specific funding models and is not reliant on the General Capital Grant. In addition specific investment proposals are considered either as part of the budget setting process or via reports to Service Committees. Any such proposals would require to be funded by way of prudential borrowing and/or one off allocations from reserves.

4.5 Specific capital grant awards are also included in the programme, currently there is significant Specific Grant funded investment in Early Learning & Child Care. In addition, grants are received on an annual basis from Strathclyde Partnership for Transport, Sustrans and Cycling, Walking & Safer Streets.

4.6 In recognition of potential increase in resources or cost reductions the Council will overprovide by up to 5% against available resources. It needs to be borne in mind that if extra resources or cost reductions do not occur then savings will be required.

4.7 A summary of the proposed 2019/23 Capital Programme is shown below. This will be formally approved by the Council in March 2019.

Proposed Capital Programme 2019/2023

Expenditure/Projects by Committee	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Totals £m
Policy & Resources	0.468	0.417	0.363	0.363	1.611
Environment & Regeneration	18.018	11.168	6.796	6.593	42.575
Education & Communities	2.394	0.420	0.120	0.120	3.054
School Estate	12.378	5.376	2.314	2.900	22.968
CHCP	0.968	0.244	0.000	0.000	1.212
	34.226	17.625	9.593	9.976	71.420
Financed By					
General Capital Grant	9.390	8.100	8.100	8.100	33.69
Sales/Contributions	0.247	0.543	0.148	0.095	1.033
Other Income	2.493	1.500	0.019	0.000	4.012
Revenue	0.448	1.006	0.406	0.406	2.266
Prudential Borrowing	5.345	2.621	0.913	0.332	9.211
Resources Carried Forward	17.859				17.859
	35.782	13.77	9.586	8.933	68.071
Shortfall in Resources					3.349
Recommended maximum overcommitment (5% of Resources)					3.404
Flexibility					-0.055

5.0 DEBT AND FIXED ASSETS

5.1 One objective of the Capital Strategy is to demonstrate the sustainability and affordability of its capital expenditure and investment plans. Much of the affordability assessment depends on the Council's Treasury Strategy. The period of the Treasury Strategy is currently four years and one product of the creation of a Capital Strategy will be to align the timescales for the Treasury Strategy, Investment Strategy and Capital Programme from 2019.

5.2 A key requirement of the Treasury Strategy is to set the Prudential Indicators which will determine limits around borrowing, investment and affordability and thereafter feeds directly into the Revenue Budget process. The Treasury Strategy is due to be considered by the Policy & Resources Committee in February and the Council later that month.

5.3 There are 3 distinct areas where it is important that the inter relationships are highlighted as these are at the heart of understanding the Councils overall approach to capital investment and long term financial planning.

Loans Charges/Loan Fund Debt – Loans Charges records are the Councils internal record of capital investment. Sums incurred are currently written down on annuity basis using the expected life span of the asset created/work carried out. The Loans Charge records allocate the capital incurred against the asset created/improved.
Loans Charges are an internal calculation and no money leaves the Council but it is Loans Charges which form the charge to the Revenue Budget as a proxy for depreciation.

External Debt- To fund capital works the Council will in many cases have to borrow funds. The traditional route for local government remains to borrow from the Public Works Loans Board (PWLB) but a significant amount of borrowing has also been carried out from other lenders and this is referred to as Market Debt. Interest is paid on these loans throughout the year and these costs form the basis of the calculation of the loans charges interest rate.

Balance Sheet Fixed Assets - As part of the statutory Annual Accounts the Council prepares a Balance Sheet and the largest sum within this is the value of assets held by the Council. Assets are revalued on a rolling basis every 5 years although adjustments can be made in the interim in the event of a material impact on the assets value. Depreciation is applied to the assets prior to inclusion on the Balance Sheet. Depreciation does not form part of the revenue budget and is reversed out of the accounts when calculating the Council's available Usable Reserves.

The financial position of these three areas is explained further in the following paragraphs.

5.4 **Loan Fund Debt**

The Council is coming to the end of a significant period of ambitious investment in the School Estate, Leisure Estate and the Office and Depot Estate. This has seen a significant increase in the Councils Loan Debt over the last ten years and projections indicate that the Loan debt will peak at approximately £250 million in 2019/20 but on the basis of limited prudential borrowing in future years the loan debt will reduce to under £180 million by 2029/30. Thereafter the debt gradually reduces and by 2050 there is only £12million of the current debt outstanding.

5.5 **External Debt**

The Council's external borrowing as at 30th September 2018 was:-

PWLB Debt	£94.3 million
Market Debt	£102.6 million
	£196.9 million

The bulk of these loans are Maturity Loans ie: principal is due to be repaid at the point that the loan matures, with some £46.7 million of the PWLB Debt due to be repaid by 31st March 2030. Thereafter however there is a 25 year period where under £10million is due to mature unless called in by the market lenders or the Council restructures its PWLB debt.

Taking 5.4 and 5.5 together then by 2032, on the basis of no further net capital expenditure, the External Debt will exceed Loans Fund Debt. By 2050 the amount of External Debt would exceed Loans Charge Debt by £120million if nothing else changes.

5.6 **Balance Sheet Fixed Assets**

At the 31st March 2018 the Council owned property plant and equipment assets valued at £380 million net of accumulated depreciation. Once PPP Assets and Managed Properties are included then the value of this Asset Base increased to £483 million. This figure is significantly larger than the previous two figures as the Asset Value represents the fair value of the asset with assets revalued on a 5 yearly basis.

The average Asset Life Outstanding as at 31.3.18 for the different category of assets is shown the undernoted table. From this it can be seen that for the 3 main non-PPP asset categories, the average remaining life is approximately 22 years. At a high level this shows a correlation between the remaining life of the main assets in the balance sheet and the Loans Fund Debt.

	Average	
	Asset Life	Asset Life Outstanding
Community Asset	31.16	23.01
Infrastructure	29.74	19.43
Other Land & Buildings	28.70	23.34
PPP	37.29	34.29
Vehicles/Plant & Equipment	5.66	1.68

It should be noted that the Asset Life Outstanding is reviewed at each valuation and provided the Council is undertaking appropriate maintenance and investment then the life will be extended thus ensuring that Asset values continue to exceed Long Term Borrowing in the Balance Sheet.

5.7 In summary therefore, in order for the Council to maintain its considerable asset base, it will need to undertake capital investment over and above the projected Scottish Government Grant/Capital Receipts. As such the Council will always carry Loans Fund Debt and External Debt . In order to ensure that the Council achieves a closer correlation between Loan Debt and External Debt in the longer term, the majority of new borrowing will be carried out for short to medium term periods i.e. up to 10 years.

6.0 LONGER TERM INVESTMENT PLANS

6.1 It can be seen from Section 4 of the Capital Strategy that it is unlikely that Government Grant and estimated Capital receipts will be sufficient to meet the required investment levels for the Council to maintain its current asset base. The current Financial Strategy assumes that the Council will not undertake any material prudential borrowing unless this is funded from savings delivered by the investment. This assumption will require to be modified unless the Council takes a conscious decision to both disinvest in certain assets and reduce the number of assets it holds.

6.2 Without the Council opting to disinvest in part of its current asset base then the Council will require to prudentially borrow £1.5 million per year for the period covered by this Capital Strategy i.e. to 2029/30. Based on current interest rates then this will require an extra £100,000 per year in loans charges spend which will require to be funded as part of the Revenue budget. It should be noted that this level of investment takes no account of any one off Capital investment requirements not included in the core life cycle maintenance allocations. Any such investment requirements will be flagged up in the relevant Asset Management Plans and following consideration as part of the normal governance processes would be factored into future Capital Strategy reports.

6.3 Appendices 1 and 2 show the impact of this level of capital investment on the Loans Charges earmarked reserve, loans charges and loan debt for the period to 2038/39. From Appendix 2 it can be seen that projected Loans Charges would drop by £3.6 million between 2019/20 and 2029/30 whilst over the same period the Loan Debt will drop by £75 million.

6.4 Despite this on going need for prudential borrowing the Council will see a significant reduction in the proportion of its Revenue Budget which is spent on servicing loans charges and also a significant reduction in the ratio of loan debt to revenue budget. From Appendix 2 it can be seen that the Loan Debt as a percentage of Revenue Budget drops by almost 45% over the 2019/30 period , whilst the % of the Revenue Budget spent on Loans Charges drops by 2.4% to 9.1%

6.5 Looking beyond 2030 involves a significant amount of uncertainty around both the funding of Local Government, the services which it will be expected to deliver and the nature of those services. However based on past investment and current service delivery then many of the assets built or significantly refurbished since local government re-organisation will become due replacement/refurbishment. The Council will therefore require to consider how this massive investment would be funded as part of future Capital Strategies.

7.0 CONCLUSIONS

7.1 The Capital Strategy provides an opportunity for a number of related aspects of the Council's overall finances to be pulled together into a summarised document. From this it can be seen that:

a) The Council is well advanced in its Asset Management Plan preparation and delivery with major investment in all aspects of its asset estate over the last 10 years or more.
b) The Council keeps a long term view of its long term borrowing and funding and this informs the current Treasury Strategy.
c) The Council has a robust governance process via the Financial Regulations, Prudential Code, Risk Management and Budget Process to ensure that Asset Management Plans and the Capital Strategy are affordable in the medium to longer term.

The current proposals within the Capital Strategy are affordable and can be met from the current Loans Charge allocation without further cost to the Council Tax payer.

7.2 The Capital Strategy emphasizes the need for the Council to take a long term view when taking decisions around Capital investment and specifically to ensure that investment plans are appropriate and financially sustainable in the longer term. The annual production and updating of the Capital Strategy allied to the Treasury Strategy, Capital Programme approval and Financial Strategy will all ensure that the Council are able to take Capital investment decisions in the knowledge of the long term implications.

Appendix 1

Managing Risks

The area of Treasury and Capital investment requires risks to be continually managed and monitored. Part of this is covered in the Governance Section (Section 2), however the following paragraphs list other risks and how the Council manages these. The risks are shown in bold with the mitigation in normal typeface.

1/ **The Capital Strategy does not reflect the objectives set out in other strategic plans of the Council.**

The Capital Strategy provides a high level overview of the various Asset Management Plans, Financial Strategy and Treasury Strategy all of which closely link to the plans the Council has signed up to. It is acknowledged that there will inevitably be other financial investment requirements over the next 20 years not quantified at this point in time however the Capital Strategy will be updated as further information becomes available regarding these strategic plans.

2/ **The directorate planning process will identify a range of additional budget pressures over and above those currently considered in this Financial Strategy.**

The Directorate Planning Guidance identifies that Corporate Directorate Improvement Plans (CDIP) should reflect the resources allocated – the need for additional resources to achieve a particular priority should be specifically identified via the Council's approved governance processes prior to the preparation of the CDIP.

3/ **Forecasts within the Capital Strategy are not accurately determined or reviewed on a regular basis**.

The Capital Strategy will set out the expected levels of expenditure and income for the future. The forecasts are arrived at through careful consideration of historic trends and current AMP investment levels plus advice on interest rates and borrowing costs from the Council's Treasury Advisors.

Throughout the financial year, the Council regularly monitors its financial performance against its capital and treasury budgets and will revise projections them where necessary.

.

4/ **The Council has insufficient capital resources to sustain capital commitments**.

The combination of reduced funding and the economic position mean that the Council has to focus on maintaining key infrastructure whilst utilising prudential borrowing for specific capital projects.

Regular review of existing Asset Management Plans and Policy Priorities ensures that the Council's investment plans remain affordable. The Council is in regular contact with its Treasury Advisors to identify opportunities to reduce Treasury costs within the parameters of the Prudential Indicators.

5/ **Given the major Global Economic uncertainty the Council is exposed to major fluctuations in the financial markets**

The Council' Treasury and Investment Strategy supported by the associated Treasury Management Policies and Prudential Indicators provides a robust framework within which officers operate to ensure that the Council is not materially exposed to short term fluctuations in the financial markets.

Appendix 2

<u>Capital Strategy</u>
<u>Loan Charges</u>

		2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Balance B/fwd		6,496	6,012	4,856	2,284	1,839	1,341	1,150	1,055	958	936	943	823
Projected Loan Charges	a	13,919	14,261	15,447	11,400	11,153	10,796	10,650	10,602	10,477	10,398	10,475	10,184
Available Budget	b	12,435	12,105	11,875	10,955	10,655	10,605	10,555	10,505	10,455	10,405	10,355	10,305
Loan Charge Surplus/(Deficit)		(1,484)	(2,156)	(3,572)	(445)	(498)	(191)	(95)	(97)	(22)	7	(120)	121
Additional Funding: Contribution from Capital Fund	c	1,000	1,000	1,000									
Balance at Year End		**6,012**	**4,856**	**2,284**	**1,839**	**1,341**	**1,150**	**1,055**	**958**	**936**	**943**	**823**	**944**
Interest Rate (Assumed):		3.55%	3.65%	3.80%	3.90%	3.95%	3.95%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%

Notes

a Revised projections as at December 2018 and excludes Loan Charges relating to funded models (SEMP, AMP, VRP, City Deal, Birkmyre Trust).
Includes the effect of decisions on SEMP acceleration taken in March 2016 including the £650k annual budget transferred to SEMP from 2021/22.
From 2018/19 onwards, general capital grant is applied to core allocations only and not to individually funded models (e.g. VRP).

Loan Charges for 2018/19 includes £294k write-off of existing premiums.
Loan Charges from 2019/20 to 2021/22 reduced by £70k due to use of reserves for premiums write-off in 2018/19.

b Adjustments to Available Budget:
<u>For 2018/19</u>
£30k removed for ICT saving agreed February 2015 (additional sum removed each year until last year 2020/21).
£12k removed for ICT saving agreed February 2013 (additional sum removed each year until last year 2018/19).
Budget from 2018/19 onwards reduced by £300k annually to 2022/23 and by £150k from 2023/24 to 2029/30 to reflect reduction in Scottish Government grant support resulting from repayment of historic debt.
£54k removed from ongoing budget due to Cremator Replacement being funded from reserves (agreed March 2018).
£35k transferred from Vehicle Replacement Programme budget from 2018/19 due to lower funding requirement.
£100k removed in 2018/19 and 2019/20 due to increased CFCR and then replaced by increased Prudential Borrowing 2020/21 onwards funded from income.
<u>For 2021/22</u>
£650k removed from ongoing budget and transferred to SEMP relating to SEMP acceleration, as agreed in March 2016.
£30k added to ongoing budget for Prudential Borrowing in 2021/22 to fund 2019/23 Capital Programme.
<u>For 2023/24</u>
Budget from 2023/24 onwards increased by £100k annually for annual Prudential Borrowing.

c Allocation from Capital Fund. It should be noted that this contribution is dependent on receipts from property disposals and as such cannot be guaranteed.

LONG TERM LOANS FUND PROJECTIONS BASED ON CAPITAL STRATEGY **Appendix 3**

	Loans Fund Debt End of Year £000	Total Loan Charges £000	Assumed Interest Rate	Revenue Stream £000	% of Loans Fund Debt to Revenue Stream	% of Loan Charges to Revenue Stream
2018/19	243,417	20,630	3.55%	190,379	127.86%	10.84%
2019/20	252,820	21,525	3.65%	188,379	134.21%	11.43%
2020/21	246,071	22,956	3.80%	189,260	130.02%	12.13%
2021/22	237,608	18,998	3.90%	190,150	124.96%	9.99%
2022/23	229,641	18,755	3.95%	191,040	120.21%	9.82%
2023/24	222,442	18,350	3.95%	191,940	115.89%	9.56%
2024/25	215,722	18,450	4.10%	192,840	111.87%	9.57%
2025/26	210,142	18,455	4.10%	193,840	108.41%	9.52%
2026/27	202,735	18,361	4.10%	194,840	104.05%	9.42%
2027/28	194,731	18,299	4.10%	195,840	99.43%	9.34%
2028/29	186,288	18,357	4.10%	196,940	94.59%	9.32%
2029/30	178,038	18,033	4.10%	198,040	89.90%	9.11%
2030/31	170,888	17,828	4.10%	199,140	85.81%	8.95%
2031/32	162,554	17,702	4.10%	200,340	81.14%	8.84%
2032/33	154,489	17,341	4.10%	201,540	76.65%	8.60%
2033/34	146,061	17,088	4.10%	202,740	72.04%	8.43%
2034/35	137,203	17,212	4.10%	204,040	67.24%	8.44%
2035/36	128,913	17,142	4.10%	205,340	62.78%	8.35%
2036/37	120,545	15,552	4.10%	206,640	58.34%	7.53%
2037/38	112,696	14,752	4.10%	208,040	54.17%	7.09%
2038/39	105,087	14,578	4.10%	209,440	50.18%	6.96%

Note: Revenue Stream is estimate of GRG/NDRI plus Council Tax.

Inverclyde council

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

Essential Information
Name of Officer(s) completing this Template: Alan Puckrin
Designation: CFO
Directorate/Service: Finance Services
Date of Impact Assessment: 15.1.19
Name of new Strategy : Capital Strategy 2019/30

1. Does the proposed Strategy impact on:

	Yes	No
a. Protected characteristics under The Equality Act 2010: Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion and Belief; Sex; Sexual Orientation **(see Section 3)**	X	
b. Reducing inequalities of outcome caused by socio-economic disadvantage – Fairer Scotland Duty[1] **(see Section 6)**	X	
c. Local Outcomes Improvement Plan (LOIP) 2017/22[2] **(see Section 7)**	X	
d. Corporate Plan 2018/22[3] **(see Section 8)**	X	

2. If "**yes**" is selected for **any part** of Section 1, **please populate the other relevant Sections of this Template**.

If "**no**" is selected for **every part** of Section 1, **please sign below and email** a copy of this Template to Karen Barclay, Corporate Policy

[1] Fairer Scotland Duty: interim guidance for public bodies
[2] Local Outcomes Improvement Plan 2017/22
[3] Corporate Plan 2018/22 (agenda item 5)

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

Officer: **karen.barclay@inverclyde.gov.uk.**	
	15.1.19
Signature	Date

3. Impact – Protected characteristics

Which of the protected characteristics will the proposed strategy have an impact upon? (See guidance for examples of key considerations under each characteristic – this is on ICON.)

Equality Target Group	Positive impact +	Neutral impact =	Negative impact -
Age	X		
Disability	X		
Gender Reassignment			
Pregnancy and maternity			
Race			
Religion and belief			
Sex			
Sexual orientation			
Other groups to consider			

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

4. Which parts of the Equality Duty will the proposed strategy impact on?	
☐	Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by The Equality Act 2010
X	Advance equality of opportunity between people of different groups
☐	Foster good relations between from different groups

5. Impact - groups

From the information you have highlighted above, describe the positive and negative impacts and the groups affected under The Equality Act 2010.

Positive impacts **+**	**Negative impacts** **-** *(Describe groups affected.)*
Age & Disability *Capital investment will have a positive aspects in improving the built environment by improving existing buildings and building new facilities whilst investment in the RAMP will improve pavements, lighting and roads .* *Support through the scheme of Assistance will make specific modifications to domestic properties for the groups identified.*	

6. Impact – Fairer Scotland Duty

What impact will this strategy have on reducing inequalities of outcome caused by socio-economic disadvantage? *Please tick.*

Positive Impact +	Neutral Impact =	Negative Impact -
X		

Briefly describe how the strategy will impact on reducing inequalities of outcome.

The Strategy confirms the longer term affordability of capital investment whilst allowing for continued capital investment in improving the Council's estate. This will include fit for purpose schools, community, leisure and social care assets all of which are accessed by those experiencing socio-economic disadvantage.

7. Impact – LOIP 2017/22

Which Priority/Priorities from the LOIP 2017/22 will this strategy impact on?

X	1. **Population:** Inverclyde's population will be stable and sustainable with an appropriate balance of socio - economic groups that is conducive to local economic prosperity and longer term population growth
☐	2. **Inequalities:** There will be low levels of poverty and deprivation and the gap between the richest and poorest members of our communities will be reduced (This may already have been highlighted during section 6)
X	3. **Environment, culture and heritage:** Inverclyde's environment, culture and heritage will be protected and enhanced to create a better place for all Inverclyde residents and an attractive place in which to live, work and visit

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

Briefly describe how the budget saving proposal will impact on the LOIP Priority/Priorities. Improving the built environment and investing in physical regeneration has a positive impact in delivering the LOIP priorities	

8. Impact – Corporate Plan 2018/22 Which Priority/Priorities from the Corporate Plan 2018/22 will this Strategy impact on?	
X	1. To promote Inverclyde, to both residents and visitors alike, as a great place to live, work and visit
☐	2. To work collaboratively, to enable strong, connected and empowered communities, particularly in areas of deprivation, so that residents have influence and control over the things that matter to them
X	3. To grow the local economy in a way that creates opportunities for all our residents, including access to good quality jobs
☐	4. To reduce the prevalence of poverty and in particular, child poverty in our communities
☐	5. To safeguard, support and meet the needs of our most vulnerable families and residents
X	6. To improve the health and wellbeing of residents so that people live well, and for longer
X	7. To protect and enhance our natural and built environment
X	8. To preserve, nurture and promote Inverclyde's unique culture and heritage
X	9. To deliver services that are responsive to community needs and are underpinned by a culture of innovation, continuous improvement and effective management of resources
☐	10. To develop motivated, trained and qualified employees who deliver quality services that meet current and anticipated service needs

INVERCLYDE COUNCIL EQUALITY IMPACT ASSESSMENT TEMPLATE

Briefly describe how the Strategy will impact on the Corporate Plan Priority/Priorities.

Capital investment will have a positive aspects in improving the built environment by improving existing buildings and building new facilities whilst investment in the RAMP will improve pavements, lighting and roads.

This will make Inverclyde a more attractive destination for investment and will assist in growing the economy and retaining people within the area.

The Capital Strategy will continue to include investment in the Leisure & Cultural estate and assist in the improvement of health outcomes and preservation of the area's cultural heritage.

9. Evidence

What evidence do you have to help identify any potential impacts of the proposed Strategy?

Note: Evidence could include consultations, surveys, focus groups, interviews, projects, user feedback, complaints, officer knowledge and experience, equalities monitoring data, publications, research, reports, local, national groups.

Evidence	**Details**
Consultation/Engagement	Budget Consultation 2018 and 2017: 16% and 12% of respondents respectively supported the proposal to reduce roads maintenance. Additionally, in 2017, roads and lighting maintenance was the top service (at 86%) that respondents told us should continue to be provided at the enhanced level. Budget Consultation 2018: 46% of respondents supported the proposal to

	reduce Inverclyde Leisure funding.
Research	Derived from AMPs and CDIPs
Officer's knowledge and experience (including feedback from frontline staff)	Links back to individual Asset Management Plans and CDIPs
Equalities monitoring data	
User feedback (including complaints)	
Stakeholders Other	
Are there information gaps and, if so, what are these?	

10. Please use the space below to detail any other matters arising from the Equality Impact Assessment process.

Details of the Person(s) who completed the Assessment:	Name: Alan Puckrin
	Position: CFO
	Date: 15.1.19
Authorised by:	Name:
	Position:
	Date:

Thank you for your assistance with the completion of this task.

Please send a copy of the completed Template to Karen Barclay, Corporate Policy Officer: karen.barclay@inverclyde.gov.uk.

21 November 2018