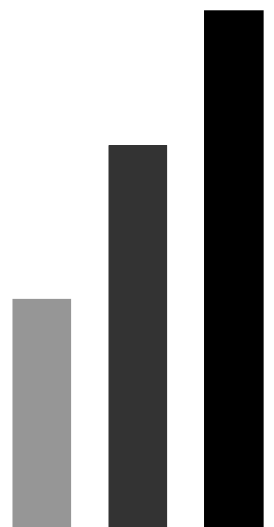


Agenda 2015

Policy & Resources Committee

For meeting on:

19	May	2015
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A meeting of the Policy & Resources Committee will be held on Tuesday 19 May 2015 at 3pm within the Municipal Buildings, Greenock.

GERARD MALONE
Head of Legal & Property Services

BUSINESS

**** Copy to follow**

1. Apologies, Substitutions and Declarations of Interest	Page
PERFORMANCE MANAGEMENT	
2. Policy & Resources Capital Programme 2014/18 - Progress Report Report by Chief Financial Officer and Corporate Director Environment, Regeneration & Resources	p
3. 2014/18 Capital Programme Report by Chief Financial Officer	p
4. Policy & Resources Committee 2014/15 Revenue Budget – Period 11 to 28 February 2015 Report by Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and Chief Financial Officer	p
5. 2014/15 General Fund Revenue Budget as at 28 February 2015 Report by Chief Financial Officer	p
6. Procurement Update and Procurement and The Living Wage ** Report by Chief Financial Officer	
7. Welfare Reforms Update Report by Chief Financial Officer and Corporate Director Inverclyde Health & Social Care Partnership	p

8.	Corporate Services Performance Report Report by Corporate Director Education, Communities & Organisational Development and Corporate Director Environment, Regeneration & Resources	p
9.	Audit Scotland Report: Borrowing and Treasury Management in Councils Report by Chief Financial Officer	p
10.	Overview of Local Government in Scotland 2015 – Report by the Accounts Commission Report by Chief Financial Officer	p
NEW BUSINESS		
11.	National Scrutiny Plan 2015/16 Report by Chief Executive	p
12.	Audit Scotland: Local Scrutiny Plan 2015/16 Report by Chief Executive	p
13.	Earmarked Reserves Policy Report by Chief Financial Officer	p
14.	Future Budget Consultations Report by Corporate Director Education, Communities & Organisational Development	p
15.	Renewal of Partnership Agreement – Children’s Hearings Scotland Report by Head of Legal & Property Services	p
16.	Contract Awards – 1 October 2014 – 31 March 2015 Report by Corporate Director Environment, Regeneration & Resources	p
17.	Updated Policy for the Retention and Disposal of Documents and Records Paper and Electronic Report by Corporate Director Inverclyde Health & Social Care Partnership	p
18.	Disasters Emergency Appeal in Scotland: Nepal Earthquake Appeal – Request by Councillor McCabe Report by Head of Legal & Property Services	p
19.	Proposed Closure of Longannet Power Station – Motion by Councillor McCabe Report by Corporate Director Environment, Regeneration & Resources	p
20. **	Legal Representation - Planning Report by Corporate Director Environment, Regeneration & Resources	
21. **	Greenock Arts Guild Ltd: The Beacon Arts Centre Report by Corporate Director Education, Communities & Organisational Development	

<p>22. Former Tied Housing Employees ** Report by Head of Organisational Development, Human Resources & Communications</p>	
<p>The documentation relative to the following item has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in paragraphs 6 and 12 of Part I of Schedule 7(A) of the Act.</p>	
<p>23. Business Property Renovation Allowance Scheme Report by Chief Financial Officer seeking approval for the Council to enter into a second Business Property Renovation Allowance Scheme to assist with the delivery of the Office Asset Management Plan</p>	<p>p</p>
<p>REMITS FROM COMMITTEES</p>	

Enquiries to – **Rona McGhee** - Tel 01475 712113

Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Chief Financial Officer and Corporate Director Environment, Regeneration & Resources	Report No:	FIN/38/15/AP/MT
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	Policy & Resources Capital Programme 2014/18 - Progress Report		

1.0 PURPOSE

- 1.1 The purpose of the report is to update the Committee in respect of the status of the projects within the Policy & Resources Capital Programme and to highlight the overall financial position.

2.0 SUMMARY

- 2.1 This report advises Committee in respect of the progress and financial status of the projects within the Policy & Resources Capital Programme.
- 2.2 It can be seen from the table in 6.3 that the projected spend is £6.842m, which means that the total projected spend is on budget.
- 2.3 Expenditure at 31st March is 89.26% of 2014/15 projected spend, net advancement of £0.068m (8.62%) is being reported. Advancement within the Modernisation Fund (£0.163m) from future years is partly offset by slippage, mainly within Storage/Backup Devices and Minor Works & Projects (£0.027m) and Whiteboard/Projector Refresh (£0.036m). It should be noted that although expenditure is shown up to 31st March the figures do not reflect end of year accruals.

3.0 RECOMMENDATIONS

- 3.1 That Committee note current position of the 2014/18 Capital Programme and the progress on the specific projects detailed in Appendix 1.

4.0 BACKGROUND

4.1 On February 19th 2015 the Council approved a new 3 year Capital Programme covering the period 2015/18, effectively extending the previously approved 2013/16 Capital Programme to 2017/18. As part of this process the recurring annual allocations, reduced due to revenue savings, have been added. In addition the Modernisation Fund budget has been reduced by £0.1m as part of the Earmarked Reserve write back exercise.

5.0 PROGRESS

5.1 Customer Service & Digital Access. Work agreed as part of the Council's Digital Access Strategy is progressing. This work covers a number of projects as follows:

- CRM Upgrade and customer data cleansing work is ongoing
 - Kana/Lagan Developments
 - Citizen record data cleansing
 - Upgrade to Lagan Enterprise 14R1
- Web Site Redesign. A new website design and layout has been agreed and is being developed by the Council's Web Developers and ICT. Content for the new site is being produced by Corporate Communications and other services. Anticipated public launch is 19th May 2015.
- ICT are working with Environmental and Commercial Services to map business processes in relation to Roads and Lighting Fault Reporting. A mobile reporting and fault recording tool has been commissioned and is ready for pilot testing by the service.

5.2 EDMS Implementation – The new EDMS solution is now live in Revenues, Benefits and Customer Services and further work is underway in NDR. It has been deployed to around half of the services in HSCP and implementation is continuing in other HSCP services. A business case has been produced for EDMS implementation in HR/Payroll service.

5.3 The annual PC refresh programme for the year is now complete. 1,346 devices were replaced (819 Desktops and 142 laptops were replaced in Schools and nurseries and 297 desktops and 88 laptops were replaced in other Services). All PCs have now been updated with Windows 7 and Office 2010.

5.4 Infrastructure Refresh Programme - ICT are continuing their programme of upgrading core Network Infrastructure Equipment in support of the migration to the Scottish Wide Area Network (SWAN). Additional Network Storage has been implemented in support of the Virtualised Infrastructure Environment and in anticipation of additional capacity requirements.

5.5 Flexible Working – This work aims to improve staff productivity, reduce office accommodation requirements and minimise travel time and costs by giving staff the ability to work from a number of locations around the Council, so that staff have access to email, calendars, telephony services and the normal range of network access to files, folders and records.

6.0 FINANCIAL IMPLICATIONS

Finance

6.1 The figures below detail the position at 31st March 2015. Expenditure to date is £0.765m (89.26% of the 2014/15 projected spend).

6.2 The current budget is £6.842m. The current projection is £6.842m which means the total projected spend is on budget.

6.3 The approved budget for 2014/15 is £0.789m. The Committee is projecting to spend £0.857m with net advancement from future years of £0.068m (8.62%). Advancement within the Modernisation Fund (£0.163m) from future years is partly offset by slippage, mainly within Storage/Backup Devices and Minor Works & Projects (£0.027m) and Whiteboard/Projector Refresh (£0.036m).

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
N/A					

7.0 CONSULTATION

7.1 Legal

There are no legal issues arising from the content of this report and as such the Head of Legal and Property Services has not been consulted.

7.2 Human Resources

There are no direct staffing implications in respect of the report and as such the Head of Organisational Development, HR and Communications has not been consulted.

7.3 Equalities

There are no equalities implications in this report.

7.4 Repopulation

There are no repopulation implications in this report.

8.0 LIST OF BACKGROUND PAPERS

8.1 None

COMMITTEE: POLICY & RESOURCES

Project Name	1	2	3	4	5	6	7	8	9
	<u>Est Total Cost</u>	<u>Actual to 31/3/14</u>	<u>Approved Budget 2014/15</u>	<u>Revised Est 2014/15</u>	<u>Actual to 31/03/15</u>	<u>Est 2015/16</u>	<u>Est 2016/17</u>	<u>Est 2017/18</u>	<u>Future Years</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Environment, Regeneration & Resources</u>									
<u>ICT</u>									
Storage/Backup Devices/Minor Works & Projects	400	225	115	88	88	87	0	0	0
Mobile Technology	47	32	15	6	0	9	0	0	0
Rolling Replacement of PC's	3,114	2,401	115	462	462	251	0	0	0
Whiteboard/Projector Refresh	572	344	66	30	30	40	92	66	0
Server & Switch Replacement Programme	612	446	3	83	82	83	0	0	0
2013/15 Indicative Allocation	644	0	450	0	0	0	347	297	0
Scottish Wide Area Network	323	0	0	0	0	323	0	0	0
Data Centre Remedial Works - complete on Site	2	0	2	2	0	0	0	0	0
<u>ICT Total</u>	5,714	3,448	766	671	662	793	439	363	0
<u>Finance</u>									
Modernisation Fund	1,128	823	23	186	103	9	110	0	0
<u>Finance Total</u>	1,128	823	23	186	103	9	110	0	0
TOTAL	6,842	4,271	789	857	765	802	549	363	0

Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Chief Financial Officer	Report No:	FIN/40/15/JB/MT
Contact Officer:	Jan Buchanan	Contact No:	01475 712225
Subject:	2014/18 Capital Programme		

1.0 PURPOSE

- 1.1 The purpose of the report is to provide Committee with the latest position of the 2014/18 Capital Programme.

2.0 SUMMARY

- 2.1 On February 19th 2015 the Council approved a new 3 year Capital Programme covering the period 2015/18, effectively extending the previously approved 2013/16 Capital Programme to 2017/18.
- 2.2 As part of the approved Capital Programme it was agreed to return the existing surplus in Capital Resources to Revenue Reserves. As a result it can be seen from Appendix 1 that the capital programme is in a break-even position.
- 2.3 It can be seen from Appendix 2 that as at 31st March 2015 expenditure in 2014/15 was 88.77% of projected spend. Phasing and project spend has been reviewed by the budget holders and the relevant Corporate Director. It should be noted that although expenditure is shown up to 31st March the figures do not reflect end of year accruals.
- 2.4 The position in respect of each individual Committee is reported in Appendix 2 and Section 5 of the report. Budgetary slippage of 16.05% is being reported, this compares with a slippage outturn of 13.04% in 2013/14. It should be noted that this remains a projected outturn at this stage, final outturn will be known once all accruals have been included and may differ from this position.
- 2.5 One reason for the increase in slippage is the requirement to delay spend on the AMP Depots and Kirn Drive projects pending the completion of the budget savings exercise. Had these projects progressed as planned, slippage would have reduced to £3.608m (12.14%).
- 2.6 In line with previous years, a detailed report on Capital Programme performance will be presented to the August Policy & Resources Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Committee note the current position of the 2014/18 Capital Programme.
- 3.2 It is recommended that Committee note the current projected level of capital slippage in 2014/15 and that a detailed report on the 2014/15 final position will be presented to Committee in August.

4.0 BACKGROUND

- 4.1 On 14th February 2013 the Council agreed a 2013/16 Capital Programme which included significant additional funding to increase the Roads Asset Management Plan with further amounts set aside from available Revenue Reserves to fund a number of further Capital Projects and to reduce the overall funding shortfall.
- 4.2 On February 19th 2015 the Council approved a new 3 year Capital Programme covering the period 2015/18, effectively extending the previously approved 2013/16 Capital Programme to 2017/18. As part of this process minor underspends in 2 projects, SV Comet and Kylemore Children's Home, were removed and the previously reported surplus was reduced to a break-even position and a total balance of £1.261m returned to Revenue Reserves.

5.0 CURRENT POSITION

- 5.1 Appendix 1 shows that over the 2014/18 period the Capital Programme is in a break-even position.
- 5.2 The position in respect of individual Committees is as follows:

Social Care

Slippage of £0.010m is being reported with spend being 94.1% of projected spend for the year.

Environment & Regeneration

Net slippage of £2.942m (16.44%) is being reported with spend being 87.4% of projected spend for the year. Slippage relates mainly to the Asset Management Plan (£1.886m). Where possible projects have been advanced from future years and have partly offset the slipped projects. It should be noted that slippage has increased due to the requirement to delay spend on the AMP Depots and Kirn Drive projects pending the completion of the budget savings exercise. Had these projects progressed as planned, slippage would have reduced considerably to £1.781m (9.95%).

Education & Communities

Slippage of £1.885m (17.39%) is being reported with spend being 90.8% of projected spend for the year. The slippage relates mainly to Inverkip Community Facility (£1.112m) and Primary School Pitch Upgrading (£0.332m) as well as slippage within the SEMP (£0.167), mainly relating to St John's Primary Refurbishment and Early Years partly offset by the advancement of spend on Ardgowan PS.

Policy & Resources

Net advancement of £0.068m (8.62%) is being reported with spend being 89.3% of projected spend for the year. Advancement within the Modernisation Fund (£0.163m) from future years is partly offset by slippage in some ICT investment (£0.095m).

- 5.3 Overall in 2014/15 it can be seen that expenditure is 88.77% of the projected spend for the year and that slippage from the programme agreed in February 2014 is currently £4.769 million (16.05%). This is an increase in slippage of £0.245m (0.83%) from last Committee.

6.0 CONCLUSIONS

- 6.1 As can be seen in paragraph 5.3 projected slippage is currently 16.05%, this compares with slippage of 13.04% in 2013/14. It should be noted that this remains a projected outturn at this stage, final outturn will be known once all accruals have been included and may differ from this position.
- 6.2 The Council's Capital Programme for 2014/18 is showing a break-even position.
- 6.3 Overall Service Committees have spent 88.77% of the 2014/15 projected spend as at 31st March 2015.

7.0 CONSULTATION

7.1 This report has been approved by the Corporate Management Team.

8.0 IMPLICATIONS

Finance

8.1 Financial Implications

All financial implications are discussed in detail within the report and in Appendices 1 & 2.

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
N/A					

Legal

8.2 There are no legal implications.

Human Resources

8.3 There are no direct staffing implications in respect of this report and as such the Head of Organisational Development, HR & Communications has not been consulted.

Equalities

8.4 The report has no impact on the Council's Equalities policy.

Repopulation

8.5 The Council's continuing significant capital investment levels will have a positive impact on regeneration, job creation and hence repopulation.

9.0 BACKGROUND PAPERS

9.1 None.

Appendix 1

Capital Programme - 2014/15 - 2017/18

Available Resources

	A	B	C	D	E	F
	2014/15	2015/16	2016/17	2017/18	Future	Total
	£000	£000	£000	£000	£000	£000
Government Capital Support	8,937	11,180	7,300	7,300	-	34,717
Less: Allocation to School Estate	(5,399)	(5,317)	(4,300)	(4,300)	-	(19,316)
Capital Receipts (Note 1)	561	773	133	385	-	1,852
Capital Grants (Note 2)	535	469	10	-	-	1,014
Prudential Funded Projects (Note 3)	7,189	13,764	18,680	10,264	360	50,257
Balance B/F From 13/14 (Exc School Estate)	3,049	-	-	-	-	3,049
Capital Funded from Current Revenue (Note 4)	5,707	6,949	5,558	333	-	18,547
	<u>20,579</u>	<u>27,818</u>	<u>27,381</u>	<u>13,982</u>	<u>360</u>	<u>90,120</u>

Overall Position 2014/18

Available Resources (Appendix 1, Column E)	£000	89,760
Projection (Appendix 2, Column B-E)		<u>89,760</u>
(Shortfall)/Under Utilisation of Resources		<u>-</u>

Notes to Appendix 1

All notes exclude School Estates

Note 1 (Capital Receipts)

	2014/15	2015/16	2016/17	2017/18	Future	Total
	£000	£000	£000	£000	£000	£000
Sales	441	746	83	385	-	1,655
Contributions/Recoveries	120	27	50	-	-	197
	<u>561</u>	<u>773</u>	<u>133</u>	<u>385</u>	<u>-</u>	<u>1,852</u>

Note 2 (Capital Grants)

	2014/15	2015/16	2016/17	2017/18	Future	Total
	£000	£000	£000	£000	£000	£000
Cycling, Walking & Safer Streets	125	121	-	-	-	246
SPT	132	114	-	-	-	246
Sustrans	37	56	-	-	-	93
Sports Scotland/SFA	18	-	-	-	-	18
Electric Vehicle Charging Points	73	-	-	-	-	73
Big Lottery Fund	-	178	10	-	-	188
Zero Waste Scotland	150	-	-	-	-	150
	<u>535</u>	<u>469</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>1,014</u>

Notes to Appendix 1

Note 3 (Prudentially Funded Projects)

	2014/15	2015/16	2016/17	2017/18	Future	Total
	£000	£000	£000	£000	£000	£000
Additional ICT - Education Whiteboard & PC Refresh	68	78	92	66	-	304
Vehicle Replacement Programme	861	1,254	900	1,481	-	4,496
Greenock Parking Strategy	-	273	-	-	-	273
Asset Management Plan - Offices	1,798	1,376	3,756	133	-	7,063
Asset Management Plan - Borrowing in Lieu of Receipts	920	-	-	-	-	920
Asset Management Plan - Depots	1,594	3,424	4,099	393	-	9,510
Capital Works on Former Tied Houses	1	19	160	60	360	600
Waterfront Leisure Complex Combined Heat and Power Plant	19	181	50	-	-	250
Leisure & Pitches Strategy	152	157	198	-	-	507
Broomhill Community Facility	-	-	500	-	-	500
Kylemore Childrens Home	(85)	-	-	-	-	(85)
Neil Street Childrens Home Replacement	15	660	83	-	-	758
Crosshill Childrens Home Replacement	-	-	1,622	-	-	1,622
Modernisation Fund	286	9	110	-	-	405
Watt Complex Refurbishment	-	-	700	2,221	-	2,921
Gourock One Way System	-	2,000	500	-	-	2,500
Roads Asset Management Plan	1,350	3,423	4,600	4,600	-	13,973
Kerbside Glass Collection	150	-	-	-	-	150
Surplus Prudential Borrowing due to project savings	60	60	60	60	-	240
Reduction in Prudential Borrowing, ICT Annual allocation	-	(150)	(150)	(150)	-	(450)
Additional Prudential Borrowing to Support annual allocations	-	1,000	1,400	1,400	-	3,800
	7,189	13,764	18,680	10,264	360	50,257

Note 4 (Capital Funded from Current Revenue)

	2014/15	2015/16	2016/17	2017/18	Future	Total
	£000	£000	£000	£000	£000	£000
Regeneration of Port Glasgow Town Centre	232	274	250	-	-	756
Play Areas	477	460	-	-	-	937
Coronation Park, Port Glasgow	50	200	-	-	-	250
Contribution to Birkmyre Park Pitch Improvements	-	-	200	-	-	200
Gourock Walled Garden, Toilet Provision	13	27	-	-	-	40
Port Glasgow Health Centre Car Park	40	-	-	-	-	40
Hillend Respite Unit	80	-	-	-	-	80
Scheme of Assistance	433	433	333	333	-	1,533
Aids & Adaptations (Earmarked Reserve)	100	-	-	-	-	100
Flooding Strategy	380	93	1,726	-	-	2,199
Greenock Parking Strategy	90	75	-	-	-	165
Roads Asset Management Plan	2,395	2,189	-	-	-	4,584
Broomhill Community Facility (Community Facility Fund)	66	109	252	-	-	427
Inverkip Community Facility	88	896	315	-	-	1,299
Neil Street Childrens Home Replacement	-	1,100	-	-	-	1,100
Primary School MUGA's - various	40	805	255	-	-	1,100
St John's MUGA - transfer to SEMP	-	(138)	-	-	-	(138)
Port Glasgow Town Centre, Town Hall Refresh	82	-	12	-	-	94
Watt Complex Refurbishment	1	152	800	-	-	953
Community Facilities Investment	-	100	300	-	-	400
Blaes Football Parks	467	87	245	-	-	799
Ravenscraig Sports Barn	-	600	-	-	-	600
Broomhill Regeneration	8	172	570	-	-	750
Central Gourock	-	-	150	-	-	150
Scottish Wide Area Network	-	323	-	-	-	323
Rankin Park Cycle Track	-	-	150	-	-	150
Asset Management Plan - Depots	-	137	-	-	-	137
Various Projects - moved to complete on Site	7	-	-	-	-	7
Use of General Fund Reserves	658	(1,145)	-	-	-	(487)
	5,707	6,949	5,558	333	-	18,547

Capital Programme - 2014/15 - 2017/18

Agreed Projects

Committee	A Prior Years £000	B 2014/15 £000	C 2015/16 £000	D 2016/17 £000	E 2017/18 £000	F Future £000	G Total £000	H Approved Budget £000	I (Under)/ Over £000	J 2014/15 Spend To 31/03/15 £000
Policy & Resources	4,271	857	802	549	363	-	6,842	6,842	-	765
Environment & Regeneration	32,206	14,958	20,432	23,089	10,682	360	101,727	101,727	-	13,078
Education & Communities (Exc School Estate)	341	1,769	3,354	6,201	3,054	-	14,719	14,719	-	1,595
CHCP	1,156	185	1,760	1,705	-	-	4,806	4,806	-	174
Sub -Total	37,974	17,769	26,348	31,544	14,099	360	128,094	128,094	-	15,612
School Estate (Note 1)	676	7,184	6,546	12,597	5,164	-	32,167	32,167	-	6,538
Total	38,650	24,953	32,894	44,141	19,263	360	160,261	160,261	-	22,150

Note 1

Summarised SEMP Capital Position - 2014/18

	2014/15	2015/16	2016/17	2017/18
Capital Allocation	5,399	5,317	4,300	4,300
Scottish Government School Grant (estimate)	100	1,120	1,953	100
Surplus b/fwd	4,904	3,821	3,850	(1,823)
Prudential Borrowing	602	-	671	-
Prudential Borrowing - In Lieu of Receipts				
Prudential Borrowing - Accelerated Investment				
CFCR	-	138	-	-
Available Funding	11,005	10,396	10,774	2,577
<u>Projects</u>				
Ex-Prudential Borrowing	6,582	6,408	11,926	5,164
Prudential Borrowing	602	-	671	-
CFCR	-	138	-	-
Total	7,184	6,546	12,597	5,164
Surplus c/fwd	3,821	3,850	(1,823)	(2,587)

Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education Communities & Organisational Development and Chief Financial Officer	Report No:	FIN/35/15/AP/AE
Contact Officer:	Angela Edmiston	Contact No:	01475 712143
Subject:	Policy & Resources Committee 2014/15 Revenue Budget – Period 11 to 28th February 2015		

1.0 PURPOSE

- 1.1 To advise Committee of the 2014/15 projected out-turn for the Policy & Resources Committee as at Period 11 (28th February 2015).

2.0 SUMMARY

- 2.1 The total revised Committee budget for 2014/15 is £17,301,000. This excludes Earmarked Reserves of £2,110,000.
- 2.2 The latest projection, excluding Earmarked Reserves, is an underspend of £2,272,000 which is a further decrease in spend of £234,000 since last reported to Committee.

The main reasons for this underspend are:

- a) One-off £1,500,000 underspend due to a significant reduction in calls on the non-pay inflation contingency. This is a further increase in underspend of £100,000 since last reported to Committee.
 - b) Projected underspend of £162,000 within Finance Employee costs, mainly due to extra turnover savings.
 - c) £102,000 projected underspend within Benefit Subsidy, an increase in underspend of £42,000 since last reported to Committee based on revised out-turn as at March 2015.
 - d) £200,000 projected over-recovery of prior year council tax income, an increase of £50,000 from that reported at the period 10 Committee.
 - e) A further £71,000 income is projected arising from a revised SLA with Scottish water for the collection of water and sewerage income. This was reported to the period 10 Committee.
 - f) £44,000 projected underspend within Organisational Development, HR & Communications due to additional turnover savings.
- 2.3 The Earmarked Reserves for 2014/15 totals £2,122,000 of which £751,000 is projected to be spent in the current financial year. To date expenditure of £690,000 (91.88%) has been incurred which is £107,000 over the phased budgeted spend to date. It is to be noted that Earmarked Reserves reported in appendix 3 excludes Earmarked Reserves for Asset Plans and Strategic Funds. Earmarked reserves reflect the write back decisions agreed in February as part of the 2015/16 budget.

2.4 The Common Good Fund is projecting a fund balance at 31 March 2015 of £69,810. This is below the minimum level of reserves of £100,000 recommended and action to address this was agreed as part of the 2015/17 budget.

3.0 RECOMMENDATIONS

3.1 The Committee note the 2014/15 projected underspend of £2,272,000 for the Policy & Resources Committee as at Period 11 (28 February 2015).

3.2 The Committee note the projected fund balance of £69,810 for the Common Good Fund.

John W Mundell
Chief Executive

Alan Puckrin
Chief Financial Officer

Patricia Cassidy
Corporate Director
Education, Communities &
Organisational Development

Aubrey Fawcett
Corporate Director
Environment, Regeneration &
Resources

4.0 BACKGROUND

4.1 The purpose of this report is to advise Committee of the current position of the 2014/15 budget and to highlight the main issues contributing to the projected underspend of £2,272,000.

5.0 2014/15 CURRENT POSITION

5.1 The current projection is an underspend of £2,272,000. This is an increase in underspend of £234,000 since period 10.

5.2 The following material variances relate to the Environment, Regeneration & Resources Directorate:

Finance - £561,000 Underspend

Employee Costs: Projected underspend of £162,000, a decrease in spend of £5,000 since last reported to Committee mainly due to additional turnover savings being achieved.

Supplies & Services: Projected overspend of £13,000, a decrease in spend of £6,000 since last reported to Committee mainly due to a reduction in costs for Computer Software maintenance and other sundries.

Other Expenditure: Current projection is an underspend of £102,000, a decrease in spend of £42,000 since period 10 report to Committee mainly within Benefit Subsidy based on the revised out-turn report as at March 2015.

Income: Current projected over-recovery is £296,000, an increase in income of £58,000 since last reported to Committee. This increase has been mainly due to an additional £50,000 projected over-recovery of prior year council tax income and a further £13,000 projected over-recovery within Housing benefit recoveries.

ICT - £44,000 Underspend

Supplies & Services: Current projection is an underspend of £10,000, an increase in spend of £9,000 since last reported to Committee mainly due to an increase in computer software maintenance costs.

Administration Costs: Current projection is an underspend of £13,000. There have been no changes to projections since last reported to Committee.

Legal & Democratic Service – £53,000 Underspend

Employee Costs: Current projection is an underspend of £27,000, a decrease in spend of £7,000 since last reported to Committee due to additional turnover savings.

Administration Costs: £20,000 underspend was reported to Committee in period 10. There has been no change in projections since then.

5.3 The following material variances relate to the Education & Communities Directorate:

Organisational Development, HR & Communications – £100,000 Underspend

Employee Costs: Projected underspend of £44,000, an increase in underspend of £3,000 since last reported mainly due to additional turnover savings.

Other Expenditure Costs: Projected underspend of £30,000. There has been no change to projection since last reported to Committee.

Administration Costs: £18,000 underspend is being projected, which is an increase in

underspend of £4,000 over various administration budget lines since period 10 report to Committee.

5.4 The following material variance relates to the Miscellaneous budget:

Miscellaneous – £1,505,000 Underspend

Inflation Contingency: A £1,500,000 projected reduction in spend due to a significant reduction in calls on the non-pay inflation contingency arising from the historically low levels of inflation. This is an increase of £100,000 since last reported to Committee.

6.0 VIREMENT

6.1 There are no virements to report in period 11.

7.0 EARMARKED RESERVES

7.1 Appendix 3 gives a detailed breakdown of the current earmarked reserves position. Total funding is £2,122,000 of which £751,000 is projected to be spent in 2014/15 and the remaining balance of £1,371,000 to be carried forward to 2015/16 and beyond. It can be seen that expenditure of £690,000 has been achieved which is £107,000 over the phased budgeted spend to date and represents 91.88% of the annual projected spend. Earmarked reserves reflect the write back decisions agreed in February as part of the 2015/16 budget.

8.0 COMMON GOOD FUND

8.1 Appendix 3 shows a projected overspend of £41,030 in the Common Good Fund as at 28 February 2015. This results in a projected available fund balance at 31 March 2015 of £69,810. This is below the minimum level of reserves of £100,000 recommended and has been addressed as part of the 2015/17 budget.

9.0 IMPLICATIONS

9.1 FINANCE

All financial implications are discussed in detail within the report above.

One off Costs:

Cost Centre	Budget Heading	Budget Years	Proposed Spend this report £'000	Virement From	Other Comments

9.2 LEGAL

There are no specific legal implications arising from this report.

9.3 HUMAN RESOURCES

There are no specific human resources implications arising from this report.

9.4 EQUALITIES

There are no equality issues arising from this report.

9.5 REPOPULATION IMPLICATIONS

There are no repopulation implication issues arising from this report.

10.0 CONSULTATIONS

10.1 The Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and the Chief Financial Officer have been consulted in the preparation of this report.

11.0 BACKGROUND PAPERS

11.1 There are no background papers for this report.

REVENUE BUDGET MONITORING REPORT

CURRENT POSITION

PERIOD 11: 1st April 2014- 28th Feb 2015

Service	Approved Budget 2014/15 £000	Revised Budget 2014/15 £000	Projected Out-turn 2014/15 £000	Projected Over/(Under) Spend £000
Finance	6,054	5,932	5,371	(561)
ICT	2,206	2,166	2,122	(44)
Legal & Property Services	1,731	1,718	1,665	(53)
Total Net Expenditure Environment, Regeneration & Resources	9,991	9,816	9,158	(658)
Organisational Development, Human Resources & Communications	1,877	1,876	1776	(100)
Corporate Policy	183	183	175	(8)
Total Net Expenditure Education, Communities & Organisational Development	2,060	2,059	1,951	(108)
Chief Executive	356	368	367	(1)
Miscellaneous	5,638	5,070	3,565	(1,505)
TOTAL NET EXPENDITURE	18,045	17,313	15,041	(2,272)
Earmarked reserves		(12)	(12)	
Total Net Expenditure excluding Earmarked Reserves	18,045	17,301	15,029	(2,272)

POLICY & RESOURCES**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)****PERIOD 11: 1st April 2014 - 28th Feb 2015**

Outturn 2013/14 £000	Budget Heading	Budget 2014/15 £000	Proportion of Budget £000	Actual to 28/02/15 £000	Projection 2014/2015 £000	Over/(Under) Budget £000
	<u>Finance</u>					
3,897	Employee Costs	4,179	3,629	3,488	4,017	(162)
24	Computer Software Upgrade	9	8	9	25	16
0	Council tax income Prior Year	(100)	(92)	0	(300)	(200)
36,407	Benefits & Allowances	36,429	33,393	33,634	36,329	(100)
(34,941)	Benefit Subsidy	(35,414)	(32,463)	(32,196)	(35,427)	(13)
(268)	Statutory Additions	(240)	(220)	(242)	(252)	(12)
(228)	Water SLA	(231)	(212)	(265)	(302)	(71)
	<u>Organisational Development, HR & Communications & Events</u>					
1,574	Employee Costs	1,570	1,362	1,323	1,526	(44)
85	Administration Costs	65	60	35	49	(16)
228	Other Expenditure	265	251	208	235	(30)
	<u>Miscellaneous</u>					
2,677	Inflation Contingency	3,231	2,962	681	1,731	(1,500)
	<u>ICT</u>					
30	Supplies & Services -Computer Hardware - Maint	24	22	52	38	14
448	Supplies & Services -computer software maintenance	462	424	512	447	(15)
496	Admin costs	421	386	363	408	(13)
	<u>Legal & Property Services</u>					
1,081	Employee Costs	1,269	1,102	1,468	1,242	(27)
280	Admin costs	301	276	87	281	(20)
11,790	TOTAL MATERIAL VARIANCES	12,240	10,889	9,157	10,047	(2,193)

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy & Resources

<u>Project</u>	<u>Lead Officer/ Responsible Manager</u>	<u>Total Funding 2014/15</u>	<u>Phased Budget To Period 11 2014/15</u>	<u>Actual To Period 11 2014/15</u>	<u>Projected Spend 2014/15</u>	<u>Amount to be Earmarked for 2015/16 & Beyond</u>	<u>Lead Officer Update</u>
		£000	£000	£000	£000	£000	
Modernisation Fund	Alan Puckrin	514	137	193	206	308	Largely funding extra staff for development and backscanning. Ahead of phased budget due to increase in cost of CHCP Backscanning. £147k unallocated.
Procurement Development Fund	Alan Puckrin	69	44	41	47	22	Funding additional Procurement Officer until March 2015.
Workforce Development Fund	S McNab	14	10	8	9	5	£5k set aside for Finance Development Capacity Plan - budget training for teachers which is now expected to be incurred in 2015/16. £9k spend expected to be incurred by year end.
Welfare Reforms - Operational	Alan Puckrin	351	160	172	172	179	£172k spend relates to Scottish Welfare Fund carry forward from 2013/14. (£3k) income for Real time information. 1x grade c 12mth and 1x grade E 5mth £28k, leaving £139k unallocated
Budget Development	Alan Puckrin	120	30	9	15	105	New EMR Created from previous Workstream Delivery EMR of £79k and £71k from Revenue Contingency. Proposed to use this fund to assist in the development and delivery of the 2015/18 Budget. To date, £13k has been committed to be spend on budget consultation.
Protection of Vulnerable Groups	S McNab	121	66	57	73	48	PVG expenditure is phased over 3 years starting from November 2012. Spend expected to be incurred throughout the year. A Grade C 18.5 hrs post and a Grade C 25 hrs post is being funded through this budget.

<u>Project</u>	<u>Lead Officer/ Responsible Manager</u>	<u>Total Funding 2014/15</u>	<u>Phased Budget To Period 11 2014/15</u>	<u>Actual To Period 11 2014/15</u>	<u>Projected Spend 2014/15</u>	<u>Amount to be Earmarked for 2015/16 & Beyond</u>	<u>Lead Officer Update</u>
		£000	£000	£000	£000	£000	
2013/16 Revenue Contingency	Alan Puckrin	357	90	138	150	207	Sum set aside for unforeseen items over the 3 year budget 2013/16. 2013/14 commitments totalled £167,000 of which £22k was spent as at 31/03/14 and £75k has been spent in 2014/15 to date. 2014/15 commitments made up of £5k for the Toll Boys Memorial, £19k for the Queens Baton Relay, £10k for Race 2 the Games, £17k for new polling booths, an additional £7k for City Deal and £10k for Ebola Appeal. The City Deal, Queen's Baton Relay, Race 2 the Games, Polling Booths and Ebola Appeal have been fully spent. £144k remains uncommitted. Note that EMR has been reduced by £71k to create new Budget Development EMR.
Increased Officer Capacity - Equalities Officer	Wilma Bain	50	22	30	33	17	Equalities Officer reverted to 1.0fte on 1/8/14 with additional funding of £9k allocated to fund the extra hours (not included in original phasing). Please note that following the resignation of the equalities officer on 6/3/15, the projection spend has reduced to £33k.
Increased Officer Capacity - Communications Assistant	S McNab	34	24	24	27	7	New Grade F post for 2 year period to support Communications Officer (Media). Post started 28 May 2013.
Discretionary Housing Payments / Welfare Reform - Policy	Alan Puckrin	491	0	17	18	473	Funding to support Policy impacts arising from Welfare Reform changes. Further £50k allocated to projects at P&R Committee and £100k allocated for increased clothing grants as part of the Feb 2015 budget, £6k GC Saving rent contribution, leaving £317k unallocated.
Civic Hospitality (Inverclyde Music Festival)	Gerard Malone	1	0	1	1	0	Complete.
Total Category C to E		2,122	583	690	751	1,371	

REVENUE BUDGET MONITORING REPORT 2014/15

PERIOD 11 : 1st April 2014 to 28th February 2015

		Final Outturn 2013/14	Approved Budget 2014/15	Budget to Date 2014/15	Actual to Date 2014/15	Projected Outturn 2014/15
PROPERTY COSTS		16,560	5,000	4,600	16,480	22,900
Repairs & Maintenance	1	530	4,000	3,700	4,980	8,000
Rates	2	12,210			13,890	13,900
Property Insurance		2,900	1,000	900	(2,390)	1,000
Marketing Costs		920				
ADMINISTRATION COSTS		11,200	8,500	2,500	17,750	22,800
Sundries	3	3,000	300	300	15,550	15,600
Commercial Rent Management Recharge		2,200	2,200	2,200	2,200	2,200
Recharge for Accountancy		6,000	6,000	0		5,000
OTHER EXPENDITURE		113,390	133,000	130,300	128,980	129,830
Christmas Lights Switch On		10,130	10,500	10,500	10,500	10,500
Christmas Dinners/Parcels		17,990	18,000	18,000	18,000	18,000
Christmas Decorations		35,400	35,400	35,400	35,400	35,400
Gourock Highland Games		29,400	29,400	29,400	29,400	29,400
Armistice Service		7,990	8,300	8,300	6,930	6,930
Comet Festival		13,300	13,300	13,300	13,300	13,300
Fireworks		12,600	12,600	12,600	12,600	12,600
Contingency for future Community Events			2,400	0		0
Society of the Innocents Rent Rebate		3,000	3,100	2,800	2,250	3,100
World War 1 Centenary	4				600	600
Bad Debt Provision		(16,420)	0	0		0
INCOME		(117,950)	(146,500)	(134,300)	(112,720)	(134,500)
Property Rental		(116,650)	(164,150)	(150,500)	(111,650)	(164,150)
Void Rents	5		19,650	18,000		30,750
Internal Resources Interest		(1,300)	(2,000)	(1,800)	(1,070)	(1,100)
Donations						0
Lease Premium						0
Disposal of Land	6					0
NET ANNUAL EXPENDITURE		23,200	0	3,100	50,490	41,030
EARMARKED FUNDS		0	95,000	0	76,450	113,750
John Wood St/Bay St Shop Improvemnts	7		95,000		76,450	95,000
World War 1 Centenary	4					3,750
Port Glasgow Road - Demolition						15,000
TOTAL NET EXPENDITURE		23,200	95,000	3,100	126,940	154,780

Fund Balance as at 31st March 2014

224,590

Projected Fund Balance as at 31st March 2015

69,810

Notes:

1 Repairs & Maintenance

Additional Repairs costs have been incurred in respect of 17 John Wood St to bring this property to an adequate condition to allow the property to be let out. The property is now under offer.

2 Rates (Empty Properties)

Rates are currently being paid on empty properties, projection reflects current Rates levels however all historic Rates costs are being examined to ensure all appropriate empty property relief has been obtained. Any subsequent credit will be included in future reports.

3 Sundries

Additional Legal Fees of £12,400 have been incurred in respect of a dispute over unpaid rent. The dispute is ongoing and may result in further additional costs and/or a write-off of bad debt. A provision has previously been made for bad debt which will partly offset any write-off. Should the dispute be resolved in the Common Good's favour these costs may be recoverable.

4 World War 1 Centenary

World War 1 Centenary includes purchase of commemorative benches and attendance at Drumhead Service. The benches will not now be delivered until 2015/16 and as a result the budget has been set aside for carry forward and is included in the Earmarked Funds section.

5 Current Empty Properties are:Vacant since:

4 John wood Street	May 2010
15 John Wood Street	December 2012
17 John Wood Street	March 2014 (currently under offer)
74 Port Glasgow Road	September 2012

6 Land at Port Glasgow Road

Following a marketing exercise of the site at Port Glasgow Road, Greenock, no satisfactory offers were received. The site will now be re-marketed and the remaining buildings demolished to make the site more marketable.

7 Approved Projects

In addition to the annual budget highlighted above committee have previously approved funding for Improvements to Shops in Bay St/John Wood St, Port Glasgow. As noted an allowance for the World War 1 commemorative benches has also now been included here.

Report To:	Policy & Resources Committee	Date: 19 May 2015
Report By:	Chief Financial Officer	Report No: FIN/39/15/AP/AE
Contact Officer:	Alan Puckrin	Contact No: 01475 712223
Subject:	2014/15 General Fund Revenue Budget as at 28 February 2015	

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the position of the General Fund Revenue Budget as at 28th February 2015 and to update Committee in respect of the position of the General Fund Reserves and Earmarked Reserves.

2.0 SUMMARY

- 2.1 The Council approved a three year Revenue Budget in February 2013 and confirmed the 2014/15 budget in February 2014. The budget incorporated a planned contribution to the General Fund Reserve of £1.777 million.
- 2.2 It can be seen from Appendix 1 that as at the 28th February 2015 the General Fund is projecting a £4.469 million underspend which represents 2.3% of the net Revenue Budget. This is an increase of £1.245m and is due to:
- Additional underspends in Service budgets of £795,000 mainly due to an underspend relating to implementation of 600 hours free nursery places, further release of non-pay inflation contingency and increased prior years Council Tax income.
 - A projected underspend of £450,000 within Council Tax Reduction Scheme due to a reduction in caseload explained in more detail in a report elsewhere on the Agenda.
- 2.3 From Appendix 1 it can be seen that all 4 Service Committees are currently projecting underspends. Overall, this is an improvement since last report to Committee of £795,000.
- 2.4 Appendix 2 shows the latest position in respect of Earmarked Reserves, excluding those relating to Asset Plans and Strategic Funds, it can be seen that as at 28th February 2015 expenditure totalled £5.536 million which equates to 85.27% of the projected spend in 2014/15. It can also be seen from Appendix 2 that at 28th February 2015 actual expenditure is 14.88% behind phased budget.
- 2.5 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31st March 2015 is £7.246 million which is £3.446 million greater than the minimum recommended balance of £3.8 million. The projected reserves balance includes a projected increase in current years surplus of £1.245 million, the write back of earmarked reserves approved in February 2015 of £3.439 million and the approved use of reserves agreed in February 2015 of £5.305 million.
- 2.6 The overall increase in Free Reserves since the 2015/17 budget was agreed is projected to be £2.224 million. It is proposed that the Officers develop proposals via the Members Budget Working Group for the use of these Reserves and report back to the September meeting of the Committee seeking decisions.

3.0 OTHER FINANCIAL MATTERS

- 3.1 To support the Members Budget Working Group, a Budget Work Plan has been developed by the CMT and it is estimated that a further £200,000 will be required to procure increased resources to develop and deliver the actions contained in the Plan. It is requested that Committee agree to the allocation of £200,000 from the Free Reserves for the delivery of the Budget Plan.
- 3.2 It is anticipated that there will be a multi-year Spending Review announced by the new UK Government and that this will take place in the autumn. Thereafter, the Scottish Government will require to announce its funding plans for 2016/17 by December 2015 as a minimum.

4.0 RECOMMENDATIONS

- 4.1 It is recommended that the Committee note the latest position of the 2014/15 Revenue Budget and General Fund Reserves.
- 4.2 It is recommended that the Committee note that the increase in General Fund Reserves arising since the 19th February 2015 budget meeting will be considered by the Members Budget Working Group and reported to Committee in September.
- 4.3 It is recommended that the Committee agree to the allocation of a further £200,000 from the Council's Reserves to the Budget Development Earmarked Reserve to fund the delivery of the 2015/17 Budget Work Plan.

Alan Puckrin
Chief Financial Officer

5.0 BACKGROUND

5.1 The Council confirmed the 2014/15 General Fund Revenue Budget in February 2014. In the process the Council agreed a contribution to the General Fund Reserve of £1.777 million.

6.0 POSITION AS AT 28 FEBRUARY 2015

6.1 It can be seen from Appendix 1 that as at 28th February 2015 the General Fund is projecting an underspend of £4.469 million which equates to 2.3% of the net General Revenue Fund Budget. This represents an increase in underspend of £1,245,000 since the previous report and an increase of £2,224,000 in free reserves from the position reported to the 19th February 2015 Council meeting.

6.2 It is projected that approximately £1.5 million of the £2.13 million allowance for non-pay inflation will not be required in 2014/15 this is an increase of £0.1 million since last reported. This has largely come about due to lower than anticipated inflationary pressures around utilities, fuel, PPP contract indexation, Social Care and Waste Contracts. The amount required in 2014/15 is the lowest for many years. Whilst officers have reduced the non-pay inflation allowance for future years, pressures are building and the signs are that contracts and costs are increasing.

6.3 A one off underspend of £400,000 is projected in relation to Early Years due to the implementation of the 600 hours free nursery provision from August 2014 due to delays recruiting some staff and a change to the intake timetable. An underspend of £450,000 is projected for the impact of Council Tax Reduction Scheme due to a reduction in caseload figures within Inverclyde. This is in line with the rest of Scotland.

6.4 In addition there are additional employee turnover savings across all Directorates, early achievement of planned savings, over recovery of prior year Council Tax income and additional monies received through the redetermination of the GRG announced in December 2014.

6.5 It can be seen from Appendix 1 that all 4 Service Committees are currently projecting underspends in line with the last report to Committee. In line with previous years, there is a possibility that the underspend could increase once the 2014/15 final accounts are closed.

6.6 In summary the main issues relating to the four Service Committees are as follows:-

Policy & Resources Committee – Projected underspend of £2,272,000 (13.13%) mainly due to the significant projected under utilisation of the non-pay inflation contingency plus additional employee cost turnover savings in Finance Services and Organisational Development & Human Resources, over recovery of benefit subsidy, prior year Council Tax income and Water SLA income.

Environment & Regeneration – Projected underspend of £151,000 (0.73%) mainly due to excess turnover savings projected due to early achievement of planned savings and the partial recharge of the Corporate Director's salary from Riverside Inverclyde, a projected underspend in Roads Client lighting maintenance offset by a shortfall in special catering income and planning income. A one off cost to create an earmarked reserve to cover the costs of the City Deal project management office for a 3 year period has been included in projected underspend.

Education & Communities - £1,081,000 (1.32%) projected underspend mainly due to increased turnover savings, early achievement of planned savings, reduction in Early Years costs due to nurseries not running at capacity and reduction in Utility costs, transport costs and ASN placements. A one off underspend in relation to the implementation of 600 hours free nursery placements has increased underspend significantly since the report presented to the last Committee.

Health & Social Care – Projected underspend of £164,000 (0.33%) mainly due to a reduction in costs relating to Adult care packages.

- 6.7 Appendix 2 shows the latest position in respect of the Earmarked Reserves and provides information on performance against phased budget. The Committee is asked to note that the phasing has not been amended during the year and should provide a useful benchmark for Officers and Members to monitor performance against originally envisaged targets. The Earmarked Reserve statement excludes those funds that relate to Assets Plans or Strategic Funds.
- 6.8 It can be seen that as at 28th February 2015 the Council has spent £5.536 million against a phased budget target of £6.504 million. This represents slippage of 14.88% against target and 85.27% of the projected spend of £6.492 million for the year. Performance in respect of Earmarked Reserves is reviewed on a monthly basis by the Corporate Management Team and reported in detail to each Service Committee.
- 6.9 Appendix 3 shows the projected General Fund Reserves position as at 31st March 2015. The projected balance at this date is shown as £7.246 million which is £3.446 million greater than the minimum reserve balance of £3.8 million recommended and approved via the Reserves Strategy.
- 6.10 Proposals in respect of the use of the excess General Fund Reserves were agreed by full Council on 19th February 2015. The Council decided to allocate part of the General Fund Reserves balance as interim funding to balance the 2016/17 budget pending clarification of a number of key issues such as the 2016/17 grant settlement and pay awards. Decisions taken at the meeting on 19th February 2015 impacting on the 2015/16 reserves position have been reflected in Appendix 3. The write back of earmarked reserves of £3.439 million and the proposed use of reserves of £5.305 million have both been adjusted for in Appendix 3.
- 6.11 The overall increase in the Free Reserves since the 2015/17 Budget was agreed is projected to be £2.224 million. It is proposed that Officers develop proposals via the Members Budget Working Group for the use of these Reserves and report back to the September meeting of the Committee seeking decisions.

7.0 OTHER FINANCIAL MATTERS

- 7.1 It was approved at the full Council Meeting on 19th February 2015 that the Members Budget Working Group will continue to meet throughout 2015/16 to develop proposals to balance the 2016/17 budget with the stated aim of eliminating the use of reserves.
- 7.2 To support the Members Budget Working Group, a Budget Work Plan has been developed by the CMT and it is estimated that a further £200,000 will be required to procure increased resources to develop and deliver the actions contained in the Plan. It is requested that Committee agree to the allocation of £200,000 from the Free Reserves for the delivery of the Budget Plan.
- 7.3 It is anticipated that there will be a multi-year Spending Review announced by the new UK Government and that this will take place in the autumn. Thereafter, the Scottish Government will require to announce its funding plans for 2016/17 by December 2015 as a minimum.

8.0 CONSULTATION

- 8.1 This report has been produced utilising the detailed budget reports to each Committee.

9.0 IMPLICATIONS

9.1 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Reserves	General Fund	2014/15	(1,245)	N/A	Increase in Reserves since last report.

Annually Recurring Costs

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
N/A	N/A	N/A	N/A	N/A	N/A

9.2 Legal

None

9.3 Human Resources

None

9.4 Equalities

None

9.5 Repopulation

None

10.0 BACKGROUND PAPERS

10.1 None

Policy & Resources Committee
Revenue Budget Monitoring Report
Position as at 28th February 2015

Committee	Approved Budget 2014/2015	Revised Budget 2014/2015	Projected Out-turn 2014/2015	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	18,045	17,302	15,030	(2,272)	(13.13%)
Environment & Regeneration	23,022	20,751	20,600	(151)	(0.73%)
Education & Communities (Note 1)	87,698	81,556	80,475	(1,081)	(1.33%)
Health & Social Care	49,062	49,081	48,917	(164)	(0.33%)
Committee Sub-Total	177,827	168,690	165,022	(3,668)	(2.17%)
Loan Charges (Including SEMP)	13,346	17,756	17,756	0	0.00%
Unallocated Savings	(34)	0	0	0	0.00%
Contribution to General Fund Reserve	1,777	1,777	1,777	0	0.00%
One off contribution to Reserves (Note 2)	0	114	0	(114)	0.00%
Earmarked Reserves	0	5,488	5,488	0	0.00%
Total Expenditure	192,916	193,825	190,043	(3,782)	(1.95%)
Financed By:					
General Revenue Grant/Non Domestic Rates	(165,173)	(167,880)	(168,067)	(187)	0.11%
Council Tax	(33,138)	(33,138)	(33,188)	(50)	0.15%
Council Tax Reduction Scheme	5,395	7,193	6,743	(450)	(6.26%)
Net Expenditure	0	0	(4,469)	(4,469)	

Note 1 - Reduction reflects loans charges and earmarked reserves.

Note 2 - Relates to one off early achievement of planned savings

Earmarked Reserves Position Statement

Appendix 2

Summary

<u>Committee</u>	<u>Total Funding 2014/15</u>	<u>Phased Budget to 28 February 15</u>	<u>Actual Spend To 28 February 15</u>	<u>Variance Actual to Phased Budget</u>	<u>Projected Spend 2014/15</u>	<u>Earmarked 2015/16 & Beyond</u>	<u>Confirmed Accruals / Year End Charges</u>	<u>2014/15 %age Spend Against Projected</u>	<u>2014/15 %age Over/(Under) Spend Against Phased Budget</u>
	£000	£000	£000	£000	£000	£000			
Education & Communities	4,000	1,073	1,118	45	1,264	2,736	0	88.45%	4.19%
Health & Social Care	2,831	1,912	1,694	(218)	1,897	934	0	89.30%	(11.40%)
Regeneration & Environment	4,032	2,936	2,034	(902)	2,578	1,454	0	78.90%	(30.72%)
Policy & Resources	2,010	583	690	107	753	1,257	0	91.63%	18.35%
	12,873	6,504	5,536	(968)	6,492	6,381	0	85.27%	(14.88%)

Actual Spend v Phased Budget

(£968k) (14.88%)

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 28/02/15

	<u>£000</u>	<u>£000</u>
Balance 31/03/14		20211
Projected Surplus/(Deficit) 2014/15	4469	
Contribution to General Fund Reserve 2014/15	1777	
Contribution to Common Good Approved P&R 23 Sept 2014	(150)	
Earmarked Reserves Write Back - Approved February 2015	3439	
Use of Reserves approved February 2013 (See Undernote)	(9992)	
Use of Reserves approved September 2013 (See Undernote)	(1500)	
Use of Reserves approved February 2014 (See Undernote)	(5703)	
Use of Reserves approved February 2015 (See Undernote)	<u>(5305)</u>	(12965)
Projected Unallocated Balance 31/03/15		<u><u>7246</u></u>

Minimum Reserve required is £3.8million

Excludes budgeted surplus for 2015/16 and the approved temporary use of Reserves in 2016/17 of £3.298m

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 28/02/15

Approved Usage February 2013:

Roads Asset Management Plan (2013/16)	(5900)	
Repopulating/Promoting Inverclyde	(1000)	
Community Facilities - Capital Investment	(750)	
Community Grants	(52)	
Play Areas/MUGA's	(300)	
Blaes Football Park Replacement	(830)	
Employment Support	(330)	
Broomhill Area	(250)	
PG Town Centre	(250)	
Creative Scotland - Match Funding	(250)	
Greenock Town Centre - Extra Police	(80)	
	<u>(9992)</u>	(9992)

Approved Usage September 2013:

Joint Equipment Store	(50)	
Support for Young Carers	(65)	
Extend Hillend Respite Provision	(80)	
Employability Initiatives	(150)	
Grnk Municipal Bldgs Tourism Initiative	(150)	
Play Areas	(200)	
Improvement in Parks & cemeteries	(100)	
Shopfront Improvement Grants	(50)	
Aids and Adaptations	(100)	
Contribution to Match Funding for Second I Youth Zone	(75)	
Expansion of Summer Playschemes	(30)	
Regeneration of Clune Park Area	(200)	
Discretionary Housing Payments / Welfare Reform	(250)	
	<u>(1500)</u>	(1500)

Approved Usage February 2014:

Increased expenditure on Roads Defects and Drainage over 14/16	(500)	
Increased Funding for Regeneration Projects:		
Lower Port Glasgow	(500)	
East Central Greenock	(500)	
Central Gourock	(150)	
Employability	(400)	
Commonwealth Flotilla Event	(250)	
Play Area Investment	(150)	
Birkmyre Park, Kilmacolm, Rugby Pitch / Drainage improvements	(100)	
Broomberry Drive Walled Gardens - provision of modular toilet	(40)	
Further investment in I Zone (Port Glasgow & Gourock)	(213)	
Ravenscraig Sports Barn	(600)	
SEMP - increase investment in MUGAs within Primary School Estate	(1100)	
Create Loan Charge EMR to meet spike in Loan Charges from 16/17	(1200)	
	<u>(5703)</u>	(5703)

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 28/02/15

Approved Usage February 2015:

Increase to Voluntary Severance/ Early Retiral Reserve	(1250)	
Increased allocation to Birkmyre Park Drainage Project	(150)	
Funding for Equipment - Adults with Learning Difficulties	(40)	
2 Year Extension to 2 x Specialist Posts	(167)	
Scottish Wide Area Network - One off Costs	(323)	
Part Year Costs - Ravenscraig Sports Barn	(40)	
Flooding - Next Phase	(950)	
Rankin Park Cycle Track	(150)	
Substitute Funding - Riverside Inverclyde	(250)	
Substitute Funding - Common Good	(35)	
Beacon Contract and Core Funding	<u>(1950)</u>	
		(5305)

Report To:	Policy & Resources Committee	Date:	19th May 2015
Report By:	Chief Financial Officer & Corporate Director IHSCP	Report No:	FIN/33/15/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Welfare Reforms Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide Committee with an update in respect of the various aspects of the Welfare Reform agenda and to also provide Committee with an update in respect of the Welfare Reform Revenue budget and Earmarked Reserve.

2.0 SUMMARY

- 2.1 The Scottish Welfare Fund and Discretionary Payments processes continue to operate well and the draft year end 2014/15 position for both funds is shown in appendix 1. Both funds have overspent against their core 2014/15 funding.
- 2.2 Initial discussions have commenced regarding the implementation of the Universal Credit within Inverclyde and reports will be brought back to Committee at the appropriate time on this matter. In addition an All Member Briefing will be organised prior to the summer recess.
- 2.3 There have been developments in respect of a number of externally funded projects and a request for one off increased funding is contained in the body of the report. In addition various other updates in relation to the Financial Inclusion Partnership are included in the report.
- 2.4 Significant provision had been made within the recurring Welfare Reforms Budget for an expected contribution from the Council towards the cost of the Council Tax Reduction scheme. Based on latest information and now that the Scottish Government has confirmed its funding to the Council for 2014/15 and 2015/16 it would appear that no contribution will be required for these years. This has resulted in a significant underspend in 2014/15 and a projected underspend in 2015/16.
- 2.5 This position is in line with other Councils and as such it is expected that as part of the 2016/17 spending review by the Scottish Government that this matter will be addressed. As such the sum allocated of £330,000 should be retained for future year's budgets. This anomaly has however generated a one off underspend of £780,000 across 2014/16 and it is proposed that this be added to the overall General Fund Reserves.
- 2.6 The Committee is asked to note that the recurring Welfare Reforms Budget will be reviewed as part of the 2016/18 Revenue Budget and will take into account further expected pressures arising from the implementation of Universal Credit and the impact of any policy initiatives from the Council.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the latest position in respect of the Council's response to the Welfare Reform changes.
- 3.2 It is recommended that the Committee consider and approve the request for additional one off

funding contained in section 7 of the report.

- 3.3 It is recommended that the Committee note the latest position in respect of the recurring Welfare Reform Revenue Budget and agreed that the Council Tax Reduction scheme underspend of £780,000 over 2014/16 be allocated to the General Fund Reserves.
- 3.4 It is recommended that the Committee note that the recurring Welfare Reform Revenue Budget will be reviewed as part of the 2016/18 Revenue Budget process.

Alan Puckrin
Chief Financial Officer

Brian Moore
Corporate Director
Inverclyde HSCP

4.0 BACKGROUND

- 4.1 Regular reports have been presented to Committee detailing the main Welfare Reform changes and the Council's responses.
- 4.2 The Financial Inclusion Partnership has co-ordinated funding applications and achieved considerable success in developing projects to support those impacted by the Welfare Reform Agenda.
- 4.3 The Council allocated £3.2 million for the period 2013/16 to meet some of the financial pressures generated by the Welfare Reform changes. Additional sums have been allocated by the DWP and the Scottish Government to supplement further one off funding allocated by the Council via Earmarked Reserves.

5.0 SCOTTISH WELFARE FUND AND DISCRETIONARY HOUSING PAYMENTS

- 5.1 Both the Scottish Welfare Fund and the Discretionary Housing Payment processes continue to operate well and Appendix 1 provides details on the latest position. From the appendix it can be seen that the SWF overspent by £42,000 against the core 2014/15 grant however, due to the large underspend in 2013/14 the Council will carry forward an earmarked reserve of £132,000 to 2015/16.
- 5.2 The Council is projecting to spend £912,000 on DHP an overspend of £30,000. £25,000 of this overspend relates to the Social Sector Size Criteria payments which has been underwritten by the Scottish Government.
- 5.3 The last meeting of the Committee agreed not to reduce the funding allocated to the non Social Sector Size Criteria Discretionary Housing Payments budget in 2015/16. This followed a cut of £24,000 in funding by the DWP in 2015/16 and it was agreed that this cut in funding be met by the Council for 2015/16 while the matter be reviewed as part of the 2016/18 Revenue Budget process.

6.0 UNIVERSAL CREDIT

- 6.1 As previously advised the Council will implement Universal Credit with effect from October 2015. Whilst this will initially only impact on a very small number of claimants it is anticipated that the numbers will rise significantly in the medium term.
- 6.2 Meetings have now commenced to scope out the Council's role in the implementation of Universal Credit and to develop processes and agreements with various partners in order that the Council can appropriately support those impacted by the implementation of Universal Credit.
- 6.3 Further updates will be brought back to on the implementation of Universal Credit and a specific All Member Briefing will be organised for Members prior to the summer recess.

7.0 FINANCIAL INCLUSION PARTNERSHIP

- 7.1 Previous reports to Committee have advised on the lengthy discussions with Citizens Advice Scotland who were initially receiving funding from the Scottish Government to deliver welfare reform mitigation services within Inverclyde. The Scottish Government has now agreed to provide £23,000 funding to Inverclyde directly for 2015/16 rather than pursue a CAB service. Following discussion with the Scottish Government, this funding will go to Inverclyde Council on Disability (ICOD) to enable an advocacy/advice worker to be employed to support vulnerable clients attending PiP medicals and other DWP assessments.
- 7.2 Information received from the DWP website initially advised that the Duff Street Assessment Centre in Greenock was listed to close on the 16/3/15 with all DWP medicals/assessments being

transferred to the Glasgow office. This was challenged by officers and the Council has now been informed that this advertised closure was incorrect and that the office will remain open for work capability assessments.

- 7.3 The timetable has been issued advising that the process of reassessments for DLA claimants will be extended to Inverclyde from 28th May 2015. This means that in addition to all new claimants, any DLA claimant whose award ends after 12th October 2015 will be required to claim PIP. In addition, any claimant who reports a change of circumstances from 28th May 2015 or any DLA claimant who turns 16 will be reassessed for PIP. The Financial Inclusion Partnership will ensure awareness of this for all affected clients.
- 7.4 A further meeting took place on 27th March with officers from RCH, Council and two directors from Grand Central Savings Board, unfortunately their Chief Executive was unable to attend. The board directors were advised on the decisions made by both RCH and the Council with regard to future funding and the circumstances which led to these decisions. Grand Central Savings agreed to discuss this internally and revert to the relevant Council officer however to date there has been no further communication.
- 7.5 Unfortunately the Lottery funded Support and Connect projects Inverclyde Connections and Supporting Inverclyde Future Skills will not be continued by the Lottery as that funding stream has now closed. Both projects are seeking external funding until March 2016 whilst they apply to a range of organisations for sustainable funding. Inverclyde Connections costs for continuation from September 2015 till March 2016 are £122,000 and have requested funding of £51,000 from the Council's Welfare Reform Fund (Appendix 3 has further information).
- 7.6 Due to underspend in the funding and contribution from partners, Supporting Inverclyde Future Skills project is able to continue until September/October 2015. A request for contribution from the Council's Welfare Reform Fund to continue this project until March 2016, will be submitted to the August Committee.

8.0 COUNCIL TAX REDUCTION SCHEME

- 8.1 Committee will recall that the Council Tax Reduction Scheme was brought in to replace Council Tax Benefit in 2013/14.
- 8.2 The former Council Tax Benefit budget was devolved to the Scottish Government from the DWP in order that the Scottish Government thereafter could develop its own scheme in consultation with Councils.
- 8.3 At the time it was estimated that there was a £40 million funding difference between the amount of money allocated by the DWP and the cost of the scheme implemented by the Scottish Government. It was agreed that £23 million of this sum would be paid by the Scottish Government whilst the remaining £17 million would come from Councils' own resources. Based on Inverclyde Council's expected share, a sum of £330,000 was set aside from the Welfare Reforms recurring Revenue Budget.
- 8.4 In 2014/15 the DWP reduced their funding further by £8 million and as a result the estimated cost to the Council of the Council Tax Reduction Scheme in 2014/15 increased to £450,000.
- 8.5 Based on the final grant allocation from the Scottish Government and the latest Council Tax Reduction update figures within Inverclyde it is apparent that the Council will not require to fund any Council Tax Reduction costs in 2014/15 and given that the grant allocation for 2015/16 has now been agreed and distributed then this will be repeated in 2015/16.
- 8.6 There are 2 main reasons for this reduction in Council Tax Reduction costs:
 - a) Reduction in overall case load – Over the last 7 quarters there has been an average 1% reduction per quarter in the number of Council Tax Reduction claims across Inverclyde. This could have arisen due to both a reduction in the number of claimants based within Inverclyde but also an increase in former claimants finding work or increasing working hours.

- b) Reduced amount being paid out per claim – The continuation of the Council Tax freeze and the continued uprating of benefits received by claimants means that the gap between the Council Tax due and the income received by claimants has narrowed and as such the amount of Council Tax Reduction support needed has dropped.

8.7 This situation is not unique to Inverclyde and as such it is expected that the Scottish Government will review the funding of the Council Tax Reduction Scheme as part of the 2016/17 budget settlement. Therefore it is important that the Council continues to make provision of £330,000 in future years albeit the amount allocated may require to be amended following further detail arising from the 2015 Spending Review.

9.0 OVERALL BUDGET POSITION

9.1 In light of the Council Tax Reduction position outlined in section 8 there is now a significant underspend in the 2014/15 Welfare Reforms recurring budget. Based on previous years treatment this would have been added to the Welfare Reforms Earmarked Reserves however given the scale of the underspend arising from the Council Tax Reduction scheme it is proposed that both the 2014/15 underspend of £450,000 and the projected 2015/16 underspend of £330,000 be transferred to the General Fund Reserve. Appendix 2 shows the latest position of the Revenue Budget and Earmarked Reserve on the basis that the proposals in this report are approved. In line with the recommendations contained in a separate paper elsewhere on the agenda Members can consider how best to utilise the General Fund Reserve balance at the September meeting of the Policy & Resources Committee.

9.2 It is important that the Committee is aware that there are further significant pressures on the horizon in respect of the Welfare Reform changes. These include staffing implications arising from the implementation of Universal Credit, the impact of Universal Credit on temporary accommodation costs and the associated reduction in management costs funded by the DWP plus policy initiatives proposed by the Council such as the creation of Credit Union accounts for school children.

10.0 IMPLICATIONS

Finance

10.1 Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Benefits	Council Tax Reduction	2014/16	780		Transfer to General Fund Reserve
Earmarked Reserve	Welfare Reform	2015/16	51		One off funding request detailed in Section 7

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
N/A					

Legal

10.2 There are no legal implications arising from this report.

Human Resources

10.3 There are no HR implications arising from this report.

Equalities

10.4 There are no equalities implications arising from this report.

Repopulation

10.5 The Council and its partners continue to work hard to mitigate the impacts of Welfare Reform on the local community. These actions will assist in retaining individuals in the area.

11.0 CONSULTATIONS

11.1 This report is produced in consultation with Officers from Finance and HSCP and reflects the discussions and decisions with the Welfare Reform Officer Board which is also attended by the DWP and Riverclyde Homes.

10.0 LIST OF BACKGROUND PAPERS

10.1 None.

Scottish Welfare Fund
31 March 2015

Calls Answered	11673		
Applications	3826		
Applications Granted	2998	78.36%	
Applications Refused	588	15.37%	Note 3
Applications Withdrawn	185	4.83%	
In Progress	55	1.44%	
Referrals to DWP	310		Note 2
	<u>Spend</u>	<u>Budget</u>	<u>Spend</u>
	<u>£000</u>	<u>£000</u>	<u>%</u>
Crisis Grant paid (1971)	148.5	208	71.39%
Community Care Grants paid (1132) (includes 105 applications paying both CCG & CG)	625.5	697	89.74%
	<u>774</u>	<u>906</u>	85.43%

Note 1 1st Tier Reviews = 73 (1.94%)
1st Tier Reviews Upheld in Customer Favour = 15 (20.54%) with 1 awaiting decision
2nd Tier Reviews = 8 (14.04%) out of 57 reviews refused
2nd Tier Reviews Upheld in Customer Favour = 0 (0%) with 1 awaiting decision

Note 2 Referrals to DWP relates to customers who are awaiting payment of a new claim for JSA / ESA from DWP. In these circumstances a Short Term Benefit Advance (STBA) can be paid by DWP.

Note 3 The most common reasons for refusal of claims are, applicants not meeting the eligibility criteria, not being in receipt of a qualifying benefit or incomplete evidence provided.

Note 4 2014/15 Core Grants Budget was £732,000

Discretionary Housing Payments
31 March 2015

New Applications

New Applications Received to date	1520		
Applications Approved	1060	(69.74%)	
Applications Refused	126	(8.29%)	
Applications - No Action	329	(21.64%)	DHP paid as 'Renewal'
Awaiting Supporting Evidence	0	(0%)	
New Applications still to be assessed	5	(0.33%)	4 from RSL tenants
SSSC applications not returned by 31.3.15	14		

£000

Paid to date	904	Paid to Landlords a month in arrears
Commitments	5k	Assumes existing claims run their course
Includes Non-SSSC (£52K)		
New Applications to be assessed	3	Estimate based on current average weekly award of £13.15 (as at 31.3.15) if applications still to be assessed paid for full financial year 2014/15
Total Projected Spend	<u>912</u>	

Current 2014/15 DHP Grant is £882k. Scottish Government to make additional funding available in May 2015 to meet DHP/ SSSC overspend.

Reviews requested: 37 (1.5%)

Welfare Reform - Use of Recurring Budget

	2014/15 £000	2015/16 £000	2016/17 £000	Future Years £000	
Available	(1,100)	(1,300)	(1,276)	(1,276)	
DHP - Assume all funded	-	-	-	-	
SWF - Administration Shortfall	72	72	48	48	
Council Tax Reduction Shortfall	-	-	330	330	
Square 40% Eligible Overpayments shortfall	83	83	83	83	
Benefit Administration Grant Cut	47	86	146	146	Note 1
SFIS Transfer - Excess Administration Grant Cut			40	40	
Financial Advice - Initial Allocation	200	200	200	200	
- Triage Service	-	0	30	62	Note 2
Temp Accommodation Subsidy Reduction	-	-	-	115	Note 3
P&R Approval Projects -					
Clothing Grants	45	45	45	45	
Food Bank	12	12	12	12	
Starter Packs	7	7	7	7	
iHeat	40	40	40	40	
Transfer to General Fund Reserve	450	330	-	-	
Balance Available	(144)	(425)	(295)	(148)	

Notes:

- 1/ Estimate only for 2016/17 and Future Years.
- 2/ Approved November 2014.
- 3/ Depends on timing of Universal Credit Roll Out.
- 4/ Excludes additional impact of SFIS transfer from anticipated
Creation of Corporate Fraud Post £35,000
Transfer due February 2016

Earmarked Reserve

	£000
Balance 31/03/14	613
Less: Money Advice Management Software	-28
: DHP (paid in 2014/15 relating to 2013/14)	-18
: 2013/14 iHeat allocation carried forward	-34
: Financial Fitness (3/12/15)	-30
: Starter Packs (3/12/15)	-20
: Clothing Grants (19/12/15)	-100
: Earmarked Reserves Write Back (19/02/15)	-60
: Grand Central Savings Rent to 30/09/15	-11
: Non-SSSC DHP Support 2015/16 (24/03/15)	-24
: Inverclyde Connections (19/5/15)	-51
: Add - 2014/15 Underspend	144
Balance as at 30/04/15	381

Future Skills funding request to come to August P&R.

Inverclyde Connections Project

Inverclyde Connections Project was established to increase the capacity of Inverclyde Financial Inclusion Partnership services to provide better support for people needing additional support in managing their benefits and finances and linking up with other services that can enhance their wellbeing.

It is delivered by a consortium between Inverclyde Council on Disability (ICOD); Inverclyde Advice and Employment Rights (IAER); Financial Fitness and Inverclyde HSCP Advice Services team.

The project targets the hardest to reach clients mainly those with a disability or addiction through outreach offering benefits advice, intensive 1:1 mentoring support and strengthen links to other services to ensure a holistic and lasting approach to address needs. The project also assists those moving into work or in work to maximise their income and other entitlements and enable local employers to better understand the implications of benefit reform for their business and their employees offering practical advice and information as to how best to cope with these changes.

The project is delivered through a mix of office-based, outreach and home visit services, enabling a flexible response to meet client individual needs. The project uses existing networks through the Financial Inclusion Partnership and other networks to support and refer clients to other services that will benefit wellbeing of clients.

There are 7 posts supported through the current funding stream:

ICOD Financial Inclusion Caseworker (FTE)

ICOD Financial Inclusion Caseworker (20 hrs)

ICOD Development & Monitoring (FTE)

HSCP Financial Inclusion Worker (Vulnerable Groups) (FTE)

HSCP Senior Appeals/Tribunal Worker (FTE)

Financial Fitness Link worker (FTE)

IAER In Work Benefits & Entitlements Worker (FTE)

Progress to date

Since June 2014 the project has provided 1271 responsive and in-depth interventions and support to a total of 903 unique vulnerable people. Many of these clients have received in depth and on-going support ensuring that their needs are met in a holistic way. The project has helped maximise those clients that engaged with the services, financial wellbeing by a total of £739,000 and have made 187 referrals to partner organisations that have helped to improve the wellbeing of individuals, carers and families.

The project has enabled and supported vulnerable people in Inverclyde to:

- Maximise, maintain and manage their financial wellbeing
- Deal with periods of stress and transition in their lives
- Attend DWP medical assessments and Tribunals
- Engage with support services that benefit the health & wellbeing of individuals
- Become more confident in dealing with their benefits and cope with the changes with the Welfare Reform
- Accessing in work benefits and more knowledge and awareness of their employment rights

Funding sought

Staffing costs from 1/9/15 to end March 2016 (7 months)	£99,500
Contribution from 3rd sector consortium partners to fund ICOD and FF posts	£48,000
Funding requested from Council Welfare Reform Fund to fund IAER and HSCP posts	£51,500

September 2015-March 2016

The project aims to deliver the high quality intervention to 600 very vulnerable individuals through continuing with the responsive and holistic approach currently being implemented.

Future Funding

A range of funding applications is currently being submitted to the Big Lottery; Comic Relief; Garfield Weston Foundation and Henry Smith charities for 3 years funding. However it requires being noted that standard across the majority of charity options above is exclusion of statutory bodies in being eligible for support. It will be therefore be difficult to include the current HSCP posts within the Connections project as that will be recognised as a statutory responsibility.

Report To: Policy and Resources Committee **Date:** 19 May 2015

Report By: Corporate Director, Education, Communities and Organisational Development **Report No:** PR/130/15/PC/KB
 Corporate Director, Environment, Regeneration and Resources

Contact Officer: Karen Barclay, Corporate Policy Officer **Contact No:** 01475 712065

Subject: Corporate Services Performance Report

1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee on the achievement of key objectives by the Council's Corporate Services, as detailed in the Education, Communities and Organisational Development Corporate Directorate Improvement Plan 2013/16 and the Environment, Regeneration and Resources Corporate Directorate Improvement Plan 2013/16.
- 1.2 The report focuses on improvement actions that sit within the following Services: Finance; ICT; Legal and Property; Corporate Policy; and Organisational Development, Human Resources and Communications.

2.0 SUMMARY

- 2.1 This is the fifth Corporate Services Performance Report. Details are provided in the Appendices. Appendix 1
Appendix 2
- 2.2 The current status of the CDIPs' improvement actions, together with the status at the last report, is:

Status	blue - complete	red - significant slippage	amber - slight slippage	green - on track
Current	25	0	3	25
February 2015	22	0	5	26.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee:

- a. notes the progress made by Corporate Services in delivering improvement actions outlined in their respective Corporate Directorate Improvement Plans 2013/16; and
- b. agrees to consider the sixth progress report at the first meeting of the Committee following the Summer 2015 recess.

Patricia Cassidy
Corporate Director, Education,
Communities and Organisational
Development

Aubrey Fawcett
Corporate Director, Environment,
Regeneration and Resources

4.0 BACKGROUND

4.1 Corporate Directorate Improvement Plans (CDIPs) are a key component of the Council's Strategic Planning and Performance Management Framework. They are the principal vehicle for managing and delivering the strategic outcomes in the Single Outcome Agreement 2013/16 and the Council's Corporate Statement 2013/17, as well as the well-being outcomes which are Safe, Healthy, Achieving, Nurtured, Active, Respected and Responsible and Included (SHANARRI).

4.2 The Council's CDIPs 2013/16 were approved in 2013. The Education, Communities and Organisational Development and the Environment, Regeneration and Resources CDIPs have improvement actions that are of a corporate nature. A separate Corporate Services progress report is therefore submitted to every second meeting of the Committee. The remaining CDIP improvement actions are reported to every second meeting of the appropriate Committee.

Min Ref
E&C
Cttee
7.5.13
Para 363

Min Ref
P&R
Cttee
21.5.13
Para 384

4.3 As detailed in Appendix 1, improvement actions have been allocated a 'BRAG' status:

blue - complete; red - significant slippage; amber - slight slippage; green - on track.

4.4 The CDIPs also contain key performance indicators, comprising statutory performance indicators and local performance indicators. These indicators provide an important measure of how Corporate Services contribute to the Council's strategic aims. Full year details for 2013/14 are outlined in Appendix 2, together with comparator information for 2012/13. Quarter 1, 2, 3 and 4 figures for 2014/15 are also included in Appendix 2.

5.0 PROGRESS

5.1 This is the fifth progress report on the Corporate Services CDIPs' improvement actions. The last report was approved by the Policy and Resources Committee in February 2015. The current status of the CDIPs' improvement actions, together with the status at the last report, is:

Min Ref
P&R
Cttee
3.2.15
Para 88

Status	blue - complete	red - significant slippage	amber - slight slippage	green - on track
Current	25	0	3	25
February 2015	22	0	5	26.

5.2 The status of the improvement actions, grouped under the well-being outcomes, is:

Well-being outcome	blue - complete	red - significant slippage	amber - slight slippage	green - on track
Safe	4	0	1	0
Healthy	0	0	0	0
Achieving	18	0	2	22
Nurtured	0	0	0	0
Active	0	0	0	0
Respected and Responsible	3	0	0	3
Included	0	0	0	0
Totals	25	0	3	25.

Appendix 1 details the present status of the improvement actions, together with commentaries from the appropriate Service.

5.3 During the last three months, good progress has been made in delivering most of the improvement actions, examples of which include:

- finance-related systems - to coincide with the launch of the Council's new website, a review is being conducted of additional on-line payments
- Customer Services Centre development - proposals to help facilitate improvements in customer service will be presented to the Corporate Management Team on 30 April 2015
- Inverclyde Performs - meetings have taken place with officers from Corporate Policy and directorate management teams and senior management teams to highlight how the performance management system can be used and developed.

5.4 There has been slight slippage with three improvement actions including the following:

- Regulation of Investigatory Powers (Scotland) Act 2000 - the policy and guidelines are currently being revised and officer training has been arranged. An annual report will be presented to the Corporate Management Team in June 2015.
- public performance reporting - because of space constraints, it has not been possible to include performance information in recent editions of InView. However, it is hoped to present details of the Council's performance in the Summer 2015 publication.
- absence management - a variety of initiatives are being implemented with the aim of addressing sickness absence. A new Supporting Employee Attendance Policy is being developed and appropriate training will be arranged. Additionally, our Absence Management Policy is currently being reviewed.

6.0 IMPLICATIONS

6.1 Financial Implications - One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement from	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

Financial Implications - Annually Recurring Costs/(Savings)

Cost Centre	Budget Heading	With effect from	Annual Net Impact	Virement from (if applicable)	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

6.2 Human Resources: There are no direct human resources implications arising from this report.

6.3 Legal: There are no direct legal implications arising from this report.

6.4 Equalities: There are no direct equalities implications arising from this report.

6.5 Repopulation: Provision of Council Services which are subject to close scrutiny with the aim of delivering continuous improvement for current and potential citizens of Inverclyde support the Council's aim of retaining and enhancing the area's population.

7.0 CONSULTATION

- 7.1 Updates on progress with the CDIPs' implementation have been provided by the lead officers of each improvement action.

8.0 CONCLUSION

- 8.1 The fifth progress report on progress made by Corporate Services in delivering improvement actions outlined in their respective CDIPs is presented for Committee's approval with the recommendation that the fifth report is submitted to the Policy and Resources Committee's meeting on 19 May 2015.


9.0 LIST OF BACKGROUND PAPERS



- 9.1 Education, Communities and Organisational Development CDIP 2013/16. Environment, Regeneration and Resources CDIP 2013/16.

Corporate Services Performance Report - May 2015




Safe					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
ER&R	<u>Data protection</u> The Council's approach to data protection is fully developed	Develop training, policies and procedures	●	blue - complete	
ER&R	<u>Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA)</u> Implement recommendations regarding improvements to be made at the last inspection by the Surveillance Commissioner	Carry out actions required to meet recommendations and report to the Council on progress	●	amber - slight slippage	The revision of the policy and guidelines will be completed by 30 April 2015. Officers involved in making an application will receive training by 30 April 2015 and authorisers of applications will be trained by 30 May 2015. An annual report will be presented to the Corporate Management Team by 30 June 2015.
ER&R	<u>Risk management</u> Implement and embed risk management in key business/management processes	Develop a Risk Management Action Plan by 31 August 2013	●	blue - complete	
		Action Plan fully implemented by 31 March 2015	●	blue - complete	A new Action Plan will be submitted to the August 2015 Audit Committee.

Corporate Services Performance Report - May 2015

Safe					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
ER&R	<u>Software asset management</u> Be confident that all software deployed on the network is fully licensed and all asset records are accurate	Working with Services and suppliers to ensure compliance		blue - complete	

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
ER&R	<u>Service accountancy</u> Improve the budget management by budget holders whilst managing a reduction in accountancy staff by 4 full-time equivalents	Improve systems and associated management information. Improve budget holder knowledge and increase self-reliance.		green - on track	An amended approach to Corporate Management Team reporting has been agreed. Reporting requirements are being reviewed and developed.
ER&R	<u>Finance-related systems</u> Implementation of SWIFT finance module Full on-line payment capability 24 hour access	Several successful modules rolled out in 2013/14 with the remainder to be implemented during 2014/15		green - on track	We are currently reviewing additional on-line payments to coincide with the launch of the Council's new website. Face-to-face payments continue to reduce.

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
	Reduction in face-to-face payments	Upgrade systems and implement new procedures		blue - complete	
ER&R	<u>Digital Access Strategy</u> Greater on-line and telephone contacts, speeding up service delivery and making efficiencies	By working with ICT and Corporate Communications to ensure effective systems and processes are in place to facilitate channel shift. Progress will be tracked through the Customer Services Action Plan.		green - on track	A meeting about the Digital Access Strategy will be held on 27 April 2015, chaired by the Chief Financial Officer. Thereafter, clear timelines for tasks should be established and fed into the Customer Service Centre strategy review that is due to be submitted to the Policy and Resources Committee.
ER&R	<u>Customer Services Centre (CSC) development</u> Expand the range of customer service enquiries at first point of contact	Migration of appropriate services into the CSC for front-facing and telephony contact with customers. Progress will be tracked through the Customer Services Action Plan and the Corporate Improvement Group		green - on track	A paper and presentation will be delivered to the Corporate Management Team on 30 April 2015 with proposals to help facilitate improvements in customer service.

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
ER&R	<u>Welfare Reform Agenda</u> Introduce and deliver the Council Tax Reduction Scheme, the Scottish Welfare Fund and the changes to Housing Benefit legislation from April 2013 and manage the impact of the move to Universal Credit	Oversight from the Project Board with regular reports to Committee on key milestones	●	green - on track	The Scottish Welfare Fund/Discretionary Housing Payments processes are operating well. An officer group has been set up to prepare for the Universal Credit. External funding projects are under review.
ER&R	<u>Procurement Framework</u> Deliver strategic Procurement Framework and achieve improved Procurement Capability Assessment performance	Monitored via the Procurement Board and regular committee updates	●	blue - complete	
EC&OD	<u>Competitiveness</u> Effective processes are in place to ensure challenge and improvement These are consistently used across Services	Enhancement of self-evaluation guidelines and processes regarding competitiveness and challenge	●	green - on track	We are continuing to take part in the Improvement Service's benchmarking family groups on the subjects of waste, Council Tax, looked-after children and human resources. Further groups are planned to examine topics including street cleaning and museums.
EC&OD	<u>Self-evaluation</u> Self-evaluation is embedded into	Training rolled out across Services and guidance distributed across the	●	blue - complete	

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
	everyday performance and management and planning processes	Council by December 2014			
EC&OD	<u>Strategic Planning and Performance Management Framework</u>	Information to be readily accessible on Icon	●	blue - complete	
	All employees are aware of the Council's vision, outcomes and values and these are embedded in service planning	Develop information packs	●	blue - complete	
	Integration of the well-being outcomes across all planning and performance management across the Council and Inverclyde Alliance partners	Provide further training sessions	●	blue - complete	
		Provision of drop-in sessions to support Services in the development of plans and strategies	●	blue - complete	
EC&OD	<u>Public performance reporting (PPR)</u> PPR is easily accessible to members of the public All Services play a role in making performance information accessible	Improve information on the Council's website from all Services	●	green - on track	The Local Government Benchmarking Framework (LGBF) 2013/14 data and commentaries have been added to the performance pages of the Council's website. Additionally, a report on the LGBF 2013/14 data was approved by the Policy and Resources Committee on 24 March 2015.

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
		Provide information in varying formats	●	green - on track	No requests for alternative formats have been received. Financial implications mean that alternative formats will only be provided on request.
		Work with libraries to assess demand and to facilitate access via the web to members of the public	●	green - on track	All PPR information has been set up on the new website. When the site goes live, a briefing will be delivered to Libraries.
		Utilise InView as a means of providing performance information to all households	●	amber - slight slippage	Information will be submitted to Corporate Communications for inclusion in the Summer 2015 edition of InView.
		Provide information in different formats to ensure that it is meaningful at all levels of the organisation	●	green - on track	Work is ongoing with managers to highlight indicators, as well as where a focus on performance might be required.
EC&OD	<u>Inverclyde Performs</u> Inverclyde Performs is used: to record and report all performance across the Council	Further training for Inverclyde Performs users	●	green - on track	Officers from Corporate Policy met with all directorate management teams and are meeting with various senior management teams to further highlight how to use

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
	for both performance management and on-going self-evaluation by managers, officers and Councillors				the performance management system and to develop how Services use it.
		Work with Directorate Management Teams and Extended Management Teams to establish training needs and develop a training plan	●	green - on track	Further work has taken place with the Environment, Regeneration and Resources directorate management team to go through the system and developing further approaches.
		Work with Services to identify which plans, strategies and projects should be developed on Inverclyde Performs	●	green - on track	<p>The CHCP is now using the performance management system to update its Corporate Directorate Improvement Plan and is identifying other information to be uploaded.</p> <p>The Environment, Regeneration and Resources Services are identifying what additional performance information they wish to upload.</p> <p>Officers from Corporate Policy are working with the</p>

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
					Services to develop these actions. Additionally, the risk management tool within the system is being developed.
EC&OD	<u>HR21</u> The maximum number of employees are able to use HR21 to manage their personal information requests for leave, employee development, etc Sickness absence recording and statistics drawn from Chris 21 Pensions auto-enrolment Real-time information from Her Majesty's Revenue and Customs (HMRC)	HR21 to be rolled-out to Education Services and the CHCP in 2013 and to Environmental and Commercial Services and Property Assets and Facilities Management in March 2014	●	blue - complete	
		Pilot for compiling statistics from Chris 21 in Organisational Development, Human Resources and Communications in September 2013. Extend Chris 21 pilot to other Services in parallel with self-service in April 2014.	●	blue - complete	

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
		Software installation and process review to ensure compliance; liaison with the Pensions Regulator, the Strathclyde Pension Fund Office and the Scottish Public Pensions Agency by May 2013	●	green - on track	Software has been installed. There will be ongoing monitoring to ensure it is functioning as required.
		Software installation and process review to ensure compliance; liaison with the HMRC and BACS software provider	●	blue - complete	
EC&OD	<u>Recruitment portal</u> Recruitment portal to be upgraded. On/Grasp software.	Training/e-learning/development of new recruitment handbook for managers	●	blue - complete	The recruitment portal is now live and being utilised.
		Move to Talent Link	●	blue - complete	Talent Link is now live.
EC&OD	<u>Workforce Development Plan</u> To deliver the 4 themes as outlined in the Workforce Development Plan: <ul style="list-style-type: none">organisational development	Implement the actions as identified within the 4 work streams in the Plan	●	green - on track	Implementation of the Plan is in full progress.

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
	<ul style="list-style-type: none"> • leadership, succession planning and skills development • employer of choice • grading and pay 				
EC&OD	<u>Corporate Communications Strategy</u> To have an agreed Corporate Communications Strategy	Development of a Communications Strategy, working with Services and the CMT	●	green - on track	The timescales for delivery have been revised. A draft communications strategy has been developed by Corporate Communications with a corporate identity review to be incorporated into it by June 2015. The next stage will be a review by Council Services and examination of linkages with partners and national changes such as health and social care integration prior to Corporate Management Team examination.
EC&OD	<u>Social media</u> Use of social media as a co-ordinated means of communication and customer contact across the organisation	Creation of social media guidelines for use across the Council and schools	●	blue - complete	

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
EC&OD	<u>Website</u> Review and design a new Council website including on-line services	Review content of the website via a cross-departmental content review team	●	green - on track	ICT Services are leading a cross-Directorate content review of the Council website prior to the launch of the new look website on 19 May 2015.
		Draft a new design and agree with CMT	●	green - on track	The launch of new look website is planned for 19 May 2015.
EC&OD	<u>Events</u> Carry out reviews of certain events – Fireworks, Gourock Highland Games and Christmas Lights switch-on Improved events listing on website	Cross-Service events group to be set up and to report to the CMT	●	green - on track	Council-wide events are being delivered by Corporate Communications. An Events Group has been set up under the auspices of the Local Area Tourism Partnership with representation from Council Services including Corporate Communication, the McLean Museum and Economic Development. Events listing improvements are to be incorporated into the



Corporate Services Performance Report - May 2015


Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
					redesign of the Discover Inverclyde website to provide a single trusted source of 'what's on' information across Inverclyde.
EC&OD	<u>Press and media</u> Conduct a review of the Media Relations Protocol	Prepare a draft media relations protocol and issue to the CMT and senior Councillors by end June 2013	●	blue - complete	
		Carry out media training for key Council staff by end December 2013	●	blue - complete	
EC&OD	<u>InView</u> Review the design, layout and frequency of publication of InView	Create reader survey to assess readership views of InView by November 2013	●	blue - complete	
EC&OD	<u>SOA</u> New, revised SOA available with new approaches developed to meet Scottish Government expectations, including preventative and early intervention work and policy and resources across the Partnership	Hold workshops with all partners	●	blue - complete	
		Sub-groups set up to deal with resource development and measurement	●	green - on track	Work in the Broomhill area is progressing; this will be used as a model for identifying how partners jointly resource partnership

Corporate Services Performance Report - May 2015





Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
					working in a locality area.
EC&OD	<p><u>Absence management</u></p> <p>Reduce the absence rate across the Council to below 9 days per annum</p> <p>Consider standardised reporting to align with the SOLACE indicators</p>	Continuation of the automation of processes (links to HR21 development)	●	green - on track	In Quarter 3 of 2014/15, 2.8 works days were lost per full-time equivalent employee. While this figure is above the quarterly target of 2.25 days, it is an improvement on the same quarter of the previous year.
		New HR interventions/pilots to assist management and reduce absence level	●	amber - slight slippage	There are a number of initiatives underway to address sickness absence in the Council including the provision of 'frequently asked questions' sessions for managers to assist them to deal with absence cases more effectively. In addition, our Absence Management Policy is being reviewed and a new Supporting Employee Attendance Policy is being developed, together with appropriate training.

Corporate Services Performance Report - May 2015

Achieving					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
		Report to the CMT and the Policy and Resources Committee on the standardisation of KPIs		blue - complete	
ER&R	<u>Self-evaluation - Environment, Regeneration and Resources Directorate</u> Self-evaluation is embedded into the Environment, Regeneration and Resources Directorate's everyday performance and management and planning processes	By conducting a Public Service Improvement Framework (PSIF) assessment for the Environment, Regeneration and Resources Directorate and devising an action plan by June 2015 By implementing the action plan during 2015/18		green - on track	The inception meeting took place on 21 April 2015. It is planned to complete the PSIF 'lite' assessment by June/July 2015.

Respected and responsible					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
ERR	<u>Freedom of Information publication scheme</u> New scheme in place for implementation by 31 May 2013	Develop and populate new Scheme, liaising with Services, as required		blue - complete	

Corporate Services Performance Report - May 2015

Respected and responsible					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
ERR	<u>Community councils liaison</u> Updated and established processes and procedures in place to reflect best practice	Develop a suite of guidance materials for use by the Service and community councils		blue - complete	
EC&OD	<u>Public Information Notices Portal</u> Council public notices published on-line	Redevelopment of the Council website and public notices published on the Public Information Notices portal		blue - complete	
EC&OD	<u>Policy development</u> Remaining corporate policies to be updated and brought in to line with current legislation, case law and guidance/good practice	Identify priority policies based on legislative need, risk to the Council and information gaps		green - on track	The Infection Control Policy was ratified at the Policy and Resources Committee on 3 February 2015. Policies regarding Supporting Employee Attendance; Conditions of Service; Respect and Dignity at Work; and Equality and Diversity at Work are under development/review.
EC&OD	<u>Gender equality</u> The % of female employees in the top	Monitor application of the Council's equal opportunity policies by Services		green - on track	In terms of the % of the highest paid 5% of our employees who are women

Corporate Services Performance Report - May 2015

Respected and responsible					
Directorate	Where do we want to be?	How will we get there?	Status March 2015 - May 2015		Commentary March 2015 - May 2015
	5% of earners is increased				(excluding teachers), our ranking increased from 20th in 2012/13 to 15th in 2013/14 (out of the 32 Scottish local authorities). The % of Inverclyde Council female employees (excluding teachers) who are in the top 5% of earners improved from 47% in 2012/13 to 50% in 2013/14.
		Link with the Corporate Equalities Officer to include as part of the overall Equality Strategy for the Council	●	green - on track	Collaborative working is ongoing. The Equality and Diversity Policy is under review/development.

24 April 2015

Performance Indicators

The Council's Corporate Services' key performance indicators help demonstrate performance in terms of strategic and operational objectives. These indicators include statutory performance indicators and local performance indicators.

Full year figures for 2013/14 are shown below, together with 2012/13 comparator information as well as Quarter 1, 2, 3 and 4 details for 2014/15:

Key performance measure	Relevance	Target 2014/15	2014/15 performance	2013/14 performance	2012/13 performance	Commentary on change between 2012/13 and 2013/14
Creditor payments: number of invoices paid within 30 calendar days of receipt as a % of all invoices paid	Demonstrates the efficiency and effectiveness of the arrangements for paying creditors	100%	Quarter 1: 98.01% Quarter 2: 97.06% Quarter 3: 96.8% Quarter 4: 96.59%	96.3%	96.03%	Performance improved by 0.27%
Council Tax in-year collection ¹	Measures the efficiency and effectiveness of Council Tax billing and collection processes	Annual target: 94.5% Quarter 1 target: 27.7% Quarter 2	Quarter 1: 27.6% Quarter 2:	94.51%	94.2%	Despite another challenging year due to the continuing difficult economic climate, the Council Tax in-year collection level increased by

¹ A higher % of Council Tax is expected to be paid in the first 3 quarters of the year than in the final quarter. Most Council Tax customers pay by 10 monthly instalments from April to January each year, therefore dividing the annual target by 4 quarters would not give a true reflection of the expected income in each quarter.

Performance Indicators

Key performance measure	Relevance	Target 2014/15	2014/15 performance	2013/14 performance	2012/13 performance	Commentary on change between 2012/13 and 2013/14
		target: 54.4% Quarter 3 target: 81.7% Quarter 4 target: 94.5%	54.4% Quarter 3: 81.7% Quarter 4: 94.8%			0.31% which is a significant achievement
Speed of Benefits processing - average number of days per case to process: <ul style="list-style-type: none"> new Housing Benefit/ Council Tax reduction claims 	Demonstrates the effectiveness of the quality assurance measure in place within the Benefits service	23 days	Quarter 1: 23 days Quarter 2: 24 days Quarter 3: 32 days Quarter 4: 31 days	22 days	23 days	Performance improved
<ul style="list-style-type: none"> Housing Benefit/ Council Tax Benefit reduction 		6 days	Quarter 1: 5 days Quarter 2: 5 days	5 days	6 days	Performance improved

Performance Indicators

Key performance measure	Relevance	Target 2014/15	2014/15 performance	2013/14 performance	2012/13 performance	Commentary on change between 2012/13 and 2013/14
claim changes of circumstances			Quarter 3: 5 days Quarter 4: 3 days			
Incident resolution times	Demonstrates the responsiveness of the ICT Service Desk to reported incidents, against service level agreements	80%	Quarter 1: 91.11% Quarter 2: 89.63% Quarter 3: 89.28% Quarter 4: 89.7%	95.37%	92.46%	Performance improved
Service request resolution times	% of reported ICT service requests resolved within targets defined in service level agreements	80%	Quarter 1: 90.49% Quarter 2: 93.08% Quarter 3: 91.42% Quarter 4: 90.35%	94.96%	93.13%	Performance improved

Performance Indicators

Key performance measure	Relevance	Target 2014/15	2014/15 performance	2013/14 performance	2012/13 performance	Commentary on change between 2012/13 and 2013/14
Network availability	Demonstrates the availability of the network and access to ICT services required by departments in their day-to-day activities	99.5%	Quarter 1: 100% Quarter 2: 99.91% Quarter 3: 100% Quarter 4: 100%	99.97%	99.94%	Performance improved
Key applications availability	Demonstrates the availability of key applications required by Services	99.5%	Quarter 1: 100% Quarter 2: 99.74% Quarter 3: 100% Quarter 4: 100%	100%	100%	Maximum performance maintained
Corporate absence rate: the average number of working days per full-time equivalent employee lost through sickness absence for:	High levels of attendance lead to higher levels of service provision, heightened morale and, for the purposes of Best					

Performance Indicators

Key performance measure	Relevance	Target 2014/15	2014/15 performance	2013/14 performance	2012/13 performance	Commentary on change between 2012/13 and 2013/14
<ul style="list-style-type: none"> teachers 	Value, the provision of competitive and effective services	Annual target: 9 days Quarterly target: 2.25 days	Quarter 1: 1.5 days Quarter 2: 0.6 days Quarter 3: 2.03 days Quarter 4: 2.6 days	7.6 days	8.3 days	The number of days lost for teachers reduced by 0.7 days
<ul style="list-style-type: none"> all other local government employees 		Annual target: 9 days Quarterly target: 2.25 days	Quarter 1: 3.1 days Quarter 2: 2.7 days Quarter 3: 3.03 days Quarter 4: 3.1 days	11.9 days	10.7 days	The number of days lost for all other local government employees increased by 1.2 days
<ul style="list-style-type: none"> all employees² 		Annual target: 9 days	Quarter 1: 2.7 days	10.9	10.2	The overall number of days lost to the

² While the total for all four quarters in 2014/15 is 10.8 days, this does not represent the final statutory performance indicator figure which is still in the process of being calculated and checked.

Performance Indicators

Key performance measure	Relevance	Target 2014/15	2014/15 performance	2013/14 performance	2012/13 performance	Commentary on change between 2012/13 and 2013/14
		Quarterly target: 2.25 days	Quarter 2: 2.3 days Quarter 3: 2.8 days Quarter 4: 3 days			Council increased by 0.7 days

6 May 2015

Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Chief Financial Officer	Report No:	FIN/34/15/AP/KJ
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	AUDIT SCOTLAND REPORT: BORROWING AND TREASURY MANAGEMENT IN COUNCILS		

1.0 PURPOSE

- 1.1 The purpose of this report is to consider the Audit Scotland Report 'Borrowing and Treasury Management in Councils' that was published in March 2015 and to agree the proposed Action Plan.

2.0 SUMMARY

- 2.1 The Audit Scotland Report attached as Appendix 2 was prepared following a review of borrowing and debt levels at Scottish Councils with a review of the treasury strategies of 12 of the Councils and then detailed work at 6 of those 12 Councils. Inverclyde Council was not selected for a strategy review or for the detailed work.
- 2.2 The Report states that borrowing is a key source of finance for Councils to invest in vital services and assesses how Councils show best value in borrowing and treasury management decisions.
- 2.3 As well as considering overall debt levels for Councils as a whole, the Report shows that Inverclyde Council's outstanding borrowing fell in real terms between 2003/04 and 2013/14. The main reason for this fall is that the Council's Housing debt was repaid by the Scottish Government in 2007 at Stock Transfer. If Housing debt was excluded from the comparison then Council borrowing (excluding PPP) has increased by around 20% in real terms due to the major capital investments undertaken by the Council.
- 2.4 In addition to the main Report, Audit Scotland issued a Supplement entitled "Borrowing and Treasury Management in Councils – Scrutiny Guidance And Questions For Councillors" attached as Appendix 3.
- 2.5 The Audit Scotland Report includes a range of recommendations that are largely related to scrutiny and governance arrangements. It is proposed to address the issues raised by Audit Scotland by means of an Action Plan, the delivery of which will be tracked by the Chief Internal Auditor via regular updates to the Audit Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the Audit Scotland Report and Supplement and approves the proposed Action Plan attached as Appendix 1 to this report.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 In March 2015 Audit Scotland published a report on 'Borrowing and Treasury Management in Councils'. A copy of the report is attached as Appendix 2.
- 4.2 Audit Scotland prepared their report following a review of borrowing and debt levels at Scottish Councils with a review of the treasury strategies of 12 of the Councils and then detailed work at 6 of those 12 Councils. Inverclyde Council was not selected for a strategy review or for the detailed work (which included interviews with Elected Members and with Officers).
- 4.3 The report covers 4 main areas:
 - a. Borrowing/Debt Levels
 - b. Affordability
 - c. Treasury Management Function
 - d. Scrutiny and Governance Arrangements.

5.0 MAIN AREAS COVERED BY REPORT

Borrowing/Debt Levels

- 5.1 As well as considering overall debt levels for Councils as a whole, the report includes a graph (Exhibit 4 on Page 13) which compares total outstanding borrowing by individual Councils in 2003/04 and 2013/14 but at 2013/14 price levels i.e. adjusted for inflation.
- 5.2 The graph shows that, adjusted for inflation, the Council's total borrowing fell by around £70m over the period but the following should be noted:
 - a. Inverclyde Council undertook Housing Stock Transfer in 2007, as part of which the Council's Housing Debt was repaid by the Scottish Government
 - b. The graph only includes borrowing and does not include debt relating to PPP schools.
- 5.3 If the effect of Housing Stock Transfer were removed from the borrowing figures included in the report, the Council's non-Housing borrowing has increased by around 20% in real terms but this is due to the major capital investments undertaken by the Council.
- 5.4 Committee should note that the Council has fully allowed for the repayment costs of its borrowing (and the costs relating to financing the PPP schools) within its approved budgets.
- 5.5 Page 19 of the Audit Scotland report gives financial facts for 2013/14 for the 6 Councils at which detailed work was undertaken. The same information for Inverclyde Council is as follows:

Population	80,310
Councillors	20
Borrowing	£223.9m
Fixed Assets	£452m
Investments	£48.4m
Cash Reserves	£50.8m
General Capital Programme	£125.0m (2013-17)
Housing Capital Programme	No housing

Affordability

- 5.6 Audit Scotland view that Councils are demonstrating short term affordability (following the general principles of relevant codes of practice) but are not always highlighting the strategic importance of borrowing and treasury management and not always clearly analysing and reporting the long-term affordability and sustainability of their borrowing.
- 5.7 They consider that Councils need to develop detailed analysis to support borrowing decisions and to demonstrate that those decisions represent best value for the Council.

- 5.8 This Council considers issues on affordability (long-term and short-term) and on the sustainability of borrowing through the Financial Strategy updates (every 6 months), during the Budget-setting process, and in reports considering capital projects and treasury management issues.

Treasury Management Function

- 5.9 The report states that “Treasury management is a professionally run function in councils with appropriately qualified officers” and that “Succession planning, ongoing training and the availability of appropriate professional qualifications are important”.
- 5.10 Members should note that, in accordance with the Council’s Treasury Management Practices document, the staff involved in the Council’s treasury management function are appropriately qualified and undertake ongoing training. CIPFA’s treasury management qualification (as referred to in the report) was successfully undertaken by the Principal Accountant (Exchequer) who is part of the Council’s treasury management function.
- 5.11 As with a number of areas within the Council, the issues of succession planning and single person dependency also apply within the treasury management function. This has been identified as a risk and managed accordingly.

Scrutiny and Governance Arrangements

- 5.12 The report acknowledges that treasury management is a complex and technical subject and that the following measures need to be in place:
- a. Wider training and support for Elected Members
 - b. Clearer, more accessible reports
 - c. Links to corporate objectives and investment plans
 - d. Scenario planning
 - e. Capital financing options
 - f. Prudential indicators over a longer period than at present.
- 5.13 In addition to the report, Audit Scotland have issued a supplement entitled “Borrowing and Treasury Management in Councils – Scrutiny Guidance And Questions For Councillors”. A copy of the supplement is attached as Appendix 3.
- 5.14 Members should note that training has been provided in the past and that further training is proposed for the Autumn of 2015. In addition, it is proposed to include treasury management training as part of a regular training plan.
- 5.15 In relation to reports on treasury management, Officers seek to make reports clear and accessible e.g. by seeking to remove jargon and by including a glossary of terms but will undertake further work in this area.

6.0 ACTION PLAN

- 6.1 In line with the recommendations in the report, it is proposed to implement the Action Plan shown attached as Appendix 1.

7.0 IMPLICATIONS

Finance

- 7.1 The cost of any treasury management training to be provided to Elected Members as required will be contained within the Loan Charges budget.

Financial Implications:

One off Costs:

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement from	Other Comments
Loan Charges	Treasury Management Expenses	2015/16	1		Allowance for Training

Annually Recurring Costs/(Savings)

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement from	Other Comments
Loan Charges	Treasury Management Expenses	From 2016/17	1		Ongoing Training Allowance

Legal

- 7.2 There are no Legal implications arising from this report.

Human Resources

- 7.3 There are no HR implications arising from this report.

Equalities

- 7.4 There are no equalities implications arising from this report

Repopulation

- 7.5 There are no repopulation implications arising from this report.

8.0 CONSULTATIONS

- 8.1 The Corporate Management Team are in agreement with the attached Action Plan.

9.0 LIST OF BACKGROUND PAPERS

- 9.1 None.

ACTION PLAN

Appendix 1

Compliance with Audit Scotland Report - 'Borrowing and Treasury Management in Councils'

	Recommendations	Inverclyde Council Response	Proposed Actions	Timescale	Responsible Officer
1.	Review the format and content of Treasury Management reports submitted to Committee and to Full Council to ensure that the reports submitted to Members use clear and accessible language and include the matters mentioned by Audit Scotland including scenario planning, capital financing options and Prudential Indicators over a period longer than 3 years.	Currently seek to make reports clear and accessible e.g. by providing a glossary of terms and seeking to exclude jargon. Highlighting of issues on affordability and sustainability of borrowing through 6-monthly updates of Financial Strategy, Budget-setting process, and reports on capital projects and treasury management.	Will review reports to identify improvements that can be made and to seek to further address issues raised by Audit Scotland.	September 2015	Finance Manager
2.	Ensure scrutiny arrangements are robust by reviewing the training available to Elected Members on treasury management activities (including whether the training should be mandatory) and considering whether training for councillors provides a balance of scrutiny skills and knowledge of treasury management.	Training is provided to Members on an occasional basis through sessions held by the Council's Treasury Management consultants and forms part of the Members Training Plan.	Will review training arrangements to ensure training is available for Members and relevant Officers taking into account the issues raised by Audit Scotland.	November 2015	Finance Manager
3.	Share treasury management strategies with other Councils to help inform good practice and exchange of ideas.	Treasury strategy is not formally shared/discussed with other Councils but is published as part of Council committee papers. Strategies depend on individual Councils' activities, capital programmes, and financial situation. Officers will continue to attend Treasury Management Forum and Directors of Finance Section where good practice is shared and discussed.	No action.	---	---
4.	Carry out joint planning with other councils to identify future qualification and training needs and enhance their capacity, in order to negotiate with training providers.	This is not currently done specifically for treasury management which is a small function within the Council.	No action.	---	---
5.	Review and update governance arrangements to ensure compliance with the Report and to clearly make links between treasury management, capital investment decisions, and revenue budgets.	Links are already made in reports on the 6-monthly updates of Financial Strategy, Budget-setting process, and reports on capital projects and treasury management.	No action.	---	---

Borrowing and treasury management in councils



Prepared by Audit Scotland
March 2015


The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

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- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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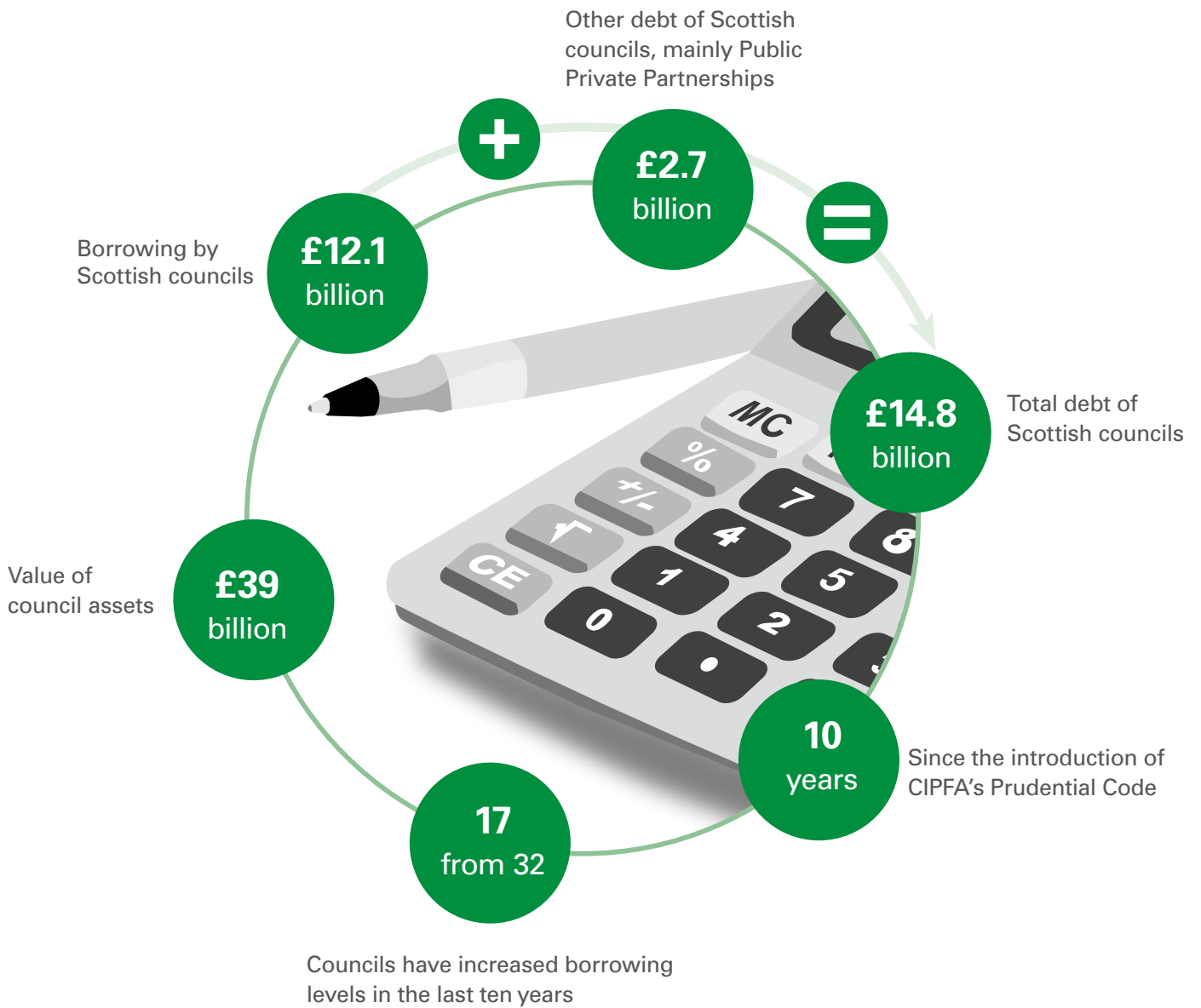
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Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Key facts



Summary



Key messages

- 1** Councils have total debt of £14.8 billion of which £12.1 billion, 82 per cent, is from borrowing. Debt commits councils to charges over the long term. There are different types of debt with different features and varying degrees of risk.
 - 2** Borrowing is a key source of finance for councils to invest in vital public services. Overall borrowing has remained at around £12 billion for the last three years, with total assets of £39 billion. Councils have developed borrowing strategies to suit their own local priorities and needs, in response to the flexibility introduced by the Prudential Code in 2004. Seventeen councils have increased their borrowing levels, in real terms, over the last ten years.
 - 3** Councils are following the general principles of the relevant codes of practice in demonstrating short-term affordability, but they are not always highlighting the strategic importance of borrowing and treasury management or clearly analysing and reporting the long-term affordability and sustainability of their borrowing. Councils need to develop detailed analysis to support borrowing decisions and to demonstrate they represent best value for the council.
 - 4** Treasury management is a professionally run function in councils with appropriately qualified officers. Succession planning, ongoing training and the availability of appropriate professional qualifications are important. Councils have started to integrate their treasury management and capital investment functions which is a positive step.
 - 5** Councils need to improve scrutiny of borrowing and treasury management. This is a complex and technical subject and officers need to provide wider training and support to councillors, and also provide clearer, more accessible reports. The current governance structures in some councils could be improved to support more effective scrutiny.
-

Recommendations

These recommendations focus on the evidence gathered and our findings on borrowing within councils. We suggest councils consider the wider relevance of these to total debt.

Council officers should:

- use the treasury management strategy to present a wider strategic view of borrowing and treasury management. It should use clear and accessible language and be prepared for councillors as the key audience. It should include how the borrowing strategy is informed by corporate priorities and capital investment needs. The strategy should include:
 - links to capital investment plans and corporate objectives
 - all borrowing and other debt
 - prudential indicators as a core part of the strategy
 - a clear assessment of the affordability and the impact on revenue budgets both in the short and long term
- create more detailed and longer-term borrowing and treasury management analysis as informed by the council's financial strategy. It should include:
 - scenario planning to show the potential impact of different budget scenarios, income generation plans, and changes in external factors such as interest rates
 - analysis of capital financing options to compare affordability and sustainability between different debt and borrowing options
 - the use of indicators over a longer period than the minimum three years set by the Prudential Code
- share strategies with other councils to help inform good practice, and exchange of ideas
- carry out joint planning with other councils to identify future qualification and training needs and enhance their capacity, in order to negotiate with training providers
- review the content of year-end reports to ensure they provide an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include appropriate indicators, comparative figures, and appropriate explanations.

Council officers and councillors involved in treasury management should:

- review governance arrangements, and update as necessary, to ensure they provide:
 - the treasury management strategy, mid-year and year-end reports to the same council committee, and that the full council has access to them
 - councillors with mid-year reports by the end of December each year
 - councillors with the wider picture, that is, make the links to capital investment decisions and revenue budgets
 - councillors with access to all reports relating to borrowing and treasury management activity including risk registers
 - ensure scrutiny arrangements are robust by:
 - considering widening the range of training options to councillors on borrowing and treasury management activities and whether this training should be mandatory
 - considering whether training for councillors provides a balance of scrutiny skills and knowledge of treasury management.
-

About the audit

1. This audit assesses how councils show best value in borrowing and treasury management decisions. Its specific objectives are to answer:

- What is borrowing and treasury management in councils?
- To what extent do councils' borrowing and treasury management strategies meet good practice and contribute to corporate plans and priorities?
- Can councils demonstrate the affordability and sustainability of borrowing decisions? For example, can they show that borrowing will not adversely affect their financial position? Will that continue to be the case in future?
- How effective are the governance arrangements for borrowing and treasury management? Governance covers areas such as responsibility and accountability for borrowing and treasury management decisions, arrangements for reporting decisions and for scrutinising them.

2. Councils have total debt of £14.8 billion, of which 82 per cent (£12.1 billion) is as a result of borrowing ([Exhibit 1, page 9](#)). Total debt includes Private Finance Initiative/Non Profit Distributing (PFI/NPD) contracts, Tax Incremental Financing (TIF), the City Deal agreement, the Growth Accelerator Model (GAM) and borrowing. Each type of debt has unique features, is at different stages of development and implementation and has varying degrees of risk. This is the first report that we have produced on council debt with the focus specifically on borrowing. This allows us to focus on the arrangements that councils have in

place to assess the affordability of borrowing. We may propose further work on other elements of council debt in due course.

3. This report focuses on whether councils openly and clearly demonstrate the affordability and sustainability of borrowing decisions over the short term, ie the next couple of years, and long term, that is ten years onwards to cover the term of the borrowing. It also looks at whether councils' approach to borrowing, as outlined in their treasury management strategy, reflects their corporate priorities and aims. Councillors have a key role in holding officers to account and this report evaluates the councillor's role in considering borrowing and treasury management reports, including the strategy. We use the term borrowing to mean borrowing from a source outwith the council.

4. Our focus is on borrowing to fund capital expenditure, such as building schools or improving roads. We did not evaluate day-to-day cash, investment and borrowing transactions. We have not explored in detail other forms of debt. This includes the new capital financing options available to councils including TIF, or City Deal that may have an element of borrowing to them ([Exhibit 1, page 9](#)). These new options are just being introduced and are not yet fully operational. Although the messages in our report are based on current borrowing, they will apply equally to other forms of debt including these new financing options.

5. We gathered audit evidence from:

- published and unpublished data on borrowing and treasury management activity including audited accounts, Chartered Institute of Public Finance and Accountancy (CIPFA) statistics and Scottish Government data
- our review of the treasury management strategies of 12 councils
- fieldwork at six councils involving interviews with officers and councillors
- interviews with representatives from organisations including the Scottish Government, CIPFA, CIPFA Treasury managers' forum and the Society of Local Authority Chief Executives (SOLACE).

6. [Appendix 1](#) provides further details of our audit approach.

7. This report has three parts:

- [Part 1](#): setting the scene
- [Part 2](#): demonstrating the affordability and sustainability of borrowing
- [Part 3](#): effective management and scrutiny.

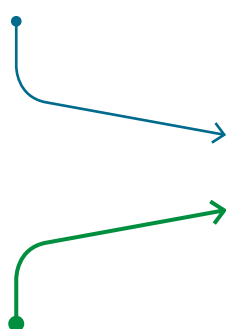
8. Our website contains a [Supplement: Scrutiny guidance and questions for councillors \[PDF\]](#)  to help them implement the recommendation we make in this report.

Exhibit 1

Borrowing is 82% of total debt

New capital financing method. Council borrows to invest in infrastructure projects which will deliver economic growth. Additional business rate income from the new business generated pays for borrowing charges.

Tax Incremental Financing



Borrowing £12.1bn

From Public Works Loan Board (public sector source of lending for public bodies)

From banks

Borrowing charges paid from revenue budget over life of loan.

Public Private Partnership £2.7bn

Partnership where public and private sector partners agree a contract to build and maintain an asset for public sector use.

Public body pays an annual charge over the life of the asset to the contractor from its revenue budget.

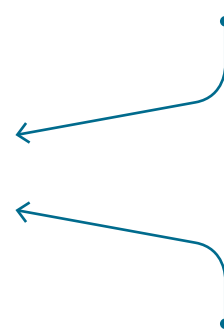
Similar to PFI, but limits the profits that the private sector contractor may retain.

Public body pays an annual charge over the life of the asset to the contractor from its revenue budget.

Private Finance Initiative



Non-profit distributing contracts



Total debt
£14.8bn



Growth Accelerator Model

Public body borrows to invest in capital investment project.

Expected that additional business rates will accrue to Scottish Government owing to investment.

Scottish Government makes payment to public body, based on additional economic growth.

City deal

Agreement signed with UK and Scottish Governments by the 8 Glasgow and Clyde Valley councils. Currently the only deal in Scotland.

The deal involves the councils investing an additional £130 million to unlock additional grants of £1 billion from the UK and Scottish Governments combined.

Investment by councils will involve additional borrowing, with charges covered by additional grant income.

Note: £2.7bn includes finance leases. TIFs, GAM and City Deal are just introduced and are not yet fully operational.

Source: Audit Scotland

Part 1

Setting the scene



Key messages

- 1** Councils' outstanding debt was £14.8 billion at 31 March 2014, with borrowing making up £12.1 billion, 82 per cent of this.
- 2** Councils use borrowing to pay for assets such as schools and roads to provide local services and meet local priorities. This has an impact on future revenue budgets, as the council needs to pay interest on the borrowing. Total assets were £39 billion at 31 March 2014.
- 3** The Prudential Code was introduced in 2004 to provide greater flexibility for councils to manage and control their own capital investment activity following a period of government regulation. Councils' borrowing strategies, levels of borrowing and debt profiles differ widely.

Councils invest in services for communities

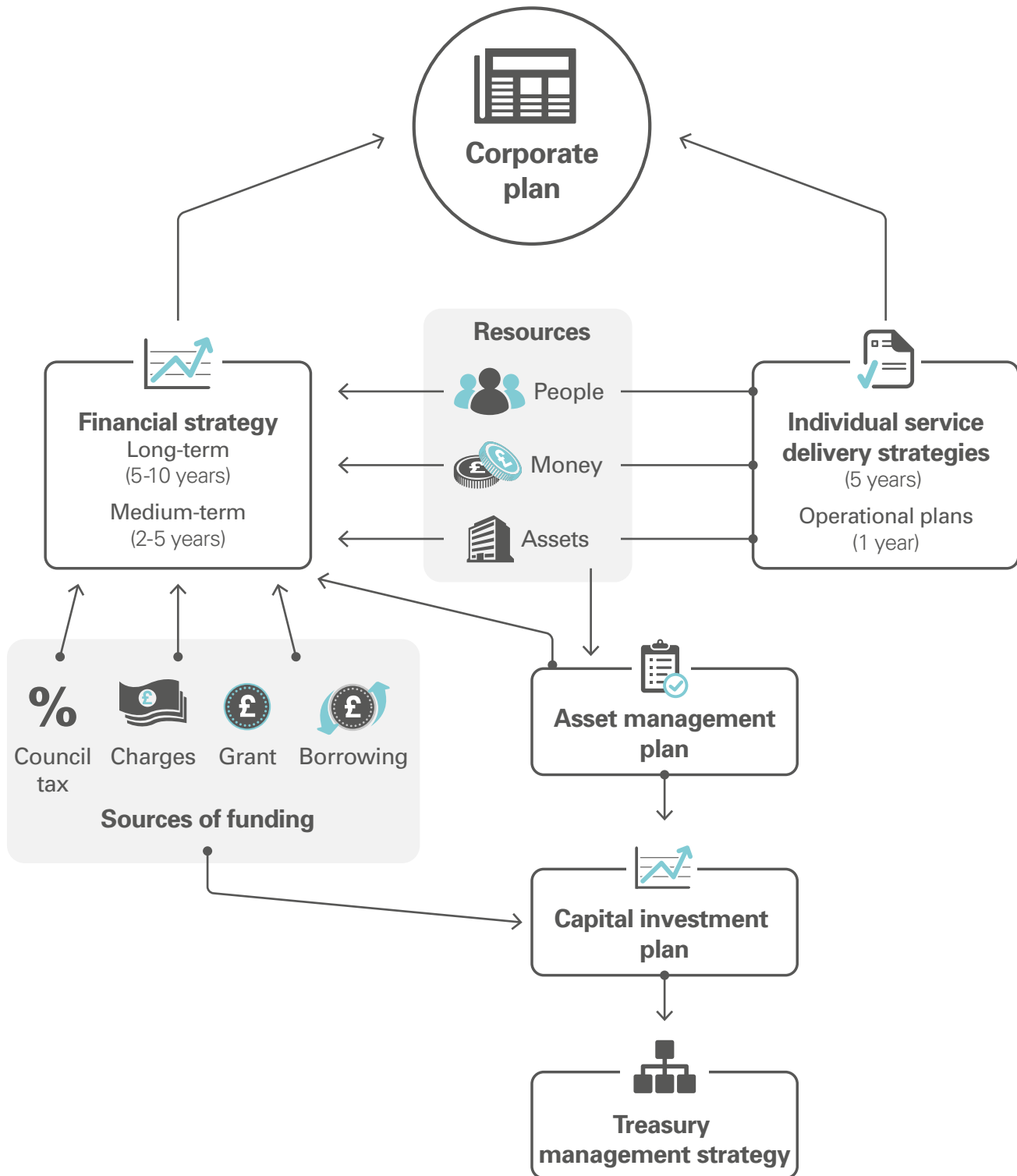
9. A council has a corporate plan setting out its priorities and objectives and how it plans to achieve them ([Exhibit 2, page 11](#)). This may, for example, include the priority to build a new school to deal with an expected increase in demand as a result of significant new housing. These plans are often over the medium term, typically three to five years, but may be over a longer term, ie up to 15 years. The council targets its resources, that is people, money and assets, at its priorities and objectives. The corporate plan should feed into the asset management plan to identify what assets are needed to achieve its objectives. For example, this could be building new housing. The council, through a capital investment plan, sets out how it will finance the spending on these assets. This may be by using cash resources, for example cash reserves built up over time or capital grants, or through external finance.

10. Methods of external finance include borrowing, PFI schemes and other mechanisms including NPD schemes, TIF schemes, or the new GAM. Entering into external financing arrangements will create debt for the council, and means that the council needs to pay financing charges each year over the life of the arrangement, which may be up to 50 years. It is important for a council to assess the affordability of decisions in the context of the financing charges of its total debt.

councils' ability to manage and control their own investment activity is reflected in borrowing levels and strategies

Exhibit 2

Corporate and strategic influences on treasury management strategy



11. Councils should also have medium (two to five year) and long-term (five to ten year) financial strategies. The council will estimate future funding and income, costs and demand for services, and how much it will need to spend to achieve its future objectives. The strategy should identify how the council will make up any shortfall between estimated funding and projected costs and demand. The financial strategy should include the financing cost of borrowing and other debt. This is the annual repayment of interest charged on borrowing or other external financing and any other associated costs. Councils make this repayment out of future budgets, so it decreases the level of available budget remaining and reduces flexibility in future budget decisions.

12. Borrowing involves accessing finance and then repaying it over a longer period of time. These periods can be for up to 50 years, so today's decisions can have a sustained impact on future generations. Borrowing decisions involve a careful balancing act between prioritising investment, and making sure the council can:

- manage the consequences of its decisions over the whole life of the borrowing
- provide evidence showing how it will manage these long-term consequences.

13. Borrowing therefore is set firmly within the framework of wider council activity and should be driven by the corporate plan, capital investment plan and medium and long-term financial plans ([Exhibit 2, page 11](#)).

Borrowing is the main element of total debt

Councils' outstanding borrowing is £12.1 billion and has been between £10.5 and £12 billion for the last six years

14. Councils spend around £20.8 billion a year. Of this, £18.6 billion is for day-to-day expenses including salaries, and £2.2 billion on buying, building and maintaining assets such as schools, housing and care homes.

15. Councils' total debt at 31 March 2014 was £14.8 billion, with total assets of £39 billion. Borrowing is the main form of debt for Scottish councils ([Exhibit 1, page 9](#)). Councils had overall borrowing of £12.1 billion at 31 March 2014 and other debt of £2.7 billion ([Exhibit 3, page 13](#)). Borrowing has remained between £10.5 and £12 billion for the last six years. Other debt levels have fluctuated between £2.2 billion and £2.8 billion over the last six years. Other debt comprises both PFI and NPD schemes and the new financing methods, including TIF, GAM and City Deal that are just being introduced.

16. Comparing council borrowing levels over the last ten years, between 2003/04 and 2013/14, shows that 17 of Scotland's 32 councils have increased borrowing levels in real terms, that is, including the effects of inflation ([Exhibit 4, page 13](#)). Changes in borrowing levels over this period reflect differences in councils' corporate priorities, capital investment plans, levels of cash resources and other available financing options, amongst other factors.

17. Councils do not always need to increase debt or borrowing if internal sources of finance are available to them. This includes using cash reserves that have been built up over time or capital grants.

18. Current interest rates are low, which is an advantage to councils that need to borrow for capital investment as interest charges are cheaper than when rates are higher. Our analysis shows that two-thirds of councils are currently borrowing, although fewer councils are borrowing now than ten years ago. Councils are borrowing shorter term, typically for less than 15 years, at fixed rates, from government-backed institutions such as the Public Works Loan Board (PWLB), as this has offered the most competitive rates.

Borrowing is a long-term commitment, with a third of current borrowing due to be repaid in over 40 years

19. The repayment of a council's borrowing influences its long-term financial planning and its assessment of whether it will be able to afford its existing borrowing in the future. To manage levels of borrowing we would expect to see a spread of borrowing with different maturity periods so that it is more manageable. We would also expect councils to avoid periods when high levels of repayments may impact on money available for other priorities. On maturity, councils can either decide to repay borrowing, or take a new loan to replace the old borrowing. [Exhibit 5 \(page 15\)](#) shows the profile of borrowing for 2009/10 to 2012/13 and highlights:

- the profile of borrowing is evening out and the percentage of loans maturing in over 20 years has fallen. At 2009/10, over 61 per cent of borrowing would mature in over 20 years; this decreased to 52 per cent by 2012/13
- councils have increased short-term borrowing. At 2009/10, around five per cent of borrowing was for less than two years, increasing to 8.5 per cent at 2012/13
- around a third of councils' borrowing is due to be repaid in the next ten years (35 per cent)
- around another third of borrowing will be due for repayment in over 40 years (34.8 per cent).

Borrowing is a key part of treasury management

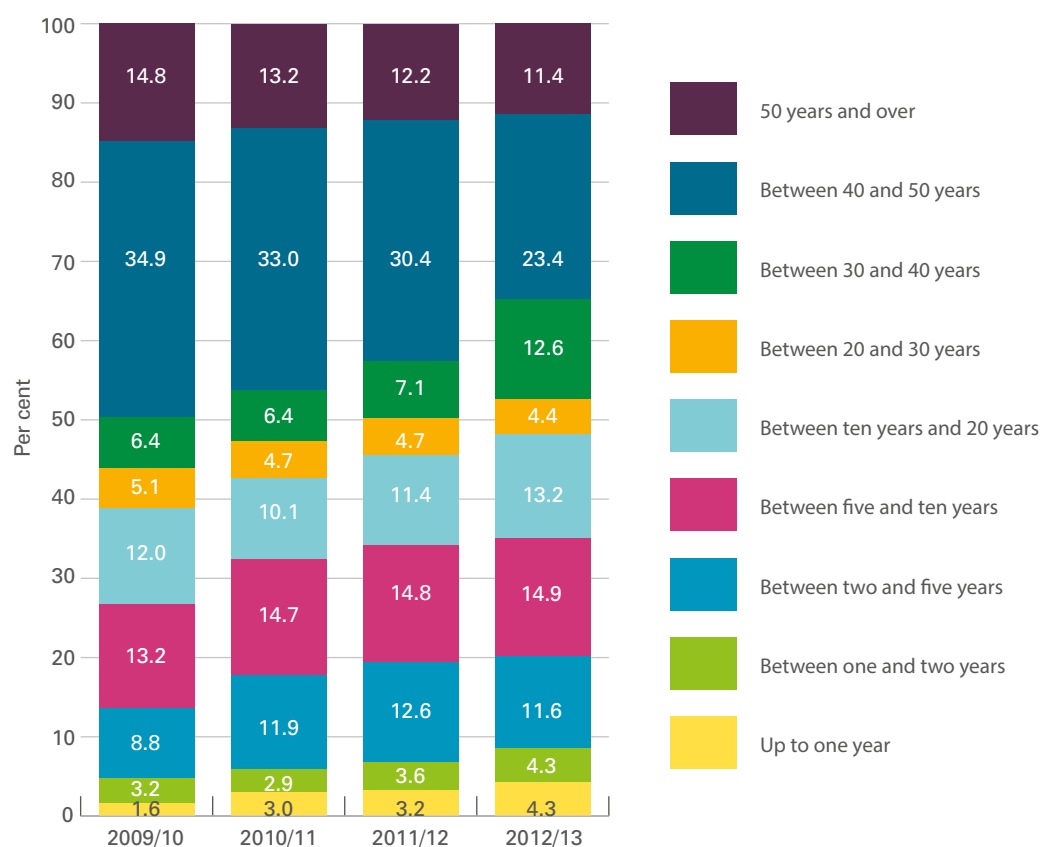
20. Treasury management is the process that councils use to ensure cash is available when needed. This includes day-to-day expenses like paying salaries or electricity bills, and building new assets, such as a new school, or improving existing ones, such as roads. It also involves ensuring that any temporary surplus cash is safely invested. Borrowing is one of the larger cash flows that a council needs to manage, so borrowing is a central part of treasury management. [Exhibit 6 \(page 16\)](#) shows examples of the typical cash flows in a council together with their timing.

21. Councils have two types of budgets to finance and to balance: revenue and capital. Revenue expenditure pays for daily activities like salaries or electricity bills. Capital expenditure is what councils spend on premises, equipment and vehicles; on improvements like roads repairs; and on providing new assets like schools or council houses. Councils can borrow to finance capital expenditure but not revenue expenditure, unless approved by Scottish ministers. Borrowing charges are revenue expenditure. Councils that own council houses must keep a separate budget and account for revenue and capital expenditure on the housing stock.

Exhibit 5

Scottish councils—maturity of total borrowing 2009/10 to 2012/13

Percentage of borrowing due to be repaid in the periods shown.



Source: *Capital Expenditure and Treasury Management*, CIPFA Statistics, June 2014

Borrowing to invest in housing must be repaid from the future housing budget, and therefore funded from future housing rental income.

Councils must comply with borrowing and treasury management rules and regulations

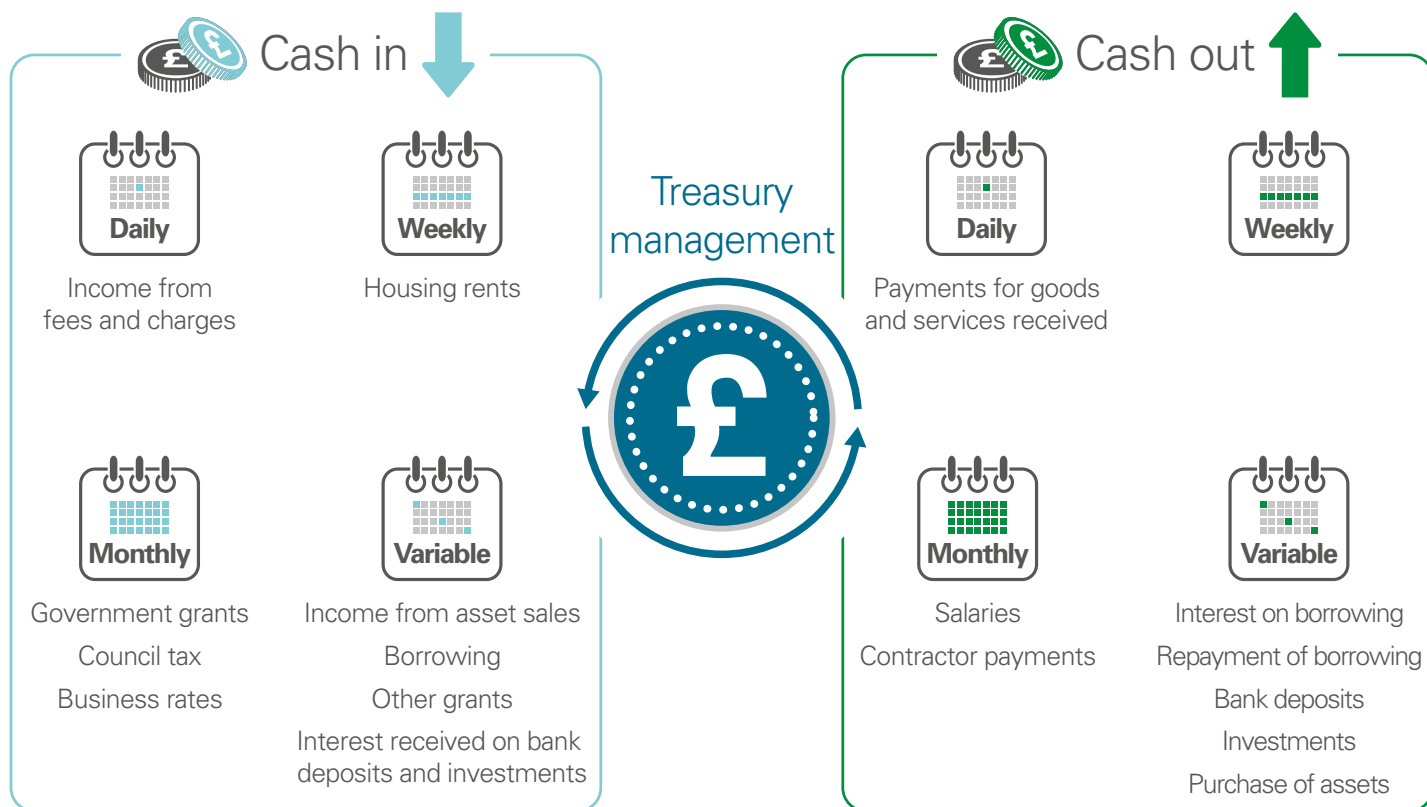
22. In recognition of the importance of capital investment in assets and treasury management to council activities, CIPFA and the Scottish Government set codes of practice and regulations for councils to follow. These ensure that councils have effective processes and practices in place to control, manage and govern capital investment decisions, that include borrowing, and treasury management practices ([Exhibit 7, page 17](#)).

23. The Prudential Code was introduced in 2004 as a framework to support councils and help them show effective control over levels of, and decisions relating to, capital investment activity, including borrowing. Before this, capital investment levels in councils were government-regulated.

Exhibit 6

Treasury management activities

An example of a council's cash flows with their timing to demonstrate their variability and predictability.



Source: Audit Scotland

24. This self-regulating approach has enabled councils to adopt borrowing and treasury management strategies that fit with their corporate plans and objectives. The framework allows for councils themselves to judge what is affordable and sustainable and will differ depending on local circumstances. The Prudential Code sits alongside CIPFA's treasury management code, which sets out the requirements for professional treasury management practice.

25. A key requirement of the codes is for councils to produce an annual treasury management strategy before the start of each financial year. CIPFA and the Scottish Government recommend that this is a single integrated strategy that combines plans for capital investment, including borrowing, treasury management, and investment. It also recommends that the strategy includes prudential indicators that are set out within the Prudential Code. These form a set of 12 limits and ratios that all councils must calculate and use to show to councillors and the public that capital investment plans are affordable and sustainable.

Exhibit 7

Codes of Practice and Regulations

The Prudential Code for Capital Finance in Local Authorities–CIPFA	A professional code of practice to help councils with capital investment decisions by providing a framework. The Prudential Code sets out indicators that councils must use to help demonstrate public accountability. It also recommends that councils have an integrated treasury management strategy within which its borrowing and investments are managed.
Treasury management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes–CIPFA ('the CIPFA treasury management code')	Adopting this code is a requirement of the Prudential Code. This makes recommendations to provide a basis for councils to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices. A key recommendation is for a treasury management strategy before the start of the year, a mid-year report and an end-year review report.
Finance Circular 5/2010–The investment of money by Scottish local authorities	Provides Scottish ministers' consent for councils investing money and sets out the recommendations and requirements they must meet when making investments. It requires local authorities to 'have regard' to the Prudential Code and the Treasury Management Code and recommends that the strategy form part of a wider single annual strategy covering capital investment, treasury management and prudential information.
Local Government (Scotland) Act 1975	Sets out the statutory basis on which councils can borrow and lend.

Source: Audit Scotland

26. This report focuses on borrowing, to finance capital investment, and treasury management. Most of the indicators are not specific to borrowing but relate to total capital investment and are calculated using figures for total finance costs, total capital expenditure or total debt. This allows councils to assess the affordability of borrowing in the context of the total debt position of the council. The indicators relating specifically to borrowing are the estimated and actual capital financing requirement. This calculates the amount of capital investment that needs to be met from borrowing or other method of external finance.

27. The prudential indicators are designed to help councils make and record local decisions. They are not designed to be comparative performance indicators across councils as they are set according to the individual needs of each council. In particular, councils had widely different debt positions when the Prudential Code was introduced. These differences are likely to increase over time as councils' choices reflect local priorities. The system is designed specifically to help councils take local decisions in ways that are publicly accountable.

Our fieldwork sites reflect the variation in councils' borrowing and treasury management strategies

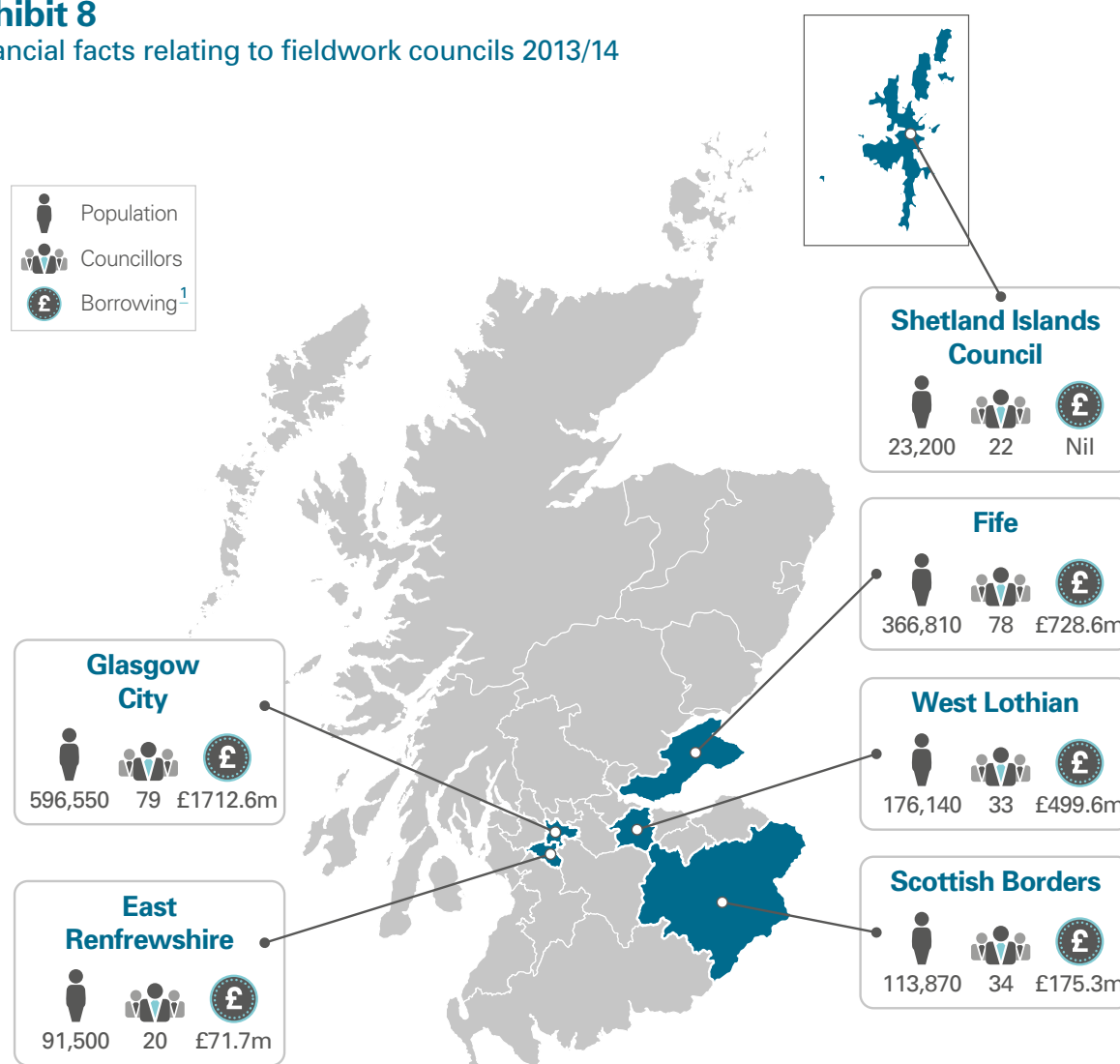
28. We reviewed the strategies of 12 councils to give us a better indication of the variation in local circumstances, the need for borrowing and the resulting treasury management strategy. We selected six councils out of the 12 to undertake more detailed fieldwork, including interviews.

29. Our six fieldwork sites reflect the level of variation in councils' borrowing and treasury management strategies, and therefore their levels of borrowing ([Exhibit 8, page 19](#) and [Exhibit 9, pages 20 and 21](#)). Although interest rates are currently low and expected to increase, not all councils have set their strategy to borrow for future capital investment. For example, East Renfrewshire Council has not borrowed externally for five years, but it has previously financed a higher proportion of investment through other methods of external financing such as the PFI scheme, and therefore has a higher proportion of other debt. Shetland Islands Council had never borrowed until July 2014. This change in strategy was as a result of appraising whether using internal cash reserves or borrowing at low interest rates represented the best value for the council.

30. Councils have different sizes of capital investment programmes to finance. Some councils have no housing stock to improve and add to, while others must consider how to invest in their housing stock without placing too high a burden on future housing budgets and rents. Councils must repay the borrowing and interest charges for investment in housing from the housing revenue budget; whereas investment in other assets must be repaid from the general budget.

Exhibit 8

Financial facts relating to fieldwork councils 2013/14



	Shetland Islands	East Renfrewshire	Scottish Borders	West Lothian	Fife	Glasgow City
Fixed assets ²	£406m	£770m	£416m	£1,346m	£2,151m	£4,367m
Investments ³	£211.4m	£45.1m	£13.7m	£117.1m	£3.1m	£136.5m
Cash reserves ⁴	£240.9m	£53m	£25.7m	£114.8m	£90.6m	£135m
General capital programme ⁵	£69.5m (2014-19)	£100.7m (2014-22)	£271.4m (2014-24)	£277.3m (2013-18)	£532.2m (2013-23)	£455.7m (2013-18)
Housing capital programme ⁵	£5.8m (2014-19)	£17.2m (2014-19)	No housing	£202.9m (2013-18)	£390.4m (2013-23)	No housing

Notes:

1. Borrowing is long and short-term borrowing from council audited accounts at 31 March 2014. 2. Fixed assets is the value of long-term tangible fixed assets, such as buildings and equipment, and long-term intangible assets such as software, from the audited accounts at 31 March 2014. 3. Investments includes long and short-term investments, investment property where relevant, and cash and cash equivalents from the audited accounts at 31 March 2014. 4. Cash reserves is the total usable reserves of the council, from the audited accounts at 31 March 2014. 5. The length of councils' capital programmes can vary and spending is phased over the length of the programme. The timeframe of each council's programme is given in brackets.

Source: Council audited annual accounts 2013/14; *Mid 2013 Population Estimates Scotland*, National Records of Scotland, June 2014

Exhibit 9

Key borrowing facts for our six fieldwork councils

Graph A

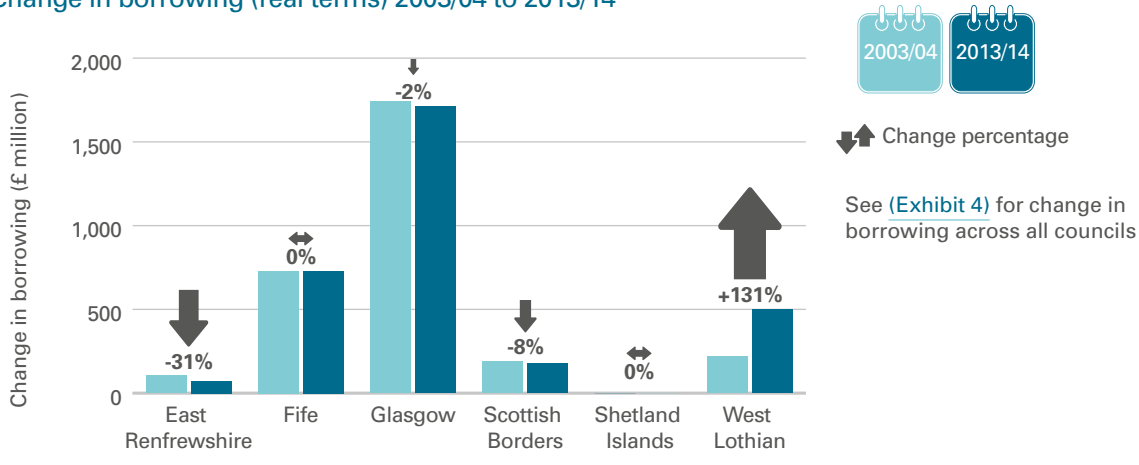
2013/14 debt levels



Source: Council audited annual accounts 2013/14; Mid 2013 Population Estimates Scotland, National Records of Scotland, June 2014

Graph B

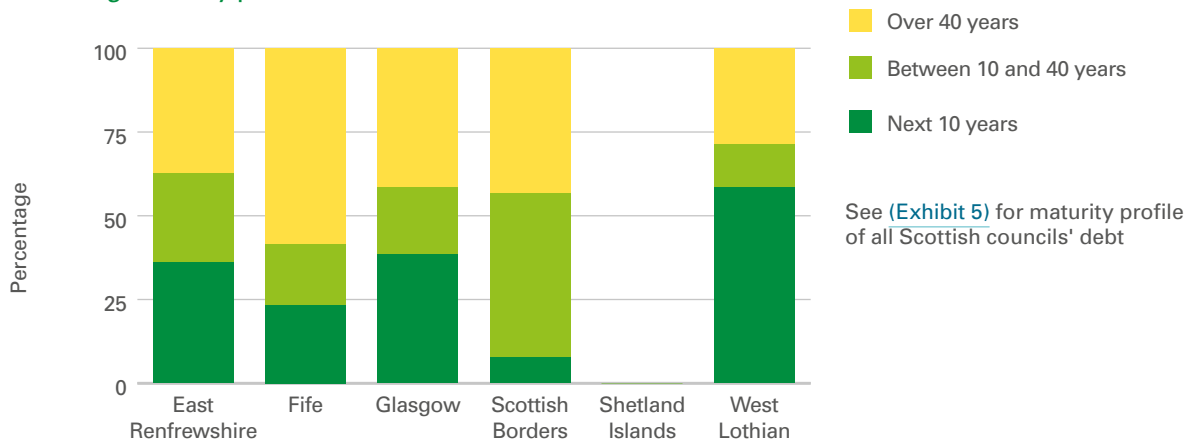
Change in borrowing (real terms) 2003/04 to 2013/14



Source: Council audited annual accounts 2013/14

Graph C

Borrowing maturity profile 2012/13



Source: Capital Expenditure and Treasury Management, CIPFA Statistics, June 2014

Exhibit 9 (continued)

East Renfrewshire Council

- Just over half of East Renfrewshire's debt relates to PFI/PPP schemes for schools and roads **(Graph A)**.
- The council has not undertaken any external borrowing since 2009/10. The overall level of borrowing has been reduced by 31 per cent compared to ten years ago **(Graph B)**.
- The borrowing maturity profile generally follows the national profile with approximately one-third of borrowing to be repaid in next 10 years and one-third over 40 years **(Graph C)**.
- Capital investment requirements are currently being met with cash from reserves, cash balances and cash flow.
- The council will need to borrow to participate in the City Deal project.

Fife Council

- Borrowing makes up 90 per cent of the council's total debt **(Graph A)**.
- The council has borrowed £165m since 2008/09. The level of borrowing has remained static compared to ten years ago **(Graph B)**.
- Almost two-thirds of borrowing needs to be repaid in 40 years or more **(Graph C)**.
- The council uses a combination of cash, council reserves and borrowing to meet capital investment requirements.
- The council is a pilot site for a TIF scheme which will involve an element of borrowing.

Glasgow City Council

- Borrowing makes up 90 per cent of the council's total debt **(Graph A)**.
- The council has taken out loans of £677m since 2008/09. The overall level of borrowing has decreased slightly, by two per cent, compared to ten years ago **(Graph B)**.
- The borrowing maturity profile is broadly aligned with the national profile **(Graph C)**.
- The council uses funds and reserves, and has a preference for cheaper short-term borrowing for capital investment purposes.
- The council will need to borrow to participate in the City Deal project.

Scottish Borders Council

- Borrowing makes up 75 per cent of the council's total debt **(Graph A)**.
- The council has taken out loans of £7.5m since 2008/09. Overall level of borrowing has fallen by eight per cent compared to ten years ago **(Graph B)**.
- It has a small proportion of borrowing maturing in the next ten years when compared to other councils **(Graph C)**.
- The council has been using reserves cash balances and cash flow for capital investment.
- It has received consent to borrow for lending to support the National Housing Trust and Registered Social Landlords.

Shetland Islands Council

- The council borrowed for the first time in 20 years in summer 2014. Borrowing is only planned to fund the new Anderson High School, the council is using cash balances or reserves to fund other capital expenditure.
- It will borrow for capital expenditure if interest rates are lower than average investment return.

West Lothian Council

- Borrowing makes up around 90 per cent of the council's total debt **(Graph A)**.
- Has taken out £371m in new loans since 2008/09. Overall level of borrowing has increased compared to ten years ago **(Graph B)**.
- Over half (59%) of the council's borrowing is due to mature in the next ten years **(Graph C)**.
- Will continue to borrow externally while interest rates remain low.

Part 2

Demonstrating the affordability and sustainability of borrowing



Key messages

- 1** The six councils in our sample are following the general principles and framework of relevant codes and regulations.
- 2** Councils are using the prudential indicators to demonstrate and monitor the short-term affordability of borrowing. But councils are not clearly analysing and reporting their assessment of the longer-term affordability and sustainability of borrowing. Officers present the repayment profile of borrowing to councillors, but are not presenting this together with other information such as different budget scenarios, interest rates scenarios, or capital investment strategies. This is important to inform councillors of the future risks to the affordability and sustainability of current and new borrowing.
- 3** Long-term financial planning will help councils develop more detailed analysis on the longer-term affordability and sustainability of borrowing.
- 4** Councils could present information more clearly to councillors. Some councils are not presenting councillors with all the relevant information at one time to support borrowing decisions, for example in the treasury management strategy. This is important to ensure that decisions made are based on an assessment of all the relevant analysis and risks.

clear reporting to councillors on affordability and sustainability is important for sound decision making

Councils assess the short-term affordability of borrowing

31. Councils should have short, medium and long-term financial strategies that include the financing cost of borrowing and other debt and show the impact on the revenue budget. Decisions on borrowing and other debt need to be taken on the basis of affordability.

32. Our evidence shows that councils demonstrate the short-term implications of borrowing and other debt financing on the revenue budget through use of the prudential indicators. There are 12 prudential indicators that councils must set for each year. Eleven of them must be set for a minimum of three years ahead. Two of these 11 indicators specifically highlight the affordability of capital investment decisions, including borrowing ([Exhibit 10, page 23](#)). These indicators cover all debt and are not specific to borrowing.

Exhibit 10

Affordability prudential indicators

Indicator	What it means	What it is used for
Financing cost to net revenue stream: actual and estimated for next three years	The percentage of the revenue budget set aside each year to pay debt financing costs	<ul style="list-style-type: none"> Assesses the risk to future budgets, eg from changing interest rates Provides comparisons over time Measures the impact of changing financing costs on the financial strategy
Impact of capital investment decisions on council tax and housing rents	This estimates the impact of new capital investment decisions on council tax and on the average weekly housing rent	<ul style="list-style-type: none"> Allows councillors to consider all the council's plans at budget setting time Allows comparison of different capital financing options by assessing the potential impact on council tax or housing rents

Source: CIPFA Prudential Code

33. The Prudential Code requires councils to estimate the impact of capital investment on the budget for the next three years, as a minimum. No councils in our sample reported estimates for a longer timeframe, and no councils had developed their own indicators to assess affordability. The Prudential Code suggests that councils use their own additional indicators, and this would be a good option for councils to monitor an impact that was important and relevant to their strategy.

34. The indicator 'financing costs to net revenue stream' is used to show how much of council income would be used to pay borrowing and debt charges. For councils with housing, they must separately calculate this indicator showing how much of housing rents income will be required to finance housing-related borrowing and debt charges. [Exhibit 11 \(page 24\)](#) shows the data published by West Lothian Council to provide an example of how this indicator is used.

Exhibit 11

An example of a council's ratio for 'financing costs to net revenue stream'

West Lothian Council is planning to invest in its assets over the next three years, including a council house new build programme. This is shown by the increasing capital financing requirement. Its strategy is to borrow in order to finance this capital investment. The impact of this is to increase the ratio of 'financing costs to net revenue stream' for both the general revenue budget, and the housing budget. This example shows that there is an expected increase in the proportion of income used to finance capital investment over the next three years. It will increase from 7.3 pence of every £1 to 8.6 pence. In relation to investment in housing the expected increase is from 20.8 pence in every £1 of housing rent income to 31.2 pence.

	2013/14 actual	2014/15 estimate	2015/16 estimate	2016/17 estimate
Capital financing requirement				
General Fund	£438,788	£444,404	£446,834	£446,534
Housing	£148,885	£174,561	£200,871	£226,174
Ratio of financing costs to net revenue stream				
General Fund	7.3%	7.8%	8.3%	8.6%
Housing	20.8%	25.4%	28.9%	31.2%

Source: West Lothian Council treasury management annual and prudential indicator reports

Councils are not making good use of all prudential indicators

35. The indicator for the 'impact of capital investment decisions on the council tax/housing rents' is a good example of how councils demonstrate, to councillors and the general public, what the financial implications of council decisions could be for members of the public. This could be an increase or decrease in council tax or housing rents.

36. We found that all councils are reporting this indicator. Out of our sample, three of the 11 councils that we reviewed did not report any impact of capital investment on council tax.¹ The main reason for councils not doing this is that there is currently a freeze on councils' ability to increase council tax. We acknowledge that while the council tax freeze remains, council tax may not increase, but the indicator can still be used to demonstrate what the potential impact of capital investment plans would be. The council tax freeze makes it more important to show how much of the budget is being used to finance capital investment. Councils may also seek to reduce any impact on the budget through making savings. In these cases, we would expect this to be clear in the narrative to the indicator.


Councils are not clearly analysing and reporting the long-term affordability and sustainability of borrowing decisions

37. Councils face reducing revenue budgets and increasing demand for services. As a result many councils have projected funding gaps and need to generate recurring long-term savings. Councils' existing borrowing commitments extend for up to 50 years, and while any current decisions to borrow allow

the council to invest in services they also place more pressure on revenue budgets. Councils therefore need to clearly set out how current and past borrowing decisions impact on the future revenue budget over the life of the borrowing term. The Prudential Code sets out a minimum three years for reporting prudential indicators. Borrowing commitments can extend up to 50 years and, in our view, three years is inadequate to demonstrate to councillors the affordability of borrowing.

38. We found that, while councils were demonstrating the impact of borrowing decisions over a three-year period using prudential indicators, none of the councils in our sample presented councillors with a longer-term view. The Prudential Code provides a minimum framework for councils to demonstrate and monitor the impact of their capital financing decisions on their future budget and income streams. In our view councils could extend the use of the framework and provide an extended analysis to demonstrate the longer-term affordability of borrowing. Officers could provide us with: information on capital investment requirements for up to ten years, when borrowing is due to be repaid and what this will cost, and interest rate forecasts, but there was no analysis bringing this together with budget scenarios to assess affordability. Councillors are not therefore always provided with information on the future affordability of new borrowing and the potential risks. This analysis should bring together the financing charges for all debt, to consider peaks in charges, and the additional risks of new borrowing or debt to this affordability profile.

Demonstrating the affordability and sustainability of borrowing needs effective long-term planning

39. Our report on [Scotland's public finances: Progress in meeting the challenges \[PDF\]](#)  highlighted a lack of long-term financial planning. Long-term financial planning should include scenario planning to outline the different options available to the council based on a range of different assumptions about income, expenditure and activity. The borrowing and treasury management analysis could expand on this financial planning to look at the impact on affordability of using borrowing or different finance methods within each of the options. It could also add external assumptions including changes in interest rates to look at future risk factors to the affordability of borrowing. [Exhibit 12 \(page 26\)](#) highlights how the information in a long-term financial plan can be used to inform detailed analysis on borrowing and treasury management.

40. This more detailed analysis and scenario planning would allow officers and councillors to be clear about the evidence supporting decisions on borrowing. It would highlight all the financing options available and the risks and affordability of each option. Councillors would be aware of any risks when making a decision. As councils are required to produce an annual treasury management strategy, such analysis could be included in the strategy. The strategy would bring together all the key information and set out the supporting evidence. As a public document this would increase the transparency of council decisions.

Councils' treasury management strategies need to clearly demonstrate a more integrated approach

41. The treasury management strategy provides the council with an opportunity to set out its approach and rationale to borrowing, and to provide assurance on how borrowing and treasury management activity will help the council to meet its objectives. Strategies should clearly demonstrate the links to other council

Exhibit 12

The key components of long-term borrowing analysis

Components of long-term financial planning	Essential elements to inform a long-term borrowing analysis	Example
<p>Scenario planning</p> <p>Scenario planning to outline the best, worst and most likely scenarios of the financial position and the assumptions used</p>	<ul style="list-style-type: none"> • Projections for financial settlements, both revenue and capital • Long-term economic forecasts and inflation rates • Projections for interest rates 	<p>The council develops scenario plans for the revenue budget based on a range of assumptions about future revenue streams. This is compared with projected borrowing charges to highlight potential periods of pressure on the revenue budget</p>
<p>Assets and reserves</p> <p>Details of assets and reserves and how these will change over time</p>	<ul style="list-style-type: none"> • Borrowing profile and schedule of repayments • Future reserves policy and contingency levels • Projected reserve levels (based on scenario planning above) • Future impact of asset management plans 	<p>A council is currently using reserves to finance capital investment. It could use different combinations of borrowing and reserves to finance projected capital investment needs. The council should model these different combinations to show the impact on reserve levels and the revenue budget. This would highlight the risks and benefits of each combination</p>
<p>Capital investment activity</p> <p>Details of investment needs and plans and how these will be paid for</p>	<ul style="list-style-type: none"> • The impact of future service demands on capital investment needs. There may be a range of options • Estimated cost of the capital investment options • Future available funding options • Projected borrowing rates 	<p>A council has a range of existing borrowing and wider debt, including PFI. The council should prepare analysis showing the combined financing charge to the revenue and service level budget over the life of the asset or borrowing term. This would be based on different scenarios of interest rates or inflation. If the council wants to invest in more capital, it can model the additional impact of borrowing or debt onto this analysis</p>

Source: Audit Scotland

strategies and plans such as the capital programmes, short, medium and long-term financial strategies, reserves policies, etc. The strategy enables councils to bring together this key information and to show how borrowing decisions fit into this bigger picture.

42. We evaluated strategies against the requirements and good practice recommendations of the Prudential Code, Treasury Management Code and Scottish Government investment regulations. The codes and regulations largely cover operational practice, and councils generally met their requirements. We found the language of the codes and regulations difficult to interpret. Strategies that followed the good practice recommendations as well as the requirements were clearer and told a better story about the council's intended direction for borrowing and treasury management. Scottish Borders Council presents this wider story within its strategy and it is a good example of a clearer strategy.

Not all strategies clearly show the link to corporate and capital plans

43. None of the strategies of our fieldwork councils refers directly or provides links to corporate objectives. This is important to demonstrate how the proposed strategy will help the council to meet its overall aims and objectives and improve services to communities.

44. Councils' treasury management strategies link plans for future capital investment, the financing and affordability of those plans and how cash will be safely managed to meet a council's financial commitments. We acknowledge that there is a wider process within councils to consider and agree capital investment programmes and plans. This includes the use of capital working groups or committees, usually comprising a mix of officers and councillors. These are not usually public forums and the associated reports and papers are not usually public documents. As outlined at paragraph 41, the treasury management strategy is the public document that should bring together capital investment plans and the financing of those plans, including borrowing. In our view, it is the appropriate document for councils to use to demonstrate that other options have been considered. Some councils choose not to approve annual capital investment plans, for example Glasgow City Council approved a two-year capital plan for 2013/14 and 2014/15. It is important therefore for councils to reflect the links to capital investment plans in their annual strategy.

45. Councils do not borrow for specific projects but consider how to finance their whole capital investment programme each year. In identifying the capital expenditure for the year they identify internal sources available before considering borrowing. The Prudential Code requires councils to calculate their 'capital financing requirement', which is the capital expenditure that they need to finance from other sources, that is, through borrowing or other method of external finance.

46. References to the capital programme and capital investment plans vary in detail within strategies. Councils are making better links between treasury management and capital investment at operational level through closer working between treasury management and capital functions but this link is not always reflected in strategies. Glasgow City and East Renfrewshire councils refer to the capital financing requirement and prudential indicators within their strategy,

making the link to capital investment. The Scottish Borders Council strategy is clearer and provides a much wider perspective on its capital investment plans in the strategy including capital expenditure forecasts, capital financing assumptions, the predicted borrowing need and affordability. Relevant prudential indicators are used throughout the strategy.

47. We found little evidence of councils actively sharing strategies with each other to inform good practice, or different ways of presenting information. Some strategies, for example councils in the Lothian region, had similar sections and wording.

Councils are not always using the strategy to clearly explain the prudential indicators

48. We found variation in how councils link the prudential indicators with the treasury management strategy and how the strategy fits with the revenue budget setting process. Councils should use the prudential indicators to demonstrate affordability, prudence and sound treasury management in capital investment decisions. The local authority investment regulations recommend that the treasury management strategy will cover capital, investment and borrowing and the prudential indicators.

49. Only two of six fieldwork councils (Scottish Borders and Shetland Islands councils) included the prudential indicators as a key part of the strategy. Other councils included these indicators as an appendix, and East Renfrewshire Council reports the indicators separately in a different report.

50. We found that councils are setting and reporting on prudential indicators to the full council and appropriate committees but the level of commentary provided within reports is variable. References in reports to the indicators are based on the technical definitions, with few giving the overall context and implications. This is particularly the case where the prudential indicators are provided solely as an appendix to the treasury management strategy or a separate report. A lack of context means that the council is not providing an explanation of how it is actively using the indicators to measure and monitor the affordability of borrowing. Nor is it explaining what the indicators actually mean for the council and its communities, in terms of increasing or decreasing pressure on budgets, or any risks highlighted by the forecast indicators.

Recommendations

Council officers should:

- use the treasury management strategy to present a wider strategic view of borrowing and treasury management. It should use clear and accessible language and be prepared for councillors as the key audience. It should include how the borrowing strategy is informed by corporate priorities and capital investment needs. The strategy should include:
 - links to capital investment plans and corporate objectives
 - all borrowing and other debt
 - prudential indicators as a core part of the strategy
 - a clear assessment of the affordability and the impact on revenue budgets both in the short and long term
 - create more detailed and longer-term borrowing and treasury management analysis as informed by the council's financial strategy. It should include:
 - scenario planning to show the potential impact of different budget scenarios, income generation plans, and changes in external factors such as interest rates
 - analysis of capital financing options, to compare affordability and sustainability between different debt and borrowing options
 - the use of indicators over a longer period than the minimum three years set by the Prudential Code
 - share strategies with other councils to help inform good practice and exchange of ideas.
-

Part 3

Effective management and scrutiny



Key messages

- 1** Treasury management is a professionally run function in councils with appropriately qualified officers. Joint planning with other councils, ongoing training and the availability of appropriate professional qualifications are important.
- 2** Scrutiny of borrowing and treasury management decisions could be improved. This involves officers providing clearer information to councillors to help them in their scrutiny role. In most councils the content and clarity of reports could be improved, particularly performance information in year-end reports. All reports need to be easily accessible to councillors and the public.
- 3** Councils need to provide a range of training and support to councillors to help improve scrutiny of treasury management. We found no additional formal arrangements in place specifically aimed at helping councillors in this complex area.
- 4** We found some examples where governance structures do not fully meet the codes' requirements and where there could be more consistency in reporting arrangements.

councillors need a combination of scrutiny skills and knowledge of treasury management to carry out their role effectively

Treasury management is a professionally run function

51. Treasury management staff in councils deal with the day-to-day treasury functions, including managing short-term cash. They also develop the treasury management strategy and related reports to councillors. The links between the capital investment function and treasury management functions have been strengthened over the last ten years in the councils we visited. The staffing structure within most councils deliberately brings the functions together. For example Scottish Borders Council has a structure that places capital investment and treasury management functions together. It also undertook a recent restructuring to separate out day-to-day transactions, allowing capacity for the development of forward planning and strategic development. In Fife Council the treasury management and capital investment functions are separate. However, staff from the capital investment function have been working in the treasury management function and this has strengthened the links between the two functions.

52. The size of the treasury management function is related to a council's size and budget. The number of personnel involved in treasury management in our

sample varied from less than a full-time equivalent at East Renfrewshire Council to two full-time equivalents at Glasgow City Council. We would expect staff numbers to vary across councils according to the level of treasury management and borrowing activity, and the budget.

53. Officers involved in treasury management have relevant experience and qualifications, and some hold the CIPFA treasury management qualification. Training for new officers is currently provided by on-the-job experience, CIPFA treasury management network events, the treasury management forum, technical updates and toolkits, Capita seminars and training sessions.

54. Treasury management is an important function in councils and they need to actively plan for the succession of qualified staff members and other professional training needs that may arise. CIPFA do not currently provide the treasury management qualification owing to insufficient demand but have enhanced their treasury management network. Other treasury management qualifications are available for councils to consider.

55. Officers recognise that keeping in contact with other treasury managers and those involved in treasury management is critical. The CIPFA treasury management forum provides a source of information that enables officers to develop knowledge, discuss areas of concern and share information.

56. All councils use external treasury management advisers. The services provided include professional treasury management advice, seminars and training for officers and elected members and regular information on economic forecasts. Capita provides services to 28 Scottish councils, including all of those in our sample. There is an inherent risk in having a single provider of advice to so many councils, however, we found that all councils had bought services through open tendering processes within the last four years for terms of between three to five years. All council officers meet regularly with Capita to review their objectives, options, strategies and performance.

Council governance structures are in place but not all meet code requirements

57. The codes of practice and regulations place certain requirements on a council's governance structures:

- They recommend that the full council should approve the treasury management strategy.
- They require a specific committee to be responsible for scrutinising reports.
- They also require borrowing and treasury management activities to be structured and managed in a fully integrated manner and for responsibilities to be clear.

58. CIPFA considers that it is an essential part of a public service organisation's treasury management arrangements to have clearly defined responsibilities for approving and scrutinising borrowing and treasury management activities.

Exhibit 13 (page 32) includes a summary of the main tasks involved in treasury management and suggested allocation of duties.

Exhibit 13

Allocation of responsibilities for scrutinising borrowing and treasury management activities

Full council	<ul style="list-style-type: none"> • Receives and reviews reports on treasury management policies, practices and activities • Approves annual strategy
Committee or panel with responsibility for scrutiny	<ul style="list-style-type: none"> • Approves or amends the organisation's treasury management policy statement and treasury management practices • Considers and approves budget • Approves the division of responsibilities • Receives and reviews regular monitoring reports and acts on recommendations • Approves the selection of external service providers and agrees terms of appointment • Reviews the treasury management policy and procedures and makes recommendations to the responsible body
The responsible officer	<ul style="list-style-type: none"> • Monitors the council's compliance with policy and practices • Submits regular treasury management policy reports • Submits budgets and budget variations • Recommends the appointment of external service providers

Source: Audit Scotland

59. For our sample of 12 councils we looked at the approval, recommendations and scrutiny for each report. Most councils fully met the requirements of the codes but we found the following arrangements that were not in line with the codes' requirements and other arrangements that may not give members the opportunity to scrutinise reports consistently:

- The treasury management strategy at Glasgow City Council is considered and approved by the Executive Committee. The full council considers and approves the minutes of the Executive Committee.
- The governance structure at Fife Council is such that the Executive Committee has responsibility for all budget and treasury management decisions. Full council then approves treasury management reports through the minutes.
- Shetland Island Council's Executive Committee approves the treasury management strategy but receives no other reports.

- In East Renfrewshire Council, the Audit and Scrutiny Committee approves the strategy but the Executive Cabinet scrutinises the mid-year, and year-end reports.

Councillors need further support to improve their scrutiny role

60. Borrowing and treasury management decisions are complex and involve a significant level of financial risk. It is essential that any decisions are effectively scrutinised to demonstrate sound financial management and help councils achieve their local outcomes and priorities. Councils' scrutiny committees are a vital part of a council's governance arrangements and it is important that these committees are effective. Councils have a responsibility to ensure that those charged with governance have access to the skills and knowledge they need to carry out their role effectively. The councillors on committees need to have a combination of technical knowledge and scrutiny skills for the committee to be most effective. Those charged with governance also have a personal responsibility to ensure that they have the appropriate skills and training for their role. We found that councils provide both scrutiny training and treasury management training to councillors. Scrutiny training tends to be provided at the start of a political term, or for new councillors, as part of the induction process.

61. In areas of high importance and complexity, such as treasury management, additional scrutiny arrangements can be put in place. For example:

- Councils seek members with appropriate expertise for the relevant scrutiny panel.
- Councils nominate lead members for borrowing and treasury management to help guide other members.
- Councils seek external expertise to help members on the scrutiny committee.

62. We found some examples where this was being applied. Scottish Borders Council appoints non-executive members to its Audit Committee to provide financial expertise. Fife Council has a lead member for finance. Some councillors on scrutiny committees have highly relevant financial experience but, apart from Scottish Borders Council, councils do not have formal processes in place for selecting councillors with relevant skills.

63. The most important aspect of scrutiny is the challenge of reports and information presented to councillors through asking questions. We found variation in the type of questions that councillors ask, from issues of detail to clarification of the meaning of phrases in reports. Some councillors told us that they are not always confident in challenging the strategy and framework for future decisions and asking questions about the content of reports. Many have built up trust and confidence in officers and look for officers to highlight issues or problems for them. All councillors we spoke to would welcome additional support in their scrutiny role. We have prepared a supplement to this report which includes questions to help councillors in their scrutiny role.²

Officers need to present clearer and fuller information to councillors to help them scrutinise treasury management activity and risks

64. CIPFA's Treasury Management Code states that councils or committees will receive regular monitoring reports on treasury management activity and risks. Regular reporting with a clear and full analysis of performance and activity helps members to:

- understand why officers are proposing decisions
- understand the risks
- ask relevant questions.

65. The Treasury Management Code sets out three minimum reporting requirements for councils:

- a strategy in advance of the year
- a mid-year review
- an annual report after the financial year-end.

66. We found that all councils meet these requirements. However, both Fife and Glasgow City councils prepare a single report covering both the annual report for the previous year and the mid-year review for the current year. In our view this does not meet the intention of the code. These mid-year and annual reports are an important source of information to help councillors effectively monitor and review treasury management activity. Councillors need time to consider any comments or make changes from scrutiny of the annual report to influence activity or performance for the following year.

67. No councils have reporting arrangements that go further than the minimum required by the code, for example quarterly performance or monitoring reports, or more detailed performance reports for the scrutiny committee.

68. We found that councils do not hold separate risk registers for treasury management but they are included in their wider finance risk registers. Reports on the wider finance risks may not be considered by the same committee considering treasury management reports. This means that councillors are not informed of any relevant treasury management risks.

Councils could improve the content and clarity of reports

69. We found that both the layout and content of treasury management reports could be improved, particularly year-end reports on performance. Annual reports are the main performance report and vary in quality. Performance monitoring, including information on the actual figures for the prudential indicators against forecast figures, is not reported fully or consistently across all councils. Some councils only report against indicators and some do not report performance at all. Some of the reports we reviewed did not provide any comparative data. This meant that readers could not reach an objective opinion on performance.

70. From the review of the councils in our sample, we found the following:

- Clackmannanshire, East Lothian, Midlothian, Scottish Borders, Shetland Isles, West Dunbartonshire and West Lothian councils all provided comparative information in their annual reports on all indicators.
- East Renfrewshire, Fife and Renfrewshire councils provided comparative information on some of their indicators.
- Glasgow City Council provided information only on the actual performance without any estimates.
- City of Edinburgh Council did not include any detail on indicators in the annual report, but some are reported in capital monitoring reports.

71. Most treasury management reports are publicly available, although they were not always easy to find on councils' websites. This lack of clear and accessible information means that it is difficult for members of the public to understand how borrowing and treasury management activity is contributing to their council's priorities, and to understand what the performance of the council has been.

72. Officers must use accessible language when reporting on borrowing and treasury management but many strategies and reports contain a lot of technical language. This does not help councillors scrutinise effectively as any questions they ask are more likely about clarity rather than challenge. [Exhibit 14 \(page 36\)](#) shows how Shetland Islands Council used worked examples to explain to councillors why it was recommending to borrow for the first time.

Councils should provide a wider range of training and support to improve councillor attendance and help them in their scrutiny role

73. All councils provide training on treasury management to councillors. This consists of courses provided once or twice a year and, in West Lothian Council, when a new administration is formed as a minimum. Attendance is voluntary although it has been generally poor (varies between 40 and 100 per cent attendance for these sessions), ([Exhibit 15, page 37](#)). Attendance at training events is focused mainly towards councillors who sit on relevant scrutiny committees rather than all councillors.

74. Councillors' views on the training they attend are positive. Councillors also felt officers gave them extra support if required, for example by providing additional information or responses to any questions they had.

75. Training and support for councillors should aim to equip all councillors with a minimum level of knowledge and understanding. We found councillors' experience varied, for example from councillors who had been accountants or finance directors to those with little or no previous finance experience.

76. Councillors told us that it was often difficult to attend training owing to other commitments. In their view, a full-day training course was a substantial commitment. Regular training will be required to keep councillors up to date with economic developments. As councillors only consider treasury management issues, on average, three times a year, the timing of the training is important. Councils should consider different ways to provide training including courses, short briefings and perhaps online training.

Exhibit 14

How officers at Shetland Islands Council explained why it was recommending the council borrow

The economic case for borrowing externally, or using the council's own reserves to finance capital expenditure, is essentially down to whether interest rates are higher or lower than the long-term average return on the council's external investments.

If interest rates are higher than the long-term average return on the council's investments (currently 5.75%) then it means the cost of borrowing is higher than the lost income forgone by using reserves. So it would make financial sense to use reserves for capital expenditure.

For example, if interest rates were 10% for a £1m loan:

- Annual interest payable on £1m at 10% = £100,000
- Investment income of 5.75% generated on £1m = £57,500.

In this example to borrow would cost £100,000 a year, and to use reserves would present an opportunity cost of £57,500 in lost investment income. In this example, using reserves would present a saving of £42,500 per year over using borrowing.

However, the reverse is true if interest rates are lower than the long-term average return on the Council's investments (currently 5.75%).

For example if interest rates were 2% for a £1m loan:

- Annual interest payable on £1m at 2% = £20,000
- Investment income of 5.75% generated on £1m = £57,500.

In this example, to borrow would cost £20,000 a year and to use reserves would present an opportunity cost of £57,500 in lost investment income. In this example borrowing would save the council £37,500 per year.

Therefore when interest rates are lower than long-term investment returns, the default position of the council should be to borrow in order to achieve a Best Value outcome.

Exhibit 15**Councillor attendance at treasury management training**

	East Renfrewshire	Fife	Glasgow City	Scottish Borders	Shetland Islands	West Lothian
Date of last training	2014	2014	2013	2012	2014	2011
Frequency	Annually	Biannually	Annually	Biannually	Annually	Each administrative term
Offered to	Full council	Full council - but target Executive Committee members	Members of Executive Committee and members of Finance and Audit Scrutiny Committee	Audit Committee	Full council	Full council
% attendance full council	40%	11.5%	22.8%	91%	Not available	46.8%
% attendance Scrutiny committees	57% 37.5% Cabinet	40.9%	66.7% 40% Executive	100%	Not available	Not available Committee structure changed

Source: Audit Scotland

Recommendations

Council officers involved in borrowing and treasury management should:


- carry out joint planning with other councils to identify future qualification and training needs and enhance their capacity, in order to negotiate with training providers
- review the content of year-end reports to ensure they provide an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include appropriate indicators, comparative figures, and appropriate explanations.

Council officers and councillors involved in treasury management should:

- review governance arrangements, and update as necessary, to ensure they provide:
 - the treasury management strategy, mid-year and year-end reports to the same council committee, and that the full council has access to them
 - councillors with mid-year reports by the end of December each year
 - councillors with the wider picture, that is, make the links to capital investment decisions and revenue budgets
 - councillors with access to all reports relating to borrowing and treasury management activity including risk registers
 - ensure scrutiny arrangements are robust by:
 - considering widening the range of training options to councillors on borrowing and treasury management activities and whether this training should be mandatory
 - considering whether training for councillors provides a balance of scrutiny skills and knowledge of treasury management.
-

Endnotes



- ◀ 1 Glasgow City Council, Renfrewshire Council and West Lothian Council. As Shetland Islands Council did not borrow until 2014/15, we would not expect this indicator to be set for 2013/14.
- ◀ 2 [*Borrowing and treasury management in councils: Scrutiny guidance and questions for councillors, \[PDF\]*](#)  Audit Scotland, March 2015.

Appendix 1

Audit approach



Our audit looked at councils' strategies for borrowing and treasury management and whether councils can demonstrate the affordability and sustainability of their borrowing decisions over the short and long term. Councillors have a crucial role in holding officers to account and this report also evaluates this. We did not evaluate day-to-day cash, investment and borrowing transactions.

Methodology

To achieve our aim and objectives, our audit included reviewing documents, analysing data and interviews. The audit had three main components:

Data analysis: We analysed information on borrowing and debt from councils' audited accounts, CIPFA statistics and the Scottish Government in order to inform a selection of 12 councils for further desk research. The 12 that were selected were City of Edinburgh, Clackmannanshire, East Lothian, East Renfrewshire, Fife, Glasgow City, Midlothian, Renfrewshire, Scottish Borders, Shetland Islands, West Dunbartonshire and West Lothian councils. The councils were selected to include a mix of council size and to reflect initial thoughts, based on our financial analysis, that they had different approaches and strategies to borrowing and treasury management.

Desk research: We reviewed a range of relevant written material on borrowing and treasury management, focusing on the treasury management strategies for our 12 councils. We also looked at the committee arrangements for consideration of these and other treasury management reports. This informed our sample of six councils for interview. We selected the sample so that it included large, small, urban and rural councils and reflected different levels of borrowing and other forms of debt.

Interviews with councils and stakeholders: We visited six councils to find out more about their approach and strategy for treasury management, their governance arrangements and scrutiny and training for councillors. We spoke to council leaders and councillors about their role in scrutinising borrowing and treasury management and their experience of the training and support received. We also interviewed representatives from organisations including the Scottish Government, CIPFA and the CIPFA Scottish Treasury Managers' forum.

Appendix 2

Membership of the project advisory group



We would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Position
Andy Witty	Policy Officer, COSLA
David Robertson	Chief Financial Officer, Scottish Borders Council
Gareth Davies	Policy and Technical Officer, CIPFA Scotland
Hazel Black	Head of local authority accounting, Scottish Government
Innes Edwards	Treasury Manager, City of Edinburgh Council

Note: Members of the project advisory group sat in an advisory capacity only.

Borrowing and treasury management in councils

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Borrowing and treasury management in councils

Appendix 3

Scrutiny guidance and questions for councillors



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About the audit

1. Our audit 'Borrowing and treasury management in councils' assessed how councils show best value in borrowing and treasury management decisions. Its specific objectives were to answer:

- What is borrowing and treasury management in councils?
- To what extent do councils' borrowing and treasury management strategies meet good practice and contribute to corporate plans and priorities?
- Can councils demonstrate the affordability and sustainability of borrowing decisions? For example can they show that borrowing will not adversely affect their financial position? Will that continue to be the case in future?
- How effective are the governance arrangements for borrowing and treasury management? Governance covers areas such as responsibility and accountability for borrowing and treasury management decisions, arrangements for reporting decisions and for scrutinising them.

Purpose of the scrutiny guidance and questions

2. We have developed this guidance to assist councillors in their borrowing and treasury management scrutiny role. Councillors have important responsibilities to ensure that the appropriate level of scrutiny is given to decisions made by council officers.

3. This guidance is intended to be used by councillors as an aide when scrutinising borrowing and treasury management reports and activity. It suggests potential questions that can be asked of council officers. It also outlines the reasons why these questions are important and what type of response should be expected. The suggested questions are for the following areas:

- treasury management strategies and related reports
- borrowing and other financial decisions
- affordability and sustainability
- performance and benchmarking.

4. This guidance is in three parts. Part 1 sets the scene and provides some background to borrowing and treasury management. Part 2 highlights the key responsibilities councillors have in relation to borrowing and treasury management. It also highlights the key scrutiny findings from our audit report. Part 3 contains some questions councillors can use when scrutinising borrowing and treasury management reports and activity.

Part 1

Setting the scene

Councils invest in services for communities

5. A council has a corporate plan setting out its priorities and objectives and how it plans to achieve them ([Exhibit 1, page 4](#)) This may, for example, include the priority to build a new school to deal with an expected increase in demand as a result of significant new housing. These plans are often over the medium term, typically three to five years, but may be over a longer term, ie up to 15 years. The council targets its resources, that is people, money and assets, at its priorities and objectives. The corporate plan should feed into the asset management plan to identify what assets are needed to achieve its objectives. For example, this could be building new housing. The council, through a capital investment plan, sets out how it will finance the spending on these assets. This may be by using cash resources, for example cash reserves built up over time or capital grants, or through external finance.

6. Methods of external finance include borrowing, Public Finance Initiative schemes and other mechanisms including Non Profit Distributing schemes, Tax Incremental Financing schemes, or the new Growth Accelerator Model. Entering into external financing arrangements will create debt for the council, and means that the council needs to pay financing charges each year over the life of the arrangement, which may be up to 50 years. It is important for a council to assess the affordability of decisions in the context of the financing charges of its total debt.

7. Councils should also have medium (two to five year) and long-term (five to ten year) financial strategies. The council will estimate future funding and income, costs and demand for services, and how much it will need to spend to achieve its future objectives. The strategy should identify how the council will make up any shortfall between estimated funding and projected costs and demand. The financial strategy should include the financing cost of borrowing and other debt. This is the annual repayment of interest charged on borrowing or other external financing and any other associated costs. Councils make this repayment out of future budgets, so it decreases the level of available budget remaining and reduces flexibility in future budget decisions.

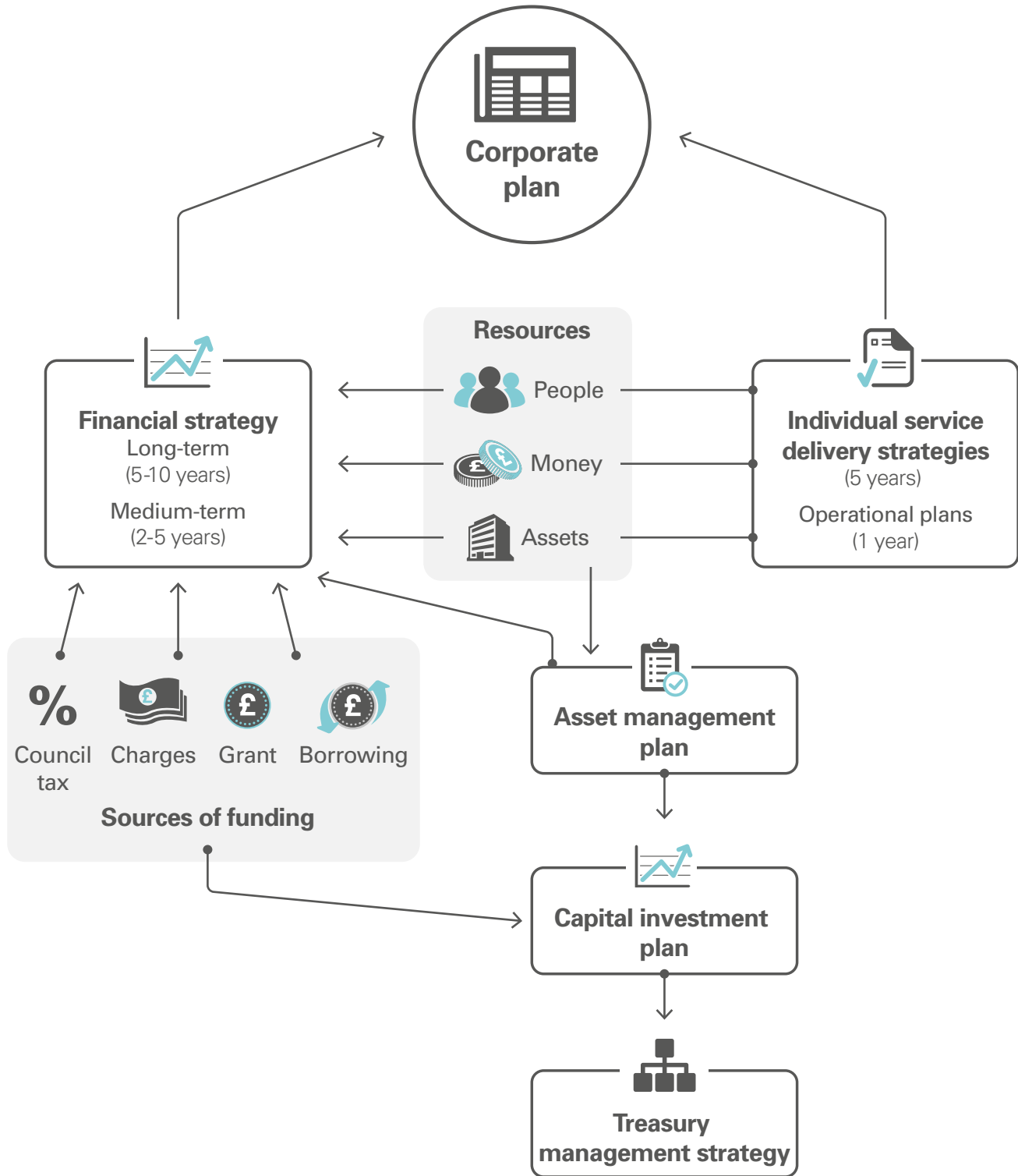
8. Borrowing involves accessing finance and then repaying it over a longer period of time. These periods can be for up to 50 years, so today's decisions can have a sustained impact on future generations. Borrowing decisions involve a careful balancing act between prioritising investment, and making sure the council can:

- manage the consequences of its decisions over the whole life of the borrowing
- provide evidence showing how it will manage these long-term consequences.

9. Borrowing therefore is set firmly within the framework of wider council activity and should be driven by the corporate plan, capital investment plan and medium and long-term financial strategies ([Exhibit 1, page 4](#)).

Exhibit 1

Corporate and strategic influences on treasury management strategy



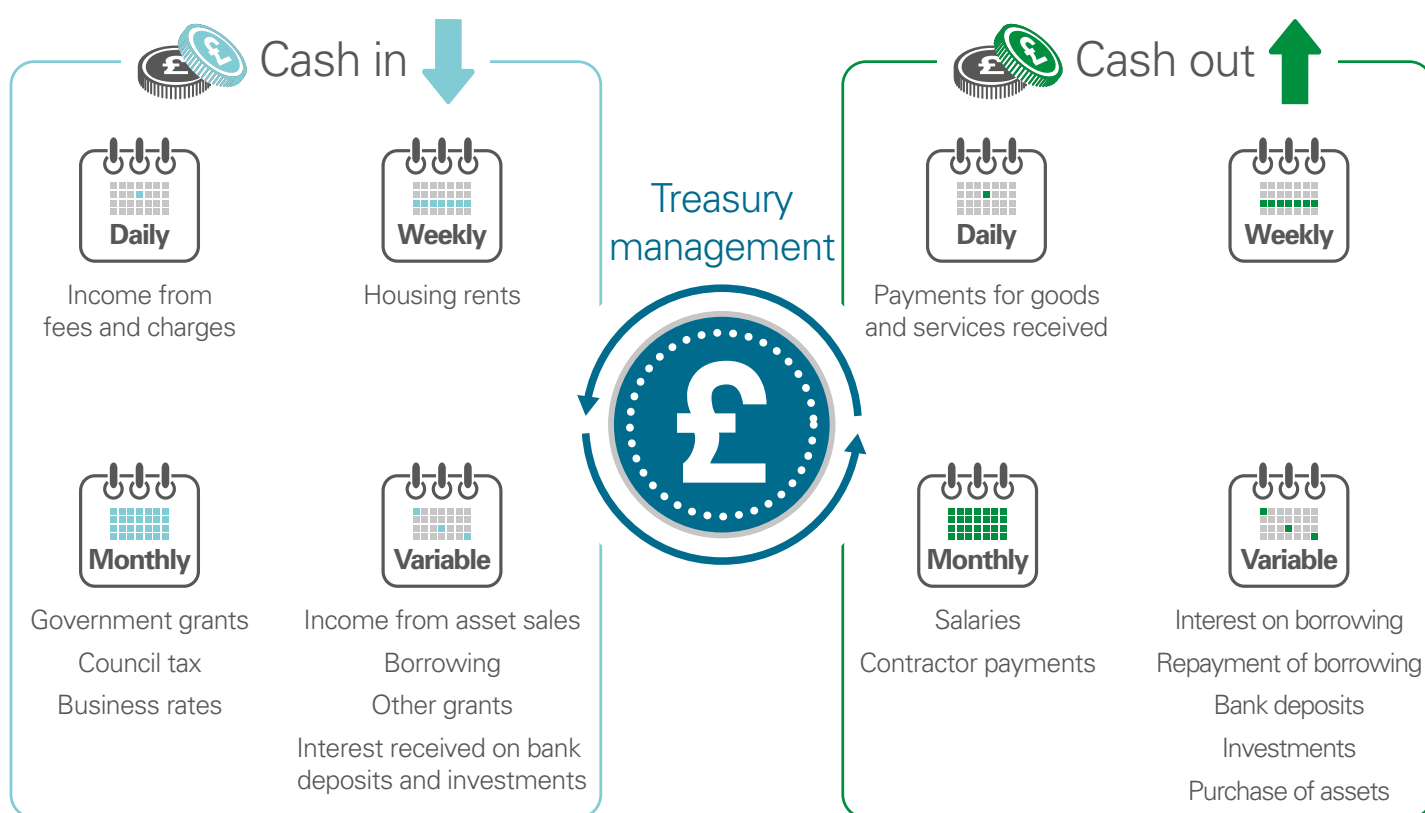
Borrowing is a key part of treasury management

10. Treasury management is the process that councils use to ensure cash is available when needed. This includes day-to-day expenses like paying salaries or electricity bills, and building new assets, such as a new school, or improving existing ones, such as roads. It also involves ensuring that any temporary surplus cash is safely invested. Borrowing is one of the larger cash flows that a council needs to manage, so borrowing is a central part of treasury management. [Exhibit 2](#) shows examples of the typical cash flows in a council together with their timing.

Exhibit 2

Treasury management activities

An example of a council’s cash flows with their timing to demonstrate their variability and predictability.



Source: Audit Scotland

11. Councils have two types of budgets to finance and to balance: revenue and capital. Revenue expenditure pays for daily activities like salaries or electricity bills. Capital expenditure is what councils spend on premises, equipment and vehicles; on improvements like roads repairs; and on providing new assets like schools or council houses. Councils can borrow to finance capital expenditure but not revenue expenditure, unless approved by Scottish Ministers. Borrowing charges are revenue expenditure. Councils that own council houses must keep a separate budget and account for revenue and capital expenditure on the housing stock. Borrowing to invest in housing must be repaid from the future housing budget, and therefore funded from future housing rental income.

Councils must comply with borrowing and treasury management rules and regulations

12. In recognition of the importance of capital investment in assets and treasury management to council activities, CIPFA and the Scottish Government set codes of practice and regulations for councils to follow. These ensure that councils have effective processes and practice in place to control, manage and govern capital investment decisions, that include borrowing, and treasury management practices ([Exhibit 3](#)).

13. The Prudential Code was introduced in 2004 as a framework to support councils and help them show effective control over levels of, and decisions relating to, capital investment activity, including borrowing. Before this, capital investment levels in councils were government-regulated.

14. This self-regulating approach has enabled councils to adopt borrowing and treasury management strategies that fit with their corporate plans and objectives. The framework allows for councils themselves to judge what is affordable and sustainable and will differ depending on local circumstances. The Prudential Code sits alongside CIPFA's treasury management code, which sets out the requirements for professional treasury management practice.

Exhibit 3 Codes of Practice and Regulations

The Prudential Code for Capital Finance in Local Authorities-CIPFA	A professional code of practice to help councils with capital investment decisions by providing a framework. The Prudential Code sets out indicators that councils must use to help demonstrate public accountability. It also recommends that councils have an integrated treasury management strategy within which its borrowing and investments are managed.
Treasury management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes-CIPFA ('the CIPFA treasury management code')	Adopting this code is a requirement of the Prudential Code. This makes recommendations to provide a basis for councils to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices. A key recommendation is for a treasury management strategy before the start of the year, a mid-year report and an end-year review report.
Finance Circular 5/2010-The investment of money by Scottish local authorities	Provides Scottish ministers' consent for councils investing money and sets out the recommendations and requirements they must meet when making investments. It requires local authorities to 'have regard' to the Prudential Code and the Treasury Management Code and recommends that the strategy form part of a wider single annual strategy covering capital investment, treasury management and prudential information.
Local Government (Scotland) Act 1975	Sets out the statutory basis on which councils can borrow and lend.

Source: Audit Scotland

15. A key requirement of the codes is for councils to produce an annual treasury management strategy before the start of each financial year. CIPFA and the Scottish Government recommend that this is a single integrated strategy that combines plans for capital investment, including borrowing, treasury management, and investment. It also recommends that the strategy includes prudential indicators that are set out within the Prudential Code. These form a set of a 12 limits and ratios that all councils must calculate and use to show to councillors and the public that capital investment plans are affordable and sustainable.

16. Our audit report focused on borrowing, to finance capital investment, and treasury management. Most of the indicators are not specific to borrowing but relate to total capital investment and are calculated using figures for total finance costs, total capital expenditure or total debt. This allows councils to assess the affordability of borrowing in the context of the total debt position of the council. The indicators relating specifically to borrowing are the estimated and actual capital financing requirement. This calculates the amount of capital investment that needs to be met from borrowing or other method of external finance.

17. The prudential indicators are designed to help councils make and record local decisions. They are not designed to be comparative performance indicators across councils as they are set according to the individual needs of each council. In particular, councils had widely different debt positions when the Prudential Code was introduced. These differences are likely to increase over time as councils' choices reflect local priorities. The system is designed specifically to help councils take local decisions in ways that are publicly accountable.

Part 2

Scrutiny responsibilities and report findings

Councillor scrutiny responsibilities

18. Councillors have a key role in holding officers to account. Borrowing and treasury management decisions are complex and involve a significant level of financial risk. It is essential that any decisions are effectively scrutinised to demonstrate sound financial management and help councils achieve their local outcomes and priorities.

19. The main ways in which councillors do this is by scrutinising and approving borrowing and treasury management strategies and reports. Council officers are required to produce an annual treasury management strategy prior to the start of each financial year, which needs to be approved by full council. Councillors should also be presented with a mid-term and year-end report which monitors the progress made against the annual strategy.

20. Prior to approval by full council, these reports should be scrutinised by an appropriate scrutiny committee. Councils' scrutiny committees are a vital part of a council's governance arrangements and it is important that these committees are effective. Councillors on committees need to have a combination of technical knowledge and scrutiny skills for the committee to be most effective.

21. The codes of practice and regulations place certain requirements on a council's governance structure. CIPFA suggest the below allocation of duties and responsibilities for those involved in approving and scrutinising borrowing and treasury management activities ([Exhibit 4](#)).

Exhibit 4

Allocation of responsibilities for scrutinising borrowing and treasury management activities

Full council	<ul style="list-style-type: none"> • Receives and reviews reports on treasury management policies, practices and activities • Approves annual strategy
Committee or panel with responsibility for scrutiny	<ul style="list-style-type: none"> • Approves or amends the organisation's treasury management policy statement and treasury management practices • Considers and approves budget • Approves the division of responsibilities • Receives and reviews regular monitoring reports and acts on recommendations • Approves the selection of external service providers and agrees terms of appointment • Reviews the treasury management policy and procedures and makes recommendations to the responsible body
The responsible officer	<ul style="list-style-type: none"> • Monitors the council's compliance with policy and practices • Submits regular treasury management policy reports • Submits budgets and budget variations • Recommends the appointment of external service providers

22. There is a responsibility placed on council officers to ensure that councillors are enabled to provide effective scrutiny. This includes ensuring that information provided to councillors is clear and understandable. Officers should also ensure that councillors are aware of the wider impact that borrowing and treasury management decisions can have.

23. Councillors charged with governance have a personal responsibility to ensure that they have the appropriate skills and training for their role. Council officers are responsible for ensuring that councillors have the required level of technical knowledge and scrutiny skills. This is done through providing training to councillors as and when required, which is often part of the induction process at the start of a political term.

Audit findings

24. Our audit report found that councils need to improve scrutiny of borrowing and treasury management. As this is a complex and technical subject, officers need to provide councillors with access to the skills and knowledge they need to carry out their role effectively. The audit report found that current governance structures in some councils could be improved to support more effective scrutiny.

25. We found that some councils use additional scrutiny arrangements in this area. This included using non-executive appointments to provide financial expertise and nominating a lead member on the scrutiny committee for finance. Councillors asked a range of scrutiny questions, from issues of detail to questions of clarification, and all councillors we spoke to would welcome additional support.

26. The layout and content of reports could be improved. In year-end reports, performance monitoring is not reported fully and consistently across councils. Some councils do not provide any comparative data, which makes it difficult to reach an objective opinion on performance. Officers must use accessible language in reports. Many of the strategies and reports we reviewed contained technical language, which does not enable effective scrutiny.

27. Councils do provide both scrutiny training and treasury management training to councillors. Attendance at training sessions is generally poor, but councillors who did attend had positive views. However, some councillors told us that they are not always confident in challenging the strategy or reports. Training and support should equip all councillors with a minimum level of knowledge and understanding. Councillors noted it was often difficult to attend training owing to other commitments.

Audit recommendations for improved scrutiny

Council officers should:

- use the treasury management strategy to present a wider strategic view of borrowing and treasury management. It should use clear and accessible language and be prepared for councillors as the key audience. It should include how the borrowing strategy is informed by corporate priorities and capital investment needs. The strategy should include:
 - links to capital investment plans and corporate objectives
 - all borrowing and other debt
 - prudential indicators as a core part of the strategy
 - a clear assessment of the affordability and the impact on revenue budgets both in the short and long term
- review the content of year-end reports to ensure they provide an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include appropriate indicators, comparative figures, and appropriate explanations.

Council officers and councillors involved in treasury management should:

- review governance arrangements, and update as necessary, to ensure they provide:
 - the treasury management strategy, mid-year and year-end reports to the same council committee, and that the full council has access to them
 - councillors with mid-year reports by the end of December each year
 - councillors with the wider picture, that is, make the links to capital investment decisions and revenue budgets
 - councillors with access to all reports relating to borrowing and treasury management activity including risk registers
- ensure scrutiny arrangements are robust by:
 - considering widening the range of training options to councillors on borrowing and treasury management activities and whether this training should be mandatory
 - considering whether training for councillors provides a balance of scrutiny skills and knowledge of treasury management.

Part 3

Scrutiny checklist for councillors

Questions for councillors on borrowing and treasury management

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?
Treasury management strategy and related reports		
Do the contents of the treasury management strategy and related reports include all recommendations in the CIPFA codes?	<p>The CIPFA codes are best practice guidance and councils should be meeting the guidance.</p> <p>Only in exceptional circumstances should councils not be following the guidance.</p>	Officers should provide assurance that reports meet all recommendations but will highlight any departures from the code with an explanation why.
Do the contents of the treasury management strategy reflect the wider picture of how we plan to meet our capital commitments?	<p>CIPFA's Prudential Code helps councils demonstrate good capital investment decisions. The treasury management strategy reflects how these decisions impact on treasury management activity.</p> <p>Our expectation is that the strategy is self-explanatory.</p>	Minimal additional explanation should be required from officers to explain the wider context.
Borrowing and other financing decisions		
Is the proposed borrowing option the best option for the council?	<p>Other viable financing options may be available.</p> <p>Officers should be considering all options and appraising these.</p>	<p>Officers can explain the other options that they have considered.</p> <p>Officers should be able to demonstrate that they have considered different scenarios.</p> <p>The treasury management strategy should reflect on the options that have been considered and include links to further information.</p>
Cont.		

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?
What would affect the decision and how will I be informed if the situation changes?	<p>Economic circumstances, such as interest rates, may change throughout the year that will affect decisions.</p> <p>As a councillor you should expect officers to keep you updated on significant changes in circumstances that will affect treasury management decisions.</p>	Officers may be able to offer briefings or updates in these circumstances.
What are the risks?	<p>Treasury management risks should be identified within the appropriate council risk register. In making or approving decisions you need to be aware of the potential risks and how likely they are to emerge.</p> <p>New financing options may have additional or different risks to traditional borrowing.</p>	<p>Officers should:</p> <ul style="list-style-type: none"> • outline how they identify, monitor and act on treasury management risks • identify and discuss the risks and the likelihood of them occurring • refer to other treasury management risk registers and reports.
Have we received any external advice?	It may be helpful to seek external advice, particularly on new financing options.	Officers should explain the nature of any advice they received and whether or not they took it.
What are other councils doing?	Councils have policies in place, have different circumstances and have to do what is right for them but knowing what other councils are doing can provide assurance on your own decisions.	<p>Officers should:</p> <ul style="list-style-type: none"> • know whether there are any councils with similar circumstances and draw comparisons • be aware of other councils' borrowing patterns and where they are borrowing from • be aware of new financing options and whether other councils are using them, and their experience of using them.

Cont.

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?
Affordability and sustainability		
Is the borrowing and finance affordable?	Decisions will impact on current and future budgets when finances are already tight.	Officers should: <ul style="list-style-type: none"> • detail the costs of different options and scenarios • detail the impact of the preferred option on the revenue budget.
What is our current maturity profile for our borrowing?	<p>Borrowing decisions made today have a long-term impact on revenue budgets.</p> <p>The maturity profile shows the future impact of past and current borrowing decisions.</p> <p>It will highlight future periods of demand on the revenue budget.</p> <p>Councils should be trying to 'smooth' their maturity profile, that is, try to ensure as even a spread of debt and demand on the revenue budget as possible.</p>	<p>A chart of maturity dates is usually easier to interpret.</p> <p>Officers will be able to identify future periods of potential financial pressure from the charts.</p> <p>Officers can explain what steps are being taken now to ensure the financial resources are in place in future.</p> <p>Officers can also explain how decisions to borrow will affect the future profile.</p>
How does our profile compare to other councils?	<p>This can highlight whether the council will face similar pressures to others.</p> <p>It is useful for drawing on the experience of other councils.</p>	<p>A chart comparing the council's profiles with others will highlight similarities and differences.</p> <p>Officers can explain similarities with other councils and may be able to explain how other councils plan to deal with similar financial pressures.</p>
What other debt do we have? (Examples include: PPP/PFI, NPD and TIFs)	<p>Commitments to borrow shouldn't be taken in isolation.</p> <p>Other debt has a long-term financial impact.</p>	<p>The treasury management strategy should set out all of the council's existing liabilities.</p> <p>The strategy should indicate the financial commitments and include a link to the detail.</p>
Are we liable for the debt of ALEOs or other external bodies?	Effective risk management includes identifying and monitoring potential financial commitments.	<p>The treasury management strategy should include the nature of debt with ALEOs or other external bodies.</p> <p>Officers should be able to identify debts, what the relationships are, what the nature of the potential debt is and the likelihood of it occurring.</p> <p>Officers should be able to refer to a risk assessment.</p>

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?
Performance and benchmarking		
What do the prudential indicators tell me?	<p>The indicators use technical terms and are based on figures from the financial statements.</p> <p>They can indicate an increasing proportion of spend on debt repayments and when things are becoming less affordable. It is useful to compare trends year-on-year.</p> <p>There is the potential for comparing trends and patterns with other councils although the indicators are meant to be used by councils individually.</p>	<p>The treasury management strategy should explain, in layman's terms, what the indicators mean. Officers should provide further explanation or clarification.</p> <p>Although indicators are for the use of individual councils, officers may be able to draw trend comparisons with other councils.</p> <p>Officers should explain any action they have taken or plan to take in relation to the indicators.</p>
Is 'under-borrowing' a good thing? What does this mean in practice?	<p>'Under-borrowing' means the council did not need to borrow up to the level of the estimated capital financing requirement.</p> <p>'Under borrowing' is usually seen as positive but can be a sign of other issues, such as, not accurately identifying the borrowing requirement or slippage in the capital programme.</p>	Officers should explain why this happened, for example, additional money from capital receipts meant the reduced need to borrow less.
Do we have other performance measures?	The Prudential Code sets out the minimum requirements for performance reporting. Councils can introduce other performance measures.	Officers should be able to explain the purpose, details and any necessary remedial action in relation the performance measure.
What do our advisors cost and what do we get for this?	<p>There are very few advisors in the market.</p> <p>The council needs to:</p> <ul style="list-style-type: none"> • ensure that a thorough and impartial appointment process is in place • have assurance that advice is tailored to the individual authority • ensure that officers ultimately take the decisions. 	<p>Officers should provide details of:</p> <ul style="list-style-type: none"> • the tendering process for appointing the advisors • the cost and terms of the contract, including what services the advisors will provide • examples of advice not taken and why.

Cont.

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?
Do we have the treasury management skills that we need?	<p>This is a very technical area that requires suitably skilled and trained staff.</p> <p>CIPFA treasury management qualification is no longer available.</p> <p>It is important to have succession planning: that is, what arrangements are in place if treasury management staff leave.</p>	<p>Officers should be able to:</p> <ul style="list-style-type: none"> • detail the cost, number of staff and skills/qualifications of those involved in treasury management • justify current staffing requirements • detail future staff needs or training requirements and how they will be met.

Report To:	Policy & Resources Committee	Date:	19th May 2015
Report By:	Chief Financial Officer	Report No:	FIN/24/15/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Overview of Local Government in Scotland 2015 – Report by the Accounts Commission		

1.0 PURPOSE

- 1.1 The purpose of this report is to present to Committee the recent Accounts Commission report 'An Overview of Local Government in Scotland 2015' and to seek Committee approval for the actions identified by officers.

2.0 SUMMARY

- 2.1 The Accounts Commission produces an annual overview of Local Government finances which is published during March each year. The report provides a high level independent view of the progress Councils are making in managing their finances in the medium term and demonstrating best value.
- 2.2 Whilst the document repeats a number of issues raised in previous reports presented to this Committee it is useful to get these matters consolidated in a single document. The Accounts Commission's report raises a number of questions for Committee to consider and these are included in page 8 of the document.
- 2.3 The Corporate Management Team has considered each of the questions raised and in appendix 1 has given a response and recommended further action where appropriate.
- 2.4 Updates on progress in delivering any actions approved by Committee today will be managed via the Corporate Management Team and update reports to the Audit Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the contents of the Overview of Local Government in Scotland in 2015 issued by the Accounts Commission.
- 3.2 It is recommended that the Committee approve the actions outlined in appendix 1 and note that updates on delivering these actions will be provided via the Audit Committee.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 Every year the Accounts Commission produces an overview of Local Government in Scotland which is usually issued in March.
- 4.2 The overview provides a high level independent view on Councils progress in managing their finances and demonstrating best value.
- 4.3 The report also looks ahead to the challenges in the short, medium and longer term and as such it is a useful document against which the Council should evaluate its current performance.

5.0 CURRENT POSITION

- 5.1 Within the Accounts Commission document there is a useful summary of the key messages on page 7 and this is followed up by a number of questions which the Accounts Commission advise that Councillors should be asking and these are included in page 8.
- 5.2 The main messages are that Councils face significant financial challenges in the short, medium and longer terms due to restrictions in funding and increasing demand. To address these challenges the Accounts Commission recommend that action should be taken where appropriate in respect of:
 - a) Production of a medium to longer term financial strategy.
 - b) Improvements in the financial and performance information given to Councillors to enable better scrutiny.
 - c) Increased involvement of service users and local communities in developing options to improve services.
 - d) The need for good governance with the increasingly complex models of service delivery and partnerships.
 - e) That the Council has a comprehensive workforce strategy to help manage the impact of any staff reductions.
- 5.3 Appendix 1 of this report gives the Corporate Management Team's assessment of the Council's current position in respect of the questions posed by the Accounts Commission. Against each of these questions it is indicated whether further action is recommended.
- 5.4 In summary the Corporate Management Team believe it can demonstrate that it is progressing in a positive fashion against each of the matters raised by the Accounts Commission and that there are no issues of significant concern.

6.0 CONCLUSIONS

- 6.1 The Accounts Commission document is a useful summary of the main financial challenges faced by Councils and helps Inverclyde Council benchmark itself against the national position. Having reviewed the questions raised by the Accounts Commission in the document the Council believes that the action which is currently ongoing and the recent 2015/17 budget process has clearly demonstrated the Council's commitment to addressing the matters raised in the Accounts Commission report.

7.0 IMPLICATIONS

Finance

- 7.1 There are no financial implications arising from this report.

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
N/A					

Legal

- 7.2 This report and the Accounts Commission study emphasise the importance of good governance and its focused and regular review as key in the delivery of high quality services.

Human Resources

- 7.3 There are no HR implications arising from this report.

Equalities

- 7.4 There are no equalities implications arising from this report.

Repopulation

- 7.5 There are no repopulation implications arising from this report.

8.0 CONSULTATIONS

- 8.1 Officers from Internal Audit, Legal, HR and Performance were consulted in the preparation of this report and the Corporate Management Team have endorsed the reports content.

9.0 BACKGROUND

- 9.1 None.

Overview of Local Government 2015
Response to Questions

<u>Question/Issues</u>	<u>CMT Response</u>	<u>Action</u>	<u>Who/When by</u>
Councillors should ensure they have the appropriate training and support to help them make decisions and scrutinise performance.	Induction and refresher training is mandatory for Elected Members in Inverclyde Council and there is a programme of training targeted on key issues of local government awareness. Each Member has a personal development plan with identified training needs.	On- going delivery of the training with identification of relevant topics as part of a consistent programme of delivery.	Gerard Malone On Going
Councils should provide high quality and up to date benchmarking and performance data.	<p>Involvement in the Local Government Benchmarking Framework (LGBF) means that the Council has benchmarking and performance data provided on an annual basis.</p> <p>Information is reported to committee on an annual basis, and services use the information as part of their self evaluation for improvement planning.</p> <p>A number of services are involved in other useful benchmarking clubs, most notably Roads via SCOTS, Waste Management, Trading Standards and Environmental Health via APSE among others.</p>	<p>Council will continue its involvement in the LGBF and the variety of benchmarking groups.</p> <p>The Council Performance System will continue to be developed to produce relevant dashboard data for the different stakeholders.</p>	Angela Edwards February 2016

<u>Question/Issues</u>	<u>CMT Response</u>	<u>Action</u>	<u>Who/When by</u>
<p>Council budgets should be targeted towards agreed priorities including those of a preventative nature.</p>	<p>Budgets are targeted through policy priorities and are detailed via Corporate Directorate Improvement Plans. This includes the approved 2015/17 Budget Work Plan.</p>	<p>On-going delivery of the Budget Work Plan reported via the Members Budget Working Group.</p>	<p>John Mundell – February 2016 for 2016/18 Budget.</p>
<p>The Council should have short term (1-2 years), medium term (3-5 years) and longer term (5-10 years) financial plans and ensure these demonstrate how the financial position is sustainable.</p>	<p>The Council reports its 8 year Financial Strategy every 6 months since 2008. Within this are included the key Funding Models and identified medium to longer term financial issues. In addition the Council's Prudential Framework assures members re: the affordability of Capital investment.</p>	<p>Further work will be undertaken around Financial Modelling for Medium Term but it should be noted that the absence of indicative funding for Local Government beyond 2015/16 brings great uncertainty to any figures produced.</p>	<p>Alan Puckrin – February 2016</p>

<u>Question/Issues</u>	<u>CMT Response</u>	<u>Action</u>	<u>Who/When by</u>
<p>The Council should review their governance arrangements following significant change and ensure the current management teams have sufficient skills and capacity to provide effective leadership.</p>	<p>The Chief Executive is currently reviewing capacity at service manager and above level in conjunction with the Corporate Management Team.</p> <p>In addition, the Corporate Improvement Group structure is currently being reviewed by the Corporate Management Team.</p>	<p>The findings of the capacity review will be reviewed and discussed at CMT including implementing any recommendations for improvement.</p> <p>The findings of the CIG structure review will be discussed at CMT including implementing any recommendations for improvement.</p>	<p>John Mundell September 2015</p> <p>John Mundell August 2015</p>
<p>The Council should have a comprehensive Workforce Strategy.</p>	<p>The Council has an Organisational Development Strategy in place (2013-2016) which focuses on key workforce themes such as: Organisational Development (Planning for the Future) and Leadership, Succession Planning and Skills Development (Employees our most Valuable Resource). Associated workstreams alongside comprehensive Workforce Information and Activity Reports designed to support workforce planning and employee development form a comprehensive workforce strategy for the Council.</p>	<p>Continue to monitor progress on OD Plan, assess impact of employee survey, work closely with services and trade unions re implementation of key budget decisions where there are employee impacts, further review and develop policies in priority areas such as supporting employee attendance.</p> <p>An updated Workforce Strategy for 2016/19 will be presented to Policy & Resources Committee.</p>	<p>Steven McNab Ongoing</p> <p>Steven McNab February 2016</p>

An overview of local government in Scotland 2015



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
March 2015


The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about/ac 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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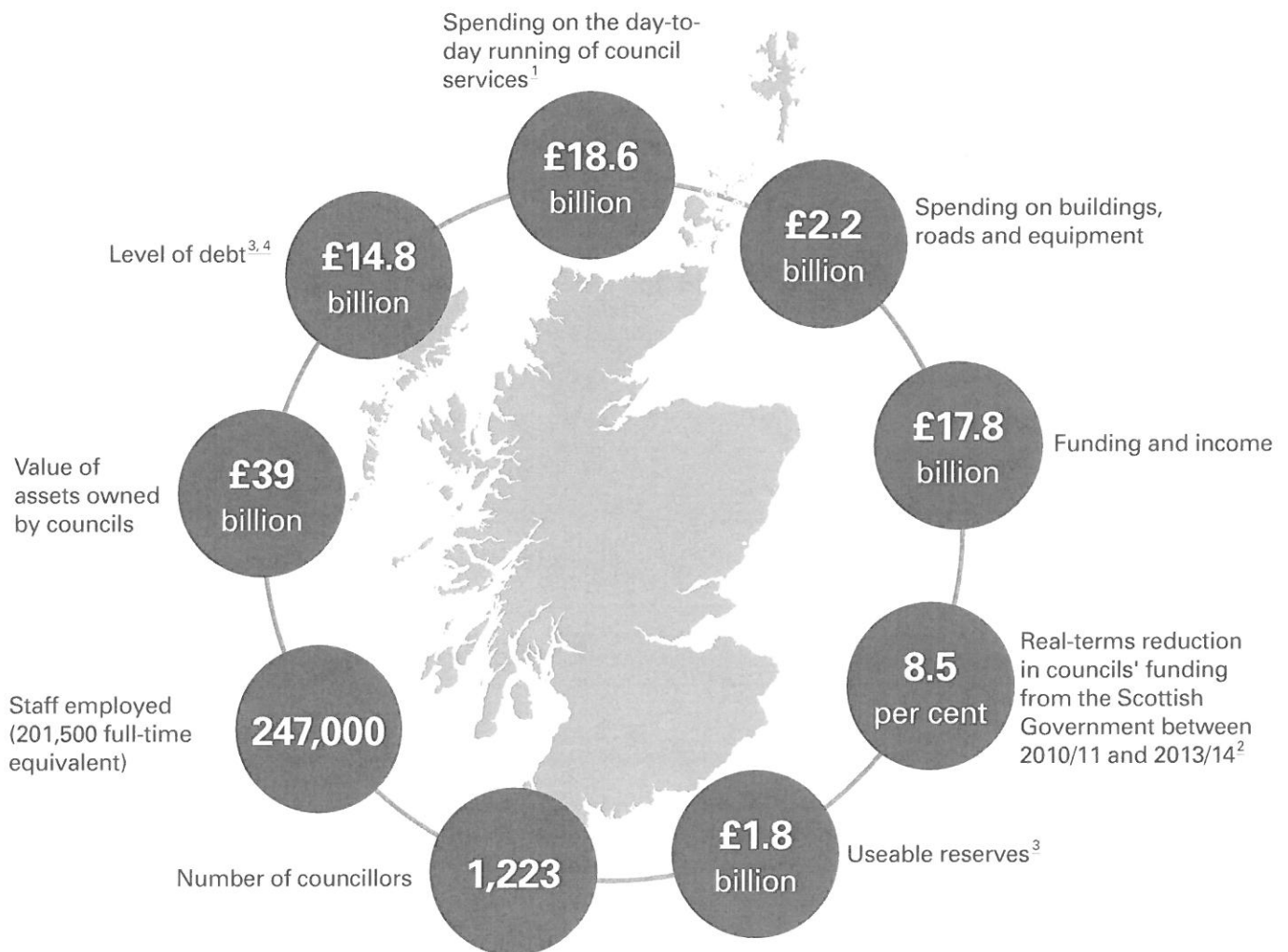
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Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Key facts



Councils' accounts showed an aggregate deficit on the provision of services of £0.8 billion in 2013/14. After making adjustments, mainly to reflect the accounting rules for pensions and capital, the aggregate amount held by councils in useable reserves was almost the same as it was at the end of 2012/13. Unuseable reserves fell by £0.8 billion.

Notes:

- 1: The Police and Fire Reform (Scotland) Act transferred responsibility for police and fire and rescue services from councils to the Scottish Government, creating new national services from April 2013. We have excluded police and fire data from figures prior to 2013/14 but some expenditure cannot be separately identified so trend information should be treated with caution.
- 2: This figure is in real terms, that is, taking inflation into account. We note in the report wherever we have adjusted figures to reflect inflation, particularly when stating the percentage increase or decrease compared with previous years.
- 3: Reserves and debt figures exclude Orkney and Shetland Islands councils, which hold large reserves and balances arising mainly from harbour and oil-related activities.
- 4: Total level of debt includes £12.1 billion of borrowing for investment in councils' assets, eg buildings, roads and equipment, and £2.7 billion of other debt (ie, Private Finance Initiative (PFI) and Non-profit Distributing (NPD) contracts) for investment in capital projects, mainly schools.

Chair's introduction



For the last five years councils have had to cope with managing austerity, reducing resources, increasing demand for services, and ever increasing public expectations. The Accounts Commission recognises the achievements of councils – both councillors and officers – in meeting these challenges to date.

Councils tell us that they should manage budgetary pressures in 2015/16 but the years beyond that pose a level of challenge not previously experienced. That is why the Commission expects councils to plan now for the period to 2017/18 and beyond, not least because of the lag time between planning and delivering. Longer-term planning is crucial in building a shared understanding among councillors of the financial position. Comprehensive and accessible financial information helps identify what needs to be done now to avoid storing up problems for the future. It also helps inform local and national discussions about the options for council services. Councils are consulting with communities and service users but the challenges ahead make it all the more important to involve communities more in planning and delivering services.

Added to financial pressures is the challenge for councils in establishing effective health and social care partnerships with their health colleagues. This is the most significant change in the public service landscape in Scotland in recent years. There are clear lessons to be learned from our audit of community planning partnerships about the importance of councils and health boards investing time in building mutual trust and leadership capacity if these partnerships are to be successful from the outset.

In last year's overview report, the Commission said that in this complexity of change the foundation stones of good governance and accountability remain constant. Good governance concerns taking informed and transparent decisions which are subject to effective scrutiny. It also involves managing risk – the scale of the challenge means that councils cannot afford to be risk averse, so the focus is on being risk aware.

The public rightly expects scrutiny to be both effective and transparent. The Commission remains of the view that this will be best achieved where: the chair of the scrutiny or audit committee is not a member of the political administration; the committee has clear terms of reference, adequate support and access to independent advice; and members of the committee have the necessary skills and training to do their job. This may seem no more than an obvious statement of good practice. But where these characteristics are not in place scrutiny fails and the public interest is not met. Effective scrutiny is not just in the public interest, it is as much in the interest of the administration of a council.

In this quickly changing and challenging environment, systems and processes must be kept up to date and fit for purpose. Councillors also need to assure themselves that there is sufficient capacity within their councils to deal with day-to-day business as well as manage improvement and change. The role of chief executives, for example, is increasingly demanding. The political environment is complex, often involving coalitions, and they need to balance the task of supporting the administration and their responsibilities to the council as a whole. And because not all services are within the council's direct control, for example, where services are provided by arm's-length external organisations (ALEOs) and with the integration of health and social care services, chief executives need to build strong working relationships with partner organisations.

As with councils, the work of the Commission has evolved; for example our community planning partnership audits with the Auditor General and our new responsibility to audit health and social care partnerships. But our core role, on behalf of the public, of holding councils to account and, by doing so, helping them to improve will continue to be at the heart of our work. The Commission strongly believes that Best Value is as relevant and vital today as it was when it was introduced. The values and principles are essential to delivering the effective, high-quality public services that people expect. Councils that place Best Value at the centre of all they do are best placed to deal with pressures in 2015 and beyond.

The Commission expects councillors to use this report to assess the progress their councils are making with partners to improve outcomes and value for money for local people. We look forward to continuing to work with and support local government in meeting the challenges it faces.

Douglas Sinclair

Chair of the Accounts Commission

Summary



Key messages

- 1** Councils face increasingly difficult financial challenges. In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms (allowing for inflation) to £10.3 billion. At the same time, demand for council services has increased, largely due to population changes.
 - 2** Many councils are now reporting gaps between their income and the cost of providing services. With further funding reductions expected, councils face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances. However, there is limited evidence of longer-term financial planning, which is critical in providing that understanding.
 - 3** Councils have managed the financial pressures well so far. Available performance information indicates that services have been improved or maintained. Public performance reporting is getting better but councillors need better financial and service information to help them set budgets and scrutinise performance. All councils prepared their annual accounts on time and met the required accounting standards.
 - 4** Almost all councils have reduced staff numbers to help make savings but this is not sustainable. Councils are considering ways of delivering services more efficiently and need to get better at using local data and involving service users and local communities in developing options to improve services and help save money. They must implement planned changes quickly to achieve their required savings.
 - 5** Councils need to ensure that the way they manage and control their work keeps pace with the quickly changing circumstances in which they operate. There can be no compromise on the importance of good governance, particularly where there are significant changes in personnel and systems. Not all councils systematically review governance when, for example, they change staff, management or political structures, or develop new ways of financing and delivering services. Community planning and health and social care integration require an ongoing focus on governance in partnership working, where the responsibility for good governance is shared and depends on a culture of trust.
-

Recommendations

We make a number of recommendations intended to help councillors. With the support of council officers, councillors should assess the position in their council and, where they decide action is required, ensure the recommendations are implemented successfully.

Councillors should:

- assess whether they have appropriate knowledge and expertise, in areas such as assessing financial and service performance, to carry out their role effectively. They should review their training needs and request the training and support they require to help them consider options, make decisions and scrutinise performance
 - ensure that council officers provide high-quality financial and performance information to support effective scrutiny and decision-making. This includes having relevant and up-to-date performance data and making good use of benchmarking. Performance information should also be clearly reported to the public to help them understand their council's performance
 - ensure that councils, when developing their priorities, use local socio-economic data and work with service users and local communities to understand their needs and explore ways of meeting them. Council budgets should then be targeted towards agreed priorities, including those designed to prevent or reduce service demand in future
 - ensure that they consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available. They should consider carefully the benefits and risks related to each option and make sure they receive information about the impact of the option they choose, including monitoring the risks associated with change
 - ensure that their council has financial plans covering the short term (1-2 years), medium term (3-5 years) and longer term (5-10 years). These plans should set out the council's financial commitments, identify any challenges with the affordability of services and set out clearly how the council ensures its financial position is sustainable over an extended period
 - review their council's governance arrangements following significant changes in staff, management and political structures. This includes ensuring their current management teams have the skills and capacity to provide effective leadership and management of finances, services and improvement programmes, and having succession plans for when senior managers retire or leave the council
 - ensure their council has a comprehensive workforce strategy to help manage the impact of staff reductions. The strategy should ensure that the council retains the ability to make changes and improvements, and is equipped to meet increased demand for services in the context of financial constraints.
-

About this report




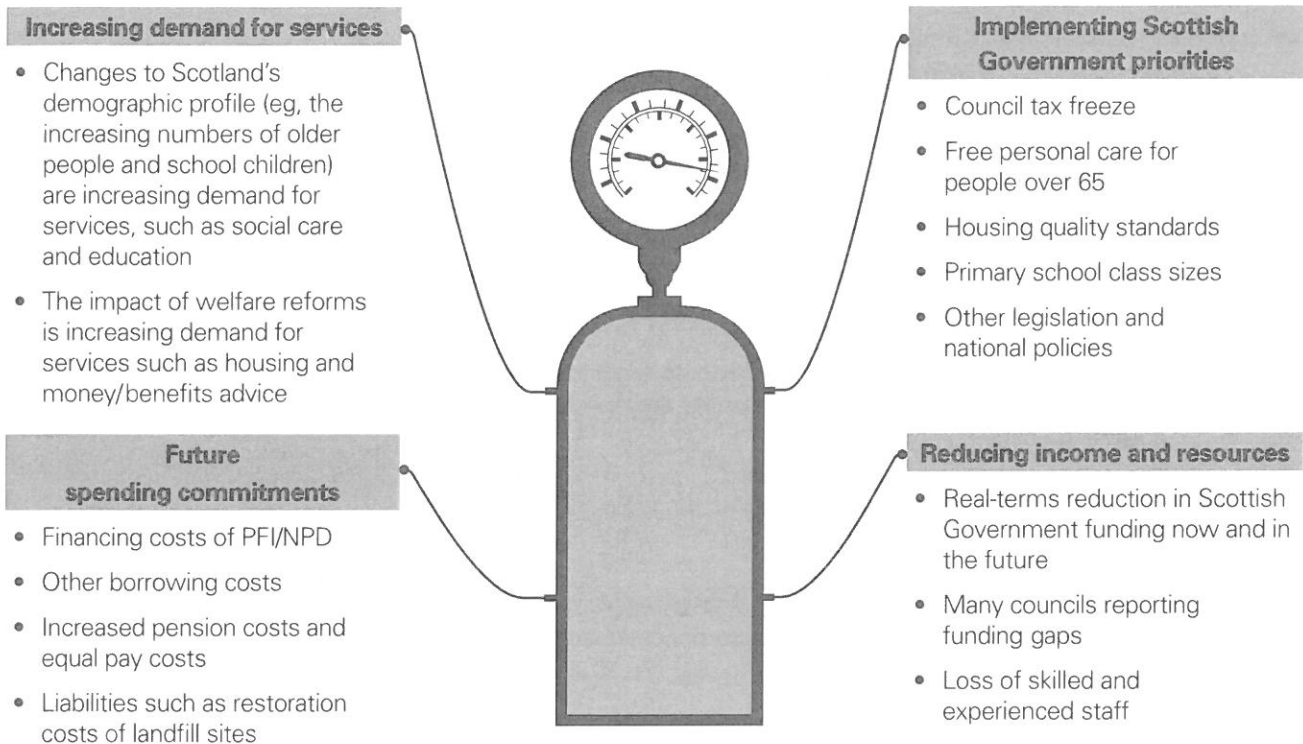
1. This report draws on the findings from local government audit work in 2014 and provides a high-level, independent view on how councils are managed and perform. This includes audits of financial statements, Best Value, community planning partnerships (CPPs) and performance. Reports on individual councils' 2013/14 audits are available on [Audit Scotland's website](#) .
2. The report is primarily for councillors, as a source of information and to support them in their complex and demanding role:
 - **Part 1** reviews the financial context in which councils are operating. It highlights the overall financial position and pressures on budgets.
 - **Part 2** looks at how councils are managing the financial challenges. It highlights what councils and their partners need to do to help deal with the ongoing and increasing pressures they will face in 2015/16 and following years.
3. **Exhibit 1 (page 10)** provides a summary of the main issues covered in this report.
4. Our website contains a [Supplement: Self-assessment tool for councillors \[PDF\]](#)  to help them implement the recommendations we make in this report. We have also provided [a map \[PDF\]](#)  showing the 32 councils and key facts about each.

Exhibit 1

Local government overview 2015

Councils face increasing demand and resource pressures. They need to have the right information, skills and processes to help deal with the pressures in the future.



Points for action for councillors in 2015/16

Having the right information

Councillors should ensure that:

High-quality financial and performance information is made available to support effective scrutiny and decision-making and to report to the public

Their council uses local socio-economic data and involves service users and local communities to understand their needs and explore ways of meeting them. Council budgets should be targeted towards agreed priorities

Their council has a long-term (5-10 years) financial plan and plans covering the short (1-2 years) and medium (3-5 years) term, setting out financial commitments and how the council ensures its financial sustainability

Their council has a comprehensive workforce strategy to help manage the impact of staff reductions

Having the right skills and processes

Councillors should:

Review personal training needs and, where necessary, request training and support to develop knowledge and expertise in, for example, assessing financial and service performance

Consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available. Consider carefully the benefits and risks and the full impact of each option

Review governance arrangements following significant changes in staff, management and political structures and when working with partners

Satisfy themselves that their council's management team has the skills and capacity to provide effective leadership and management of finances, services and improvement programmes

Part 1

The financial context



Key messages

- 1 In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms (allowing for inflation), to £10.3 billion. Further reductions in the Scottish budget are likely, particularly in 2016/17 and 2017/18.
- 2 Councils deliver a wide range of local services. Demand is rising because of population changes, in particular demand for services for older people. Alongside this, councils deliver national policies such as those relating to school class size targets and housing quality standards and by deciding to freeze council tax levels.
- 3 There are other matters which potentially place pressures on councils' finances for example, increasing borrowing costs, equal pay claims and welfare reforms. Almost all councils are now predicting a gap between their income and the cost of providing services.

Councils' funding is decreasing in real terms, so it is important that they consider options to increase their income

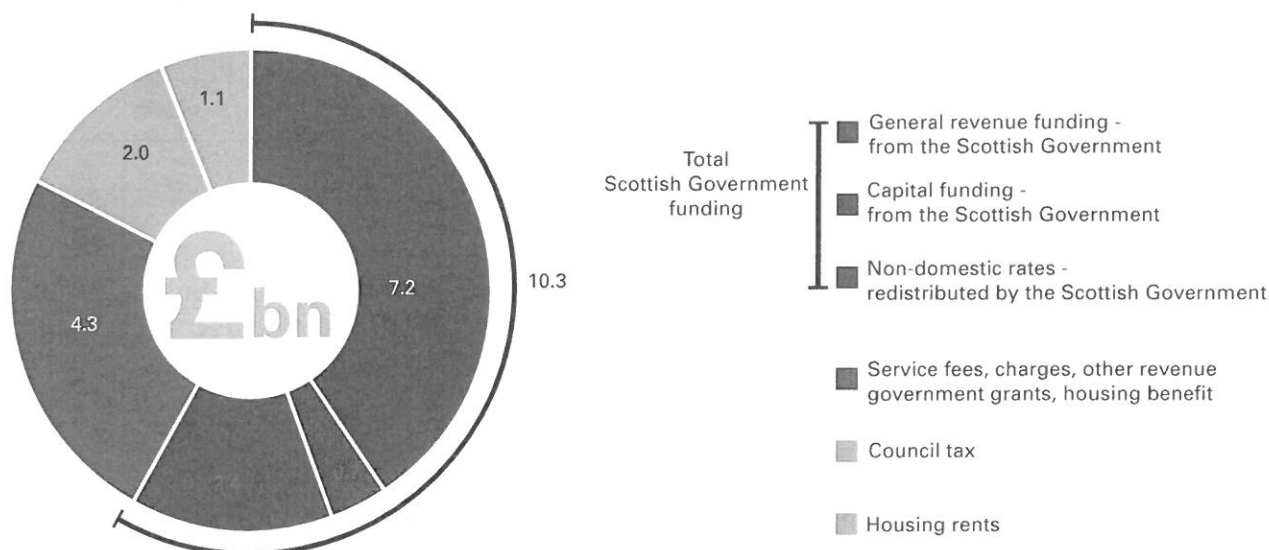
4. Scottish councils' total income in 2013/14 was £17.8 billion. The majority of this comes from Scottish Government funding and the rest comes from council tax, fees for services they provide and housing rents (**Exhibit 2, page 12**). Councils' share of the Scottish budget has remained relatively constant over the last few years. However, in the context of overall reductions in public sector budgets the amount of funding that councils receive from the Scottish Government has gone down. In 2013/14, the Scottish Government allocated £10.3 billion to councils. This is 8.5 per cent lower, in real terms, than in 2010/11.
5. Due to differences in services and funding, direct comparison with the position in England is not possible. However, it is clear that councils in England have faced more severe cuts; between 2010/11 and 2015/16 the UK Government will have reduced its funding to English councils by 37 per cent, in real terms.

**councils
continue
to face
increasing
challenges to
their financial
sustainability**

Exhibit 2

Council income in 2013/14 (£ billion)

Funding from the Scottish Government totalled £10.3 billion.



Notes:

1: Figures add to £17.7 billion, rather than £17.8 billion, due to rounding.

2: For the first time in 2013/14, councils received the council tax benefit element of their council tax income directly from the Scottish Government as part of the general revenue funding. This amounted to £351 million, effectively bringing the total income from council tax to £2.4 billion.

Source: Councils' audited annual accounts, 2013/14

6. Most of the 2013/14 Scottish Government funding (£9.6 billion) was for the day-to-day running of council services, including staff salaries. This is known as revenue funding. This is distributed to councils based on a range of indicators, including population, deprivation and pupil numbers. The remainder (£0.7 billion) was to buy, build or refurbish assets, such as buildings, roads and equipment. This is known as capital funding. Between 2010/11 and 2013/14, budgeted revenue funding from the Scottish Government decreased by seven per cent and capital funding by 33 per cent, both in real terms (**Exhibit 3, page 13**).¹ Capital funding is set to rise again in 2014/15 and 2015/16.

Councils have relatively limited scope to increase their income

7. Less than a third of councils' total income is within their direct control.

They must set the rate of council tax, determine rent levels for council tenants and decide whether, and how much, to charge for specific services, such as some social care services and parking. However, there are limitations.

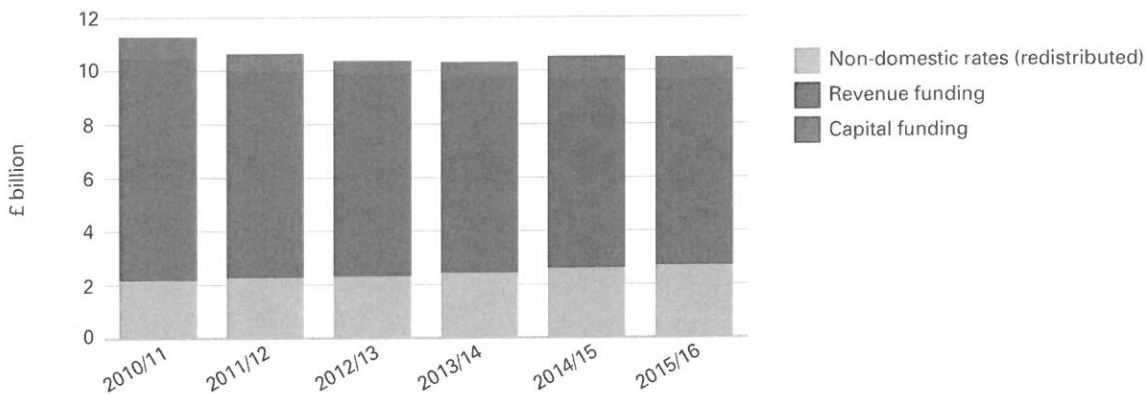
For example, councils have agreed to freeze council tax in exchange for additional funding from the Scottish Government. Councils improved their council tax collection rates to over 95 per cent in 2013/14, increasing council tax income by nearly one per cent since 2012/13 (in real terms).

8. Councils also have relatively little control over local business tax income, known as non-domestic rates (NDR). The Scottish Government sets the annual business tax rate, councils collect the money from local businesses and the Scottish Government redistributes the money as part of its funding allocation to councils.

Exhibit 3

Trend in budgeted revenue and capital funding from the Scottish Government (real terms)

Total funding from the Scottish Government has fallen by 8.5 per cent in real terms between 2010/11 and 2013/14, seven per cent in revenue funding and 33 per cent in capital funding.



Notes:

- 1: Budgeted figures differ slightly from the actual amount of funding received, due to adjustments made during the year.
- 2: All figures exclude funding for police and fire and rescue services. The budgeted revenue funding was decreased slightly in 2013/14 because councils were allowed to keep 49 per cent of reserves for police services and 100 per cent of reserves for fire and rescue services.
- 3: For the first time in 2013/14, revenue funding included the council tax benefit element of council tax income, amounting to £351 million.

Source: Local Government Financial Circulars, Scottish Government, 2009-15

9. Councils have more control over the income they receive from service fees and charges. Charges serve different purposes:

- They are a vital source of income for councils.
- They are used to influence behaviours – for example, low gym charges can be used to encourage exercise or car parking charges can be used to discourage people from taking their cars into city centres.

10. In the last few years, some councils have increased or introduced new service charges. However, councils have to consider the benefits that the extra income brings alongside the impact that higher charges have on the people using the services and the administrative cost of collecting these charges. Councils' income from fees and charges was an estimated £1.3 billion in 2012/13.²

Councils have many commitments to manage within reduced budgets

Over half of councils' spending is on education and social work

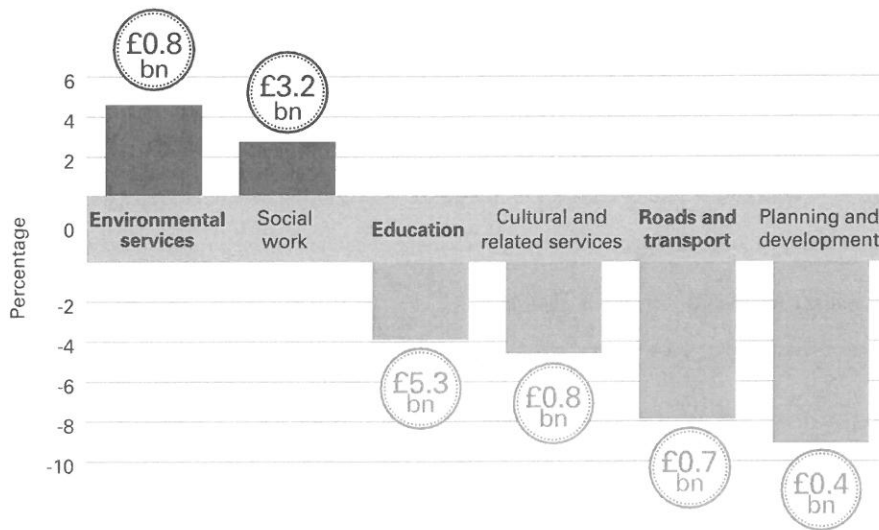
11. Councils spent a total of £18.6 billion on delivering services in 2013/14. This was a slight increase, in cash terms, compared to 2012/13 (£18.5 billion), but a real terms decrease of one per cent. The largest proportion of this spending was on education (30 per cent), followed by social work services (22 per cent).

Spending on most of the main services has fallen since 2010/11, except on social work and environmental services (**Exhibit 4**). Some of the smaller services, in terms of net spending, have generally experienced a higher percentage of budget reductions. The increase in social work spending is due in part to increased spending on care for older people, reflecting the population trend. The net increase in environmental services is due mainly to changes in the way that some trading activities are reported in councils' accounts, and a new accounting requirement to plan for the costs of restoring landfill sites.

Exhibit 4

Percentage change in net spending per service, between 2010/11 and 2013/14 (in real terms)

Percentage changes in spending vary between services.



Note: Figures in circles show net spending per service in 2013/14 before accounting adjustments are made.

Source: Councils' audited annual accounts, 2013/14

12. Councils deliver a wide range of public services. Some of these services and functions are more prescribed in legislation than others, but councils generally have discretion on the level of services they provide and how they provide them. For example, legislation states that councils must provide education for all children aged between five and 16 years old, and sets rules and targets about teacher numbers, their professional qualifications, class sizes and the curriculum. However it does not prescribe, for example, how many hours of education children must receive or how many days they should be in school; councils have the discretion to decide this.

Councils' decisions about how they deliver national and local policies affect their financial commitments

13. The Scottish Government depends on councils to implement a number of its national policies, including:

- reducing the number of pupils in each primary school class
- delivering free personal care for older people
- maintaining the freeze on council tax
- meeting the Scottish Housing Quality Standard (**Exhibit 5**).

Exhibit 5

The Scottish Housing Quality Standard (SHQS)

Councils expect to spend over £850 million to bring their houses up to standard.

The Scottish Government introduced the SHQS in February 2004 and it is the principal measure of housing quality in Scotland. It has set a target for landlords, including councils, to bring the quality of their housing stock up to the standards described in the SHQS, where it applies, by April 2015. In 2012/13, councils brought 13 per cent of their houses up to the standard but 22 per cent of houses still did not comply, mainly because the houses did not meet energy efficiency standards. Councils predict that it will cost a total of £853 million to bring all their housing stock up to standard.³ This includes £302 million already spent in 2012/13 and predicted spending of £551 million between April 2013 and March 2015.

Source: Audit Scotland

14. National policies commit councils to spending in these areas although, in some cases, the Scottish Government provides extra funding for councils to help them implement the policies. For example, since 2011/12 the Scottish Government has made available an additional £70 million a year to councils if they decide to maintain council tax at the same level it was in 2007/08.


15. As well as national policies, councils make local commitments that they must also manage within their budget. For example, some councils have policies against compulsory redundancy. This restricts their ability to manage changes or reductions to their workforce and make associated savings. Councils also have to deal with commitments from past decisions, such as equal pay claims. In 2013/14, 20 councils settled claims worth £73.2 million. This is more than in 2012/13 (£32 million). The cumulative amount paid in equal pay settlements to March 2014 is £580 million. Councils have set aside a further £108 million to meet expected future claims.

16. In addition to upgrading their housing stock to meet the SHQS, councils need to ensure that other assets used to deliver services are fit for purpose. They do this through a programme of capital investment. This includes spending money on new buildings, such as schools, and on maintaining and repairing existing assets, including local roads. Improving facilities, buildings and other assets can help councils deliver services more efficiently and effectively and enhance people's experiences of council services. Councils' capital spending in 2013/14 was £2.2 billion, with £0.7 billion coming from Scottish Government funding and the remaining £1.5 billion funded mainly by borrowing.

17. Twenty-six councils reported that they had underspent against their 2013/14 capital budgets. The level of underspend varied widely, from around one per cent of budget in the City of Edinburgh Council to 45 per cent in Aberdeen City Council and 46 per cent in East Dunbartonshire Council. Reasons for the underspend in Aberdeen City Council include unexpected withdrawal of, or delays caused by, external partners in projects to develop new waste management facilities, build a new bypass (the Western Peripheral Route) and introduce hydrogen-powered buses. In East Dunbartonshire Council the main reason for the underspend was a decision not to proceed with building new office and depot accommodation when further investigation at the chosen site found it to be unsuitable. There are many other reasons why councils spend less than planned on their capital programmes, including delays in starting or progressing projects. Ongoing underspending may mean that councils do not have the most appropriate assets in place to deliver services effectively.

Most councils are reporting funding gaps

18. Financial sustainability is about balancing spending and income over time. Growing demand for services and expected reductions in funding have led many councils to report a funding gap in 2015/16 and beyond. The funding gap means that, to pay for services, councils will have to increase their income, improve efficiency, divert money from lower priority services, or a combination of these. If they are unable to do this they will have to use some of their reserves, although this is a short-term option. Many councils have reported funding gaps, but over different time periods. For example, North Lanarkshire Council predicted a gap of £62.4 million over three years to 2015/16 and Fife Council predicts a gap of £77.2 million in 2017/18.

19. It is not clear if councils' planned savings will be enough to cover the reported gaps in funding or if they will need to make more savings. This is the case, for example, for the City of Edinburgh Council. Our [Best Value report \[PDF\]](#)  found that the council needs to make recurring annual savings of £138 million by 2017/18. It also highlighted that there is a gap of £67 million between the savings the council needs to make in 2017/18 and those it has already identified in its financial plans.⁴ At the start of 2015 the council was considering options to bridge the £67 million gap, including working with voluntary groups to save £10.8 million a year and reducing its workforce by 1,200 staff (full-time equivalent (FTE)).⁵

20. The challenge for councils is to implement strategies that bridge the funding gaps. Almost all councils' auditors have indicated risks to councils' financial positions in the medium to long term. Specific risks identified by auditors include councils:

- spending more money than they planned
- not making the savings they planned
- having to compromise unexpectedly on the quality of services they deliver, without having worked with service users to review and evaluate other options
- being unable to meet the increasing demand for services
- not having enough money in their reserves that they can use, if required.

Service users and local communities will suffer if important services are affected because councils fail to secure financial sustainability over an extended period of time.

Reserves are available but councils can only use this money once

21. Councils hold useable reserves to help them manage unpredictable financial pressures and plan for their future spending commitments. Councils had a total of £1.8 billion of useable reserves at 31 March 2014. This was a small decrease of two per cent in 2013/14, a change in the trend of increasing reserves in recent years ([Exhibit 6, page 18](#)).

22. Useable reserves are made up of different funds, including general, capital, housing etc. In 2013/14, general funds accounted for over half (£1.03 billion) of councils' total useable reserves. Councils allocated most of their general funds (£0.71 billion or 69 per cent) for specific purposes, such as modernisation initiatives and local development projects. The remainder (£0.32 billion or 31 per cent) of councils' general fund reserves was unallocated. Councils usually hold unallocated reserves as a contingency to help deal with unforeseen events such as rising interest rates, delays in receiving payments, relieving the pressure on demand-led services, or other unplanned spending.

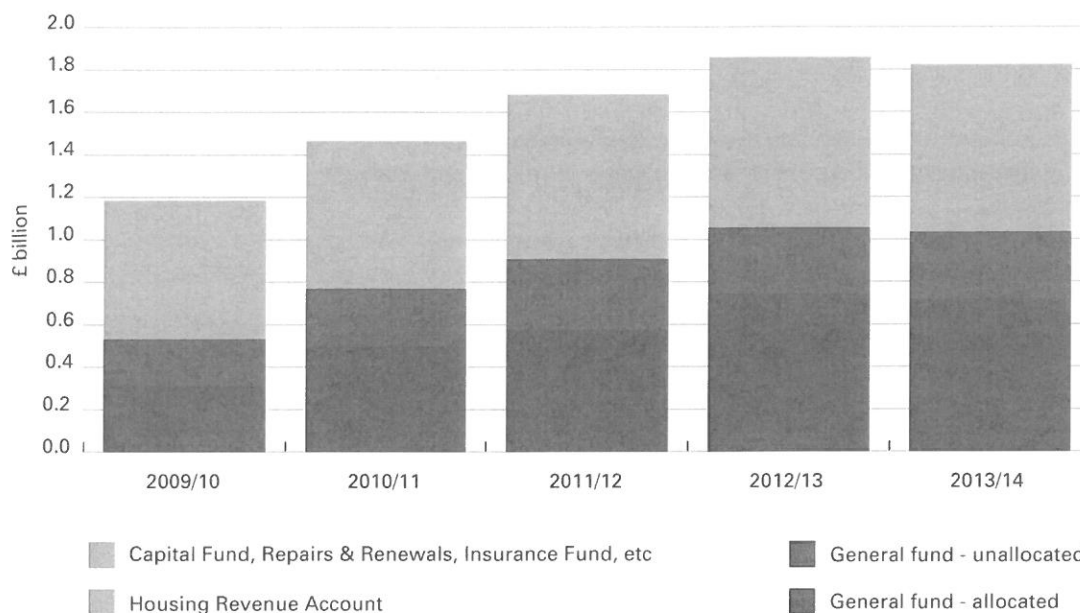
23. Councils need to consider both their level of reserves, and how they plan to use them, when developing financial plans and setting annual budgets. The chief financial officer (see [paragraph 77](#) for more information about this role) is responsible for advising the council on the level of reserves it should hold and ensuring that there are clear procedures for keeping and using reserves.

24. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) states that the chief financial officer should take account of the strategic, operational and financial risks facing the council, when deciding the appropriate level of unallocated reserves.⁶ Auditors reported that not all councils carried out a formal risk analysis to determine the appropriate level of reserves. Most councils had a policy to maintain unallocated general fund reserves at around two to four per cent of their net spending on services.

Exhibit 6

Councils' useable reserves from 2009/10 to 2013/14

Useable reserves stopped increasing in 2013/14 after three years of growth.



Note: Figures exclude Orkney and Shetland Islands councils, which hold large reserves and balances arising mainly from harbour and oil-related activities.

Source: Councils' audited annual accounts, 2009/10 to 2013/14

25. Councils can use their reserves to help deliver services. But they can only use them once. Reserves cannot help councils deal with budget gaps in the longer term. Twenty councils reduced their level of useable reserves in 2013/14, 11 councils increased their level and one council's level remained the same.

26. Councils also have other reserves that are not available to spend on providing services (known as unuseable reserves). These are the result of accounting practice to comply with financial reporting standards. Unuseable reserves increase and decrease to reflect updated estimates of the current value of certain council's assets and liabilities, including the value of pensions that the council will have to fund in future.

Further budget reductions are expected and demands for services are increasing

27. The Scottish Government's funding for councils in 2014/15 is £10.8 billion. This is an increase of 2.1 per cent in real terms, compared to 2013/14. In 2015/16, funding is expected to increase by a further 1 per cent in cash terms to £10.9 billion. This is a decrease of 0.5 per cent in real terms. Councils expect further reductions in funding from the Scottish Government, particularly in 2016/17 and 2017/18. The UK Office for Budget Responsibility indicated that UK expenditure could be cut by 6.4 per cent in 2016/17, 4.9 per cent in 2017/18 and 1.9 per cent in 2018/19 and 2019/20 (in real terms).⁷ If this is reflected in the UK Government's budget allocation to Scotland, the Scottish Government faces further difficult decisions about how much funding to allocate to councils alongside its other responsibilities and priorities.

28. In addition to reduced funding, councils face other pressures as demand for services continues to increase. The increasing demand for services is largely due to changes in the population, which is increasing by about 0.2 per cent a year. People are also living longer; the percentage of people aged 65 or over is projected to increase from 17 per cent in 2012 to 25 per cent by 2037 (**Exhibit 7, page 20**). An older population has implications particularly for social care and housing services. For example, analysis by Midlothian Council suggests that without a significant shift in the way services are provided there will be a need for an estimated 300 additional care home places, at a cost of £6 million a year, due to its increasing older population.

29. The growing population can also affect councils' education services. The number of children aged 0-15 years across Scotland is predicted to rise by 5.5 per cent by 2037. Between 2014 and 2018, the number of primary school pupils is expected to go up by 3.9 per cent. The position across Scotland varies widely. For example, Aberdeen, Glasgow and Dundee City councils have predicted increases of 20, 13 and 11 per cent respectively. Clackmannanshire, East Renfrewshire and Stirling councils have predicted decreases of between three and four per cent.⁸ For those councils most affected by the increasing number of pupils there are pressures on:

- revenue budgets, for example paying for teachers' salaries
- capital budgets, for example building and refurbishing schools.

In council areas where numbers are falling, councils must monitor the impact of this on their required resources, such as staff, buildings, facilities and transport.

An increasing proportion of councils' budgets will be required to repay debts and other financial commitments

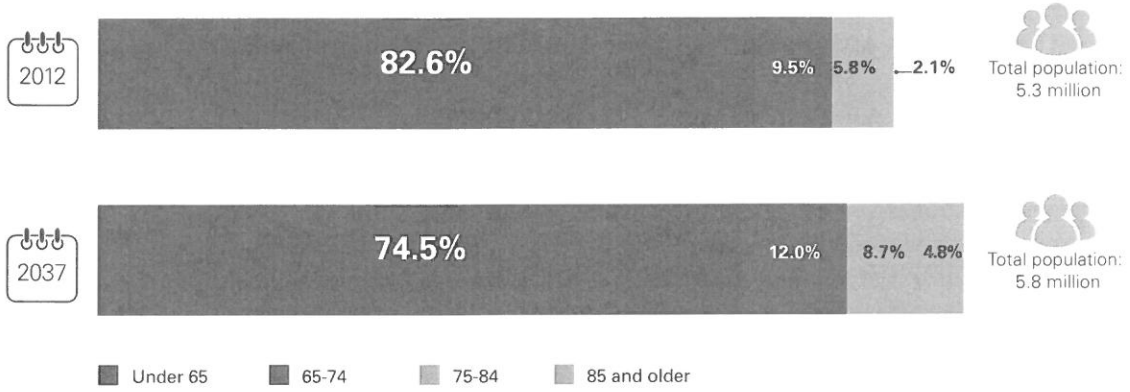
30. As councils make decisions on how to allocate their reduced budgets, they need to be clear about both their short and long-term liabilities. For example, since 2000/01 councils have financed around £4 billion of capital projects using Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) contracts, mostly for new and refurbished schools. Capital projects funded through PFI and NPD generally do not involve using a council's capital budget. Instead, the project costs are met upfront by private sector contractors and the council meets the cost of this, typically over 20 to 30 years, through ongoing revenue payments. Payments to the contractor include repaying the cost, plus interest, of building the asset along with any related services, such as ongoing maintenance and service management costs. Under these contracts councils are committed to paying nearly £17 billion in total. Councils have paid £3.4 billion already and must pay a further £13.4 billion between 2014/15 and 2041/42 (**Exhibit 8, page 20**).

31. In addition to PFI and NPD, councils have borrowed £12.1 billion to finance investment in assets. The current value of councils' assets is £39 billion. Borrowing helps councils spread the cost of building and refurbishing their assets over a number of years. However, it means that councils commit a proportion of their future budgets to financing charges, that is repaying debt and interest. Annual interest and debt repayments on borrowing have increased from £946 million in 2009/10 to £1.5 billion in 2013/14. Repayments for current PFI and NPD contracts totalled £488 million in 2013/14 and are predicted to peak at around £600 million a year between 2024/25 and 2027/28. Higher financing commitments leave councils with less money available to spend on the other day-to-day costs of running services.

Exhibit 7

Scotland's population is changing

The percentage of the population aged 65 and over is expected to increase considerably.

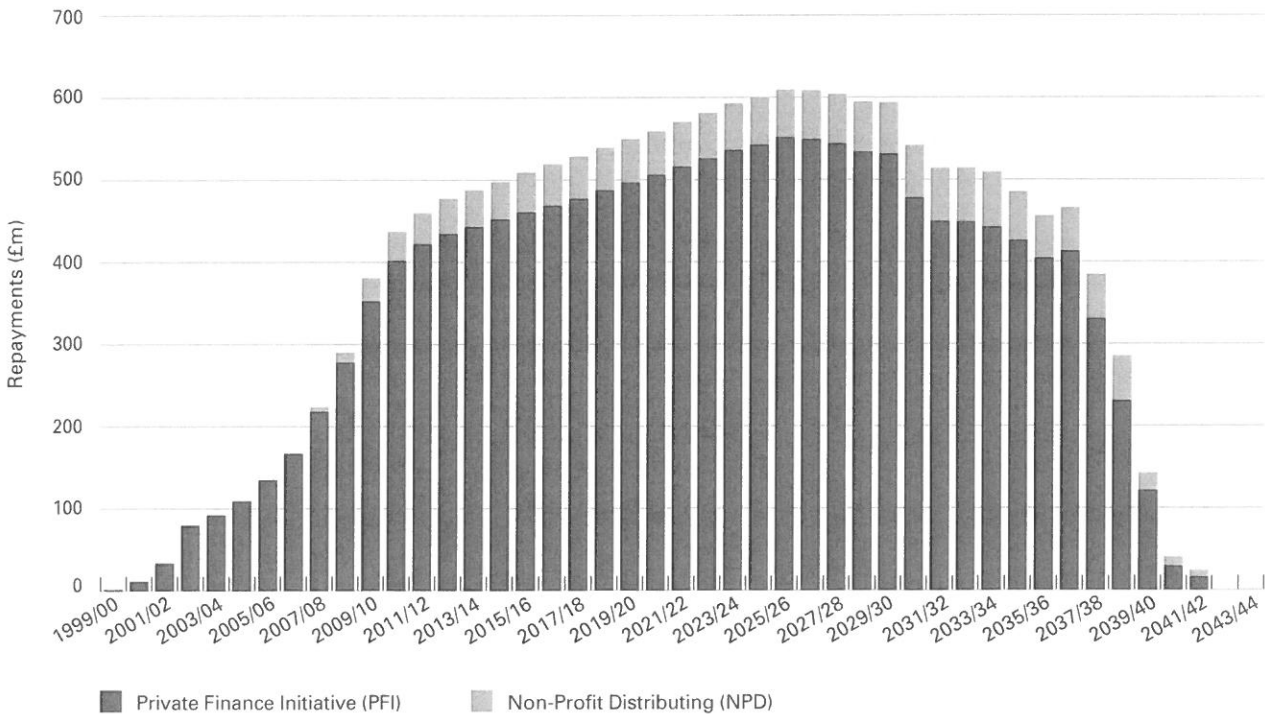


Source: Projected Population of Scotland (2012-based), National Records of Scotland, 2013

Exhibit 8

Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) payments, 1999/00 to 2043/44

Councils' committed payments on current PFI and NPD contracts continue to rise until 2026/27.



Note: These figures do not take inflation into account.

Source: Audit Scotland, from HM Treasury (2014) Private Finance Initiative Projects: current projects as at 31 March 2014

32. Population projections indicate that there will be increasing demand for council services at the same time as financing charges are anticipated to peak. These longer-term challenges further support the case for longer-term financial planning (**paragraph 69**). Our report on borrowing and treasury management, which we will publish in March 2015, will consider whether councils can demonstrate that their borrowing is affordable and sustainable in the long term.

There are a range of other matters affecting councils' finances

33. The Welfare Reform Act 2012 is the biggest reform of the UK welfare system for 60 years and is expected to have significant implications for households and councils. The reforms include introducing a cap on the amount of benefits that people can claim. The impact on people's ability to pay what they owe in housing rent, council tax and other fees and charges is not yet clear. Councils paid £29.4 million in government-funded Discretionary Housing Payments to people who needed help to pay their rent in 2013/14. However, housing rent arrears also increased by 24 per cent between 2012/13 and 2013/14 and this may, in part, be a result of welfare reforms. The full impact of welfare reforms will not be known for some time. The reforms may create greater demands on services if more people are in debt or in need of suitable council homes.

34. Auditors report that, so far, councils are managing the impact of welfare reform and many are spending money on support for people affected, including:

- establishing working groups to coordinate help and support
- creating specific funding pots to help people in need
- setting up telephone hotlines to deal with queries and offer advice
- providing information on their websites.

35. Councils face increased costs when they implement some national policies and legislation, such as self-directed support and the Children and Young People (Scotland) Act 2014.⁹ The Scottish Government includes additional costs in the general funding it gives councils. For example, the costs associated with implementing the Children and Young People (Scotland) Act 2014 are estimated at £79.1 million in 2014/15. These are expected to rise to £138.9 million in 2016/17, and then decrease to £108.9 million by 2019/20.¹⁰ The estimated costs largely relate to two of the proposals, both of which are mainly councils' responsibility to implement:

- providing a single point of contact (a named person) for every child in Scotland
- increasing the amount of free early learning and childcare.

36. Councils are also facing other potential financial liabilities. For example, councils must pay the costs of restoring landfill sites used for waste disposal; some may have to pay for restoring open cast mines previously owned by companies that no longer exist; or spend money they did not plan to on paying staff for underpaid holiday pay.

Further changes are expected that may affect councils' finances

37. Councils are likely to face increased costs due to changes in pension schemes. These changes mean that members of workplace pension schemes and their employers no longer pay reduced National Insurance contributions from April 2016. Councils need to be sure that their pension funds are sufficient and well managed so that there is enough money to pay current employees' pensions when they retire.

38. There are potential changes to both the council tax and NDR systems which may affect councils' income. The Scottish Government and the Convention of Scottish Local Authorities (COSLA) have set up an independent commission to examine alternatives to the existing council tax system. The commission is expected to consult with communities before recommending how to develop a 'fairer system of local taxation' to help pay for council services. The commission will report in the autumn of 2015.¹¹ In addition, the Community Empowerment Bill proposes to give councils some flexibility to control their NDR income along with the ability to set local rates to attract businesses to their area or encourage existing businesses to grow.

39. More generally, the overall environment for public finances in Scotland is changing substantially. From April 2015, new taxes on land and buildings transactions and disposing of waste to landfill come into force. The Scottish Government will also have new borrowing powers. From April 2016, the Scottish Parliament must set a new Scottish rate of income tax. In addition, the recent Smith Commission report sets out proposals by Scotland's main political parties to provide more powers to the Scottish Parliament. The proposals are extensive and include further changes to the welfare system and more financial responsibilities.¹²

Part 2

Dealing with pressures in 2015/16




Key messages

- 1** Councils have reduced staff numbers to help make savings. They have paid out £352 million in voluntary severance since 2010/11. There is an increasing risk that reductions in staff numbers, and the associated loss of skills and experience, will affect essential support services, such as HR and finance.
 - 2** Despite reductions in funding, available data indicates that councils have continued to improve or maintain services. However, sustaining improvement is becoming more challenging and councils face increasingly difficult decisions about providing services.
 - 3** Effective financial and performance management help councils relieve pressures through, for example, targeting resources (such as money and staff) at their priority areas, and identifying better ways to provide services. Councils need to take more account of service users' priorities and get better at using local data and involving communities in planning and delivering services.
 - 4** Effective planning and budgeting help councils target resources, but there is limited evidence of longer-term financial planning. Eighteen councils do not have long-term financial plans covering a period of five or more years. This can limit how well they understand the full implications of their spending and borrowing.
 - 5** Governance needs to keep pace with changes in staff, management and political structures. This applies within councils and in joint working between councils and their partners, particularly in community planning. Health and social care integration, which councils and health boards are working to implement fully by April 2016, requires effective governance arrangements for the new joint bodies.
 - 6** Councillors need clear information to help them scrutinise services and make effective decisions. Good information helps councils demonstrate that they use public money properly and effectively. There has been an improvement in councils' public performance reporting. Councillors should also make sure they get the training and support they need to help them fulfil their demanding roles.
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**strong
financial
management
and good
governance
are critical
to making
changes
successfully**

Savings plans are in place but councils will need to consider more fundamental changes

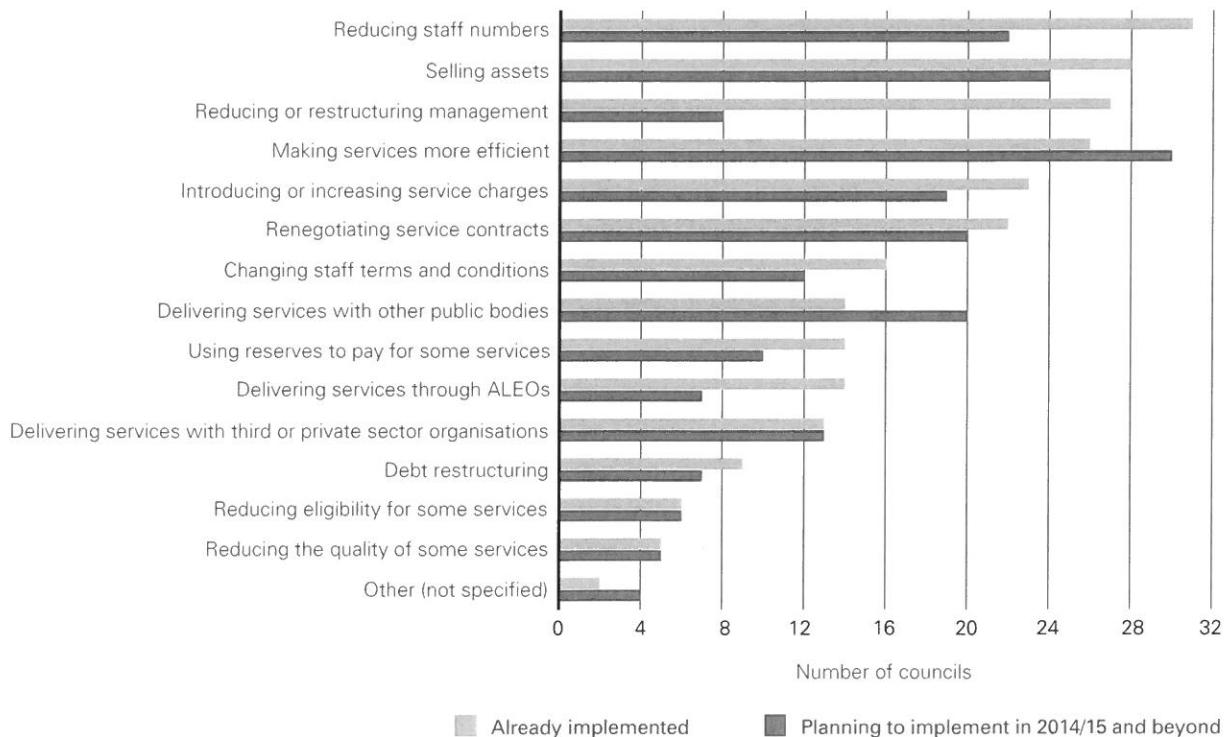
40. Councils have made savings in the last few years through various initiatives, mainly by reducing staff numbers, restructuring and reducing management, and disposing of assets such as buildings and equipment (**Exhibit 9**). Other sources of savings include improvements in the way councils purchase the supplies and support they need to deliver services. *Procurement in councils* [PDF]  for example, found that councils had identified procurement as a source of significant savings.¹³ During 2013/14, 23 councils reported that they were planning to make £27 million of savings from procurement. This was 13 per cent of their overall savings targets at the time.

41. To make further savings in 2014/15, most councils were planning to make their services more efficient. They were also considering new service delivery models, including working with other public bodies and setting up arm’s-length external organisations (ALEOs). ALEOs are separate companies or trusts set up and fully owned by councils, but with separate financial and governance arrangements. Whatever the delivery model, councils retain responsibility for public money and the quality of services delivered.

Exhibit 9

Actions taken and planned to make savings

The three most common actions councils have taken to make savings are reducing staff numbers, restructuring and reducing management, and disposing of assets.



Source: Audit Scotland survey of council auditors, 2014


Almost all councils have reduced staff numbers to help deliver savings

42. Councils have reduced their workforce by 12 per cent since 2008, from around 228,700 to 201,500 (FTE).¹⁴ This reduction includes staff now working in ALEOs and so the actual reduction in staff providing council services will be smaller than 12 per cent. For example, 7,759 facilities management and social care staff in Glasgow City Council transferred to one of its ALEOs, Cordia. Only Aberdeenshire Council has increased its workforce since 2008, from 9,200 to 10,000 (FTE). The council attributes this to growth in demand for services as a result of a five per cent increase in the population between 2010 and 2013, and to the fact that it has not outsourced any services. At least half of councils intend to make further staff reductions in 2014/15 and beyond. For example, East Renfrewshire Council's three-year savings plan proposes a reduction of 200 posts to help close a £22 million funding gap.


43. Staff reductions have cost councils £352 million in voluntary severance payments and associated costs over the last three years (2011/12 to 2013/14). Each council produces estimates of the savings it expects to achieve from reducing its workforce. For example, North Lanarkshire Council estimated that deleting 237 staff posts in 2013/14 would cost £4.1 million for voluntary severance and early retirement, but would save £7.4 million from its staff costs each year.

44. In 2014, nearly half of councils restructured their management to save money. For example:

- Scottish Borders Council restructured its management to help bridge a £28.7 million funding gap over five years. This included appointing two new deputy chief executives and reducing the number of heads of service from 19 to 12.
- Midlothian Council reviewed its leadership and middle management structures to deliver savings of £1.3 million. This included reducing the number of heads of service from ten to eight and considering reductions in the number of middle managers, from 162 to 143.
- Highland Council has reduced the number of service directors from seven to five to help save £0.35 million a year on senior management costs from 2014/15 onwards. Since 2007, the council has reduced the number of managers by 44 posts to make annual savings of £3.25 million.

45. Although councils have reduced their staff numbers to make savings, it is crucial that they understand and manage the effect of these reductions and continue to improve or maintain the impact their services have on people's lives. Councils tell us they have tried to protect front-line staffing and concentrate the reductions among support staff and management. Our *School education* [PDF]  report found that councils' spending on education fell by five per cent in real terms between 2010/11 and 2012/13, largely as a result of employing fewer staff.¹⁵ Teacher numbers (FTE) were reduced by two per cent between 2010 and 2013. They fell further in 2014, to 50,824, which is the lowest number in the last ten years. This coincides with pupil numbers increasing since 2012 and, in the last year, the total pupil-teacher ratio increased from 13.5 to 13.6. The primary school pupil-teacher ratio increased from 16.5 to 16.7. We recommended that councils need to fully assess the potential longer-term impact of staff reductions on pupil attainment and wider achievement, and they need to be alert to the potential impact of increased

workloads on remaining staff. Teacher numbers and related funding have been the subject of recent discussion between the Scottish Government and councils.

46. Where further staff reductions are planned, it is important that councils have comprehensive workforce plans and strategies to help manage the impact of significant staff reductions. Our *Best Value report on the City of Edinburgh Council* [PDF]  highlighted the crucial role of a workforce strategy in enabling councils to plan and manage required savings and to ensure that councils:

- have sufficient capacity for change and improvement
- can meet increased demand for services in the context of financial constraints.

Available data indicate that councils maintained or improved service performance in 2013/14 but pressures on services are increasing

47. Councils have generally managed workforce reductions well while maintaining or improving their performance indicators in most service areas between 2010/11 and 2013/14 (Exhibit 10, page 27).

Decisions on how to reduce spending are becoming even tougher

48. Faced with increasing demand and reduced budgets, councils are finding it harder to continue to improve or maintain the level and standard of services. Councils and their partners need to make sure they are targeting their resources (that is, money and staff) in the right way. To date, councils have relied mainly on staff reductions to achieve the savings they require, but this approach alone is not sustainable.

49. To help manage further budget reductions, Scottish councils need to continue:







- reviewing how they deliver services
- assessing whether what they are doing is the most efficient and effective option, both in the current circumstances and in the future. If this is not the case, councils need to consider fundamental changes.

50. There are a number of actions that councils should take to help them identify how best to target their resources. These include making better use of local socio-economic data and involving service users in deciding their priorities (Exhibit 11, page 28).

51. There is also an increasing need, and expectation, that councils and their partners deliver more integrated services. This will help councils to make best use of their resources, achieve value for money and improve outcomes for people and communities. Community planning involves councils, NHS boards, other public sector bodies, businesses and voluntary groups, working together with local communities to deliver better services. All councils have established a community planning partnership (CPP) in their area. CPPs are required to identify local priorities and set these out in a Single Outcome Agreement (SOA). The Community Empowerment (Scotland) Bill proposes to give the public bodies involved in CPPs a legal duty to work in partnership to plan and improve outcomes for their area.

Exhibit 10**Improving service performance in 2013/14**

Performance indicators in most service areas show improvements since 2010/11.

Education 	Culture and leisure 	Environmental services 
<ul style="list-style-type: none"> The proportion of secondary school pupils achieving five or more SQA Level 6 awards has increased from 23 per cent to 28 per cent. The proportion going on to positive destinations has risen from 89 per cent to 92 per cent. The cost per secondary school pupil has fallen by 3.6 per cent, while the number of pupils decreased by 3.9 per cent. The cost per primary school pupil has fallen by 7.4 per cent, while the number of pupils has increased by 3.3 per cent. The cost per pre-school place has fallen by 15.3 per cent, while the number of places has gone up by 11.8 per cent. 	<ul style="list-style-type: none"> Visitor numbers for sports have increased by 17.3 per cent, reported to be the result of significant capital investment across Scotland ten years ago. The number of library visits has increased by 26.6 per cent, boosted by numbers of virtual visits, use of public access computers and adjusting opening hours to better suit user demand. Museum visits have gone up by 25.8 per cent. The increase in numbers has helped to reduce the costs per visit. 	<ul style="list-style-type: none"> Recycling rates increased to 42.2 per cent of household waste being recycled, as councils work towards Scotland's Zero Waste 60 per cent target in 2020, while costs per premise have reduced by 3.2 per cent. Street cleaning costs per thousand population have fallen by 25.4 per cent and roads maintenance costs per kilometre have fallen by 21.2 per cent. Waste collection costs crept up slightly between 2012/13 and 2013/14, suggesting that there may be few savings left to find now that councils have already introduced 'route optimising' systems, changes in working practices and collecting bins less frequently.
Adult social care 	Housing 	Economic development 
<ul style="list-style-type: none"> The hourly cost of homecare for older people has fallen by 4.6 per cent. The percentage of people with intensive needs cared for at home has increased from 32.2 per cent in 2010/11 to 34.7 per cent in 2013/14. 	<ul style="list-style-type: none"> Levels of rent lost due to houses sitting empty after a tenant has left have remained unchanged at 1.3 per cent. 	<ul style="list-style-type: none"> The percentage of unemployed people helped into work by their council has risen from 9.6 per cent to 12.6 per cent.
Public satisfaction		
<ul style="list-style-type: none"> Public satisfaction with councils' services has increased for waste collection, decreased for schools, social work and libraries and remained static for leisure, museums, parks and street cleaning. 		

Source: *National Benchmarking Overview Report 2013/14*, Improvement Service, January 2015

Exhibit 11

Actions councils should take to effectively target their resources



Source: Audit Scotland

52. More recently, health and social care integration under the Public Bodies (Joint Working) (Scotland) Act 2014 will bring about the most significant change in public services in Scotland in recent years. Councils and NHS boards have a major opportunity to add value to people's lives through improved, coordinated services.

Councils need to have good information for decision-making

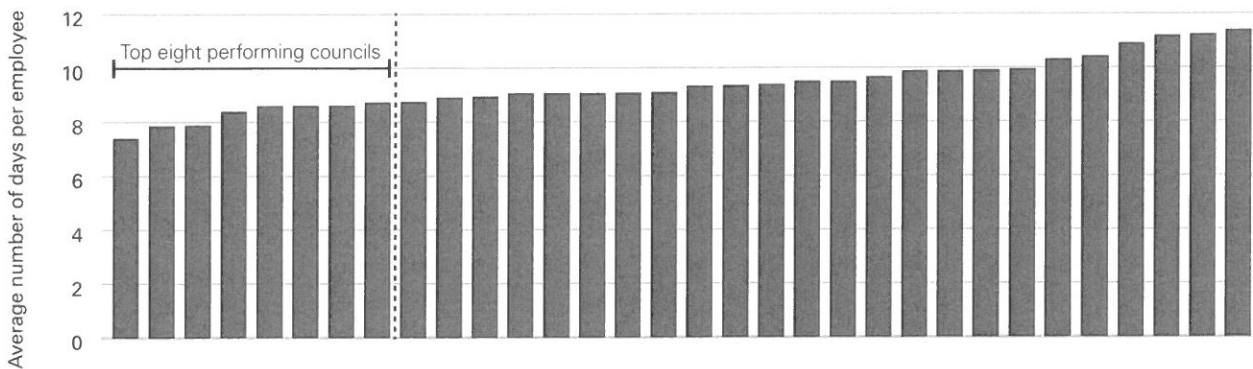
53. The Local Government Benchmarking Framework (LGBF) allows councils to assess and compare their performance and costs across all major service areas. The Improvement Service publishes the LGBF data by theme and by council. Councils can compare how much they spend, and how they perform, with other similar councils. This allows them to identify their strengths and areas where they could improve and to learn from good practice in other councils. For example, sickness absence varies across councils from an average of 7.4 days to 11.4 days per employee per year (**Exhibit 12, page 29**). If councils with high absence levels could lower this to match the top eight performing councils (lower than 8.8 days), that would gain the equivalent staff time of 450 full-time employees across Scotland. Councils have already saved the equivalent staff time of around 500 employees by improving sickness absence from an average of 9.8 days in 2010/11 to 9.2 days in 2013/14.

54. Our overview report on community planning found that councils and their partners need to get better at using data to understand local areas if they are to maximise their impact. It found that the more developed SOAs used data at a neighbourhood level to help target CPPs' activity and spending.¹⁶

Exhibit 12

Sickness absence in councils, 2013/14

Sickness absence in the top eight performing councils was less than 8.8 days per employee.



Source: *National Benchmarking Overview Report 2013/14*, Improvement Service, January 2015


55. West Lothian CPP, for example, has recognised that using data effectively is important to develop a successful CPP. The council recruited a data analyst to develop local profiles for areas in West Lothian. The CPP aims to use this data to better understand its communities so that it can target resources, such as funding and staff, to where they are most needed. Ultimately, the CPP aims to predict local needs, and then prevent specific issues, such as high rates of teenage pregnancies. Similarly, Glasgow's CPP used available data to select three key priorities in its SOA, providing it with a clear strategic direction for the next ten years.

Councils are consulting with service users and communities but need to involve them more in planning and delivering services

56. To target their limited resources effectively, councils need to work with local people to understand what their needs are and what services will have the best and most sustainable impact on their lives. Local people can bring insights and experiences to planning, developing and delivering services, complementing those of council staff.

57. Many councils and CPPs do not draw on the results of consultation activity when making decisions and setting priorities. There is significant potential for councils to improve how they involve the public. For example:

- Comhairle nan Eilean Siar brought together views of communities and used them to influence decisions and develop services.
- Falkirk CPP is involving older people in developing new ways of providing services to help them remain independent for as long as possible.
- Perth and Kinross Council is facilitating work in communities where people who need social care services and their families are developing local services to meet their shared needs.

58. While CPPs continue to improve how they consult with local people, they are not yet working with them to improve local services.¹⁷ Our report on *Self-directed support* [PDF]  found that genuinely involving users in decisions about how services are delivered, sometimes called co-production, is typically not happening.¹⁸

59. In June 2014, the Scottish Government introduced the Community Empowerment (Scotland) Bill to the Scottish Parliament. It includes proposals for:

- providing greater rights for communities to plan and manage public services
- placing CPPs on a statutory basis, by putting a legal duty on a range of public sector bodies to work together in partnership with communities to plan and improve outcomes for their areas.

60. While this should help improve communities' involvement in decisions about local services, councils will have to adopt fundamentally different ways of working with communities to enable them to participate effectively.

61. The Bill also contains provisions to improve access to information about the common good assets in each council area. These are properties and other assets that are held by a council on behalf of its residents. The total value of these in Scotland was £0.3 billion as at 31 March 2014.

Councils are reviewing and changing the way they deliver services

62. As budgets are cut, councils need to review thoroughly how they deliver services and identify new, more efficient or better ways of delivering them. They need to act on the results of the reviews, which should be informed by better use of data and user views, to improve services.

63. Councils are considering, and consulting on, areas of potential service reductions, such as closing, or reducing opening hours for, libraries or other leisure facilities. As they consider proposals to reduce or stop services, councils need to identify the benefits and risks associated with each option. These include the implications for how services perform, the impact on service users and the effect on longer-term outcomes for people and communities. For example, reducing services to older people that help them live independently at home may produce savings in the short term but may result in people needing more intensive, expensive support sooner than would otherwise have been the case.

64. A number of councils have reviewed and changed the way they deliver services (**Case study 1, page 31**). It is important that councils monitor how their services are performing so they can understand whether they are making the anticipated improvements and savings. They should also review the process of making the changes and apply lessons learned to future changes.

65. There is limited evidence of councils moving towards preventative services. These services help prevent or delay people's need for a service, for example an older person requiring a place in a care home. In a climate of reduced resources it is difficult for councils and their partners to divert money from delivering existing services to more preventative services. However, prevention is an important element in managing future demand for services, and is therefore an important


Case study 1

Examples of councils reviewing and changing services



- East Ayrshire and South Ayrshire councils jointly launched the Ayrshire Roads Alliance to deliver a range of roads services. These include roads maintenance, winter maintenance, design and infrastructure, traffic and transportation, and road safety. The councils expect the shared services arrangement to deliver more than £8 million in savings over the next ten years. The savings will be mainly from reduced management and administrative costs and from better deals on larger orders.
- Glasgow City Council partially funds the Social Care Ideas Factory, a voluntary organisation, to develop ideas for changing and improving social care services. The Ideas Factory gets social care providers, service users, carers and the council together to test ideas that help people with social care needs to regain or retain full lives at home and in their communities.

Source: Audit Scotland

element in securing financial sustainability. Our report on *Reshaping care for older people* [PDF]  found that more needs to be done to target resources on preventing or delaying ill health and on helping people to stay at home.¹⁹

66. Our *Community planning report* [PDF]  found that while CPPs are starting to focus more on prevention, much of this activity is on a small scale. It also acknowledged that moving resources towards preventative activity will be more challenging as financial and demand pressures increase. There are, however, some examples of councils and CPPs investing in prevention activity:

- Stirling Council's social work services propose to save £442,000 over five years by extending the current re-ablement services for older people. These will now include people under 65 with physical disabilities, learning disabilities and mental health problems. Re-ablement focuses on building people's skills, capabilities and confidence to enable them to retain, or regain, their independence living at home with little, or no, support.
- Perth and Kinross Council offers a support service to people who claim Discretionary Housing Payments and Scottish Welfare Funds. The council does this to try to understand the reasons for their difficulties and stop them from happening. Officers review claimants' finances with them and try to maximise their income wherever possible, for example, by identifying additional benefits they may be entitled to or how claimants can spend less money. The council anticipates that taking this approach will greatly reduce the number of people needing its help.
- West Lothian CPP has agreed a comprehensive ten-year prevention plan. It sets out 68 prevention projects and identifies a number of broad areas to focus on in the future, such as reducing reoffending and alcohol misuse by young people.²⁰

67. As the pressures on councils and their partners mount in the coming years, they may have to consider more fundamental changes. In England, councils have faced more severe budget cuts in the last few years. Between 2010/11 and 2015/16, the UK Government will reduce its funding to English councils by 37 per cent, in real terms.²¹ As with Scottish councils, cuts so far have been managed mainly through workforce reductions. English councils are now increasingly relying on new, untested ways of making savings. There is also evidence that core services, such as homecare and day care for adults, are being reduced. Birmingham City Council, for example, is now actively looking to stop some services to help achieve its required £72 million of savings in 2015/16, and is planning to:

- cut services for those with physical disabilities by 50 per cent
- contract out a range of care services, such as sheltered housing
- cut over half of its library staff
- increase parking charges and other fees, such as waste disposal for businesses
- remove subsidies for public events.

68. In these circumstances, where there are greater risks in using untested approaches, it is even more important that councils identify the risks and manage them carefully. Responding effectively to the current and continuing financial pressures means that councils will have to be bold and take risks. They cannot afford to be risk averse, so the focus is on being risk aware.

Effective planning and budgeting help councils target resources, but there is limited evidence of longer-term financial planning






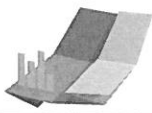




69. It is important that councils develop and maintain long-term financial plans, looking five to ten years ahead, to direct and control their finances and set the context for annual budgets. Plans should also show whether the council's finances are sustainable over this period of time. They can help the council identify potential problems at an earlier stage, for example identifying significant demographic change or increasing costs for repaying debts. Long-term plans need to make assumptions about future funding, spending and activities, so they should set out different scenarios and their implications for the council's future budgets.

70. Plans should include both annual revenue spending on services and capital spending to invest in buildings and equipment, showing clearly how the two types of spending relate to each other. In the current financial environment, councils need to plan and budget in a way that focuses more on their priorities and links their planned spending more closely with the outcomes they want to achieve.

71. Eighteen councils do not have long-term financial plans covering a period of five or more years. This can limit how well they understand the full implications of their spending and borrowing. A long-term financial plan should include estimated income and costs, and the savings that may be required to bridge any gaps. It should provide councillors and senior managers with a good understanding of the financial health of the council, including anticipated pressures and options for addressing them ([Exhibit 13, page 33](#)).

Exhibit 13**Important features of long-term financial planning**

Councils should have financial plans which cover a period of five to ten years.

Element	This should include:
Income 	An assessment of expected income, including projected changes to council tax income. It should set out options to increase income, for example policies on fees and charges
Costs 	A clear understanding of the council's costs, including those of individual services, borrowing costs etc. It should highlight future cost pressures and identify options for relieving these
Savings 	An analysis of required savings along with evidence-based options for achieving these. This should set out details of one-off and recurring savings and the risk of these not being achieved
Funding gaps 	Details of any funding gaps between projected income and the cost of providing services, including the reasons for these and how these will be managed
Assets, liabilities and reserves 	An assessment of assets and liabilities showing how these will change over time. There should also be a reserves policy, setting out details of adequacy, why reserves are held and what they will be used for
Scenario planning 	Different scenarios that show the best, worst and most likely financial positions. This should set out the assumptions used, and take into account long-term economic forecasts and interest rate projections
Capital investment activity 	Details of investment needs and plans and how these will be paid for. This should include details of estimated financing charges
Demand 	Analysis of demand for services, taking into account various population projections. It should also include the impact of demand on capital investment needs
Risks 	An analysis of significant financial risks, their implications and how these might be mitigated
Links 	Clear links to the council's corporate strategy and CPP objectives and to other relevant information, for example workforce and asset management plans

Some councils are taking a priority-based approach to budgeting

72. Effective budgeting is an important part of good financial management because it:

- can help councils understand where best to direct their resources, such as money and staff, to achieve the greatest benefits
- sets out where and how much money will be allocated
- allows councils to monitor throughout the year the financial position against the budget.

73. It is important that councils are clear about local priorities and national policies and develop their budgets to target resources at these. One way of doing this is to use a priority-based approach to budgeting. There are some examples of councils using this approach to budgeting, for example Aberdeen City Council and Stirling Council, but many councils are not yet aligning their budgets with their priorities. Aberdeen City Council is now developing its approach to target resources at specific outcomes. There should be clear connections between the local priorities that the council and its partners have set out in their SOA and the way they target the combined money resources they have available for public services in the area.

Governance arrangements must be kept up to date and fit for purpose


74. There have been major changes to staffing and management structures as a result of workforce reductions and organisational changes. This affects existing governance arrangements, for example from losing people and posts that authorised or reported important financial and performance information. Governance arrangements include rules for authorising decisions and spending, systems for managing risks, processes for reporting and scrutinising financial and service performance, and standards for the way councillors and staff behave. It is important that councils review the core elements of governance by:

- creating and implementing a vision for the local area and focusing on outcomes for the local community
- councillors and council officers working together to achieve a common purpose, with clearly defined functions and roles
- promoting the council's values and upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capabilities of councillors and officers
- engaging with local people and other stakeholders to ensure robust public accountability.²²


75. There is a risk that some councils' management teams may now be too small, or lack the skills and experience, to oversee and control their wide-ranging responsibilities. This can make effective leadership and management more challenging. Smaller management teams need to have clear arrangements for all the important functions they need to fulfil, including effective systems of control over finances and performance. Councils also need to ensure they have enough people with the right skills to deliver their ambitious change and improvement programmes, both now and in the future.

76. The chief executive role is crucial to the success of the council. The role is complex and demanding. It requires a good balance between responsibilities to the political administration and to the council as a whole, and the need to build effective relationships with people in organisations that work with or for the council to deliver public services, such as health and social care partnerships and ALEOs.

77. The chief financial officer, also known as the section 95 officer or proper officer for finance, has a crucial role in providing advice on all aspects of finance and is central to effective governance. Councillors should satisfy themselves that the chief financial officer has appropriate access to, and influence over, decision-makers to perform this role effectively. From 2014/15, councils' annual accounts must include a statement of responsibilities and this must accurately reflect the responsibilities of the chief financial officer.²³

78. Councillors also need to be aware of the important contributions provided by statutory officers who, similar to the chief financial officer, act independently to promote and enforce good governance (**Exhibit 14, page 36**). The chief financial officer and the monitoring officer in particular provide independent advice to the council on the affordability and legality of options for services and savings. Fuller information on the statutory officers and their roles, which are undertaken alongside their wider responsibilities for the management of the council, is available on the [Improvement Service website](#) 

There is an increasing risk that reductions in staff numbers will affect essential support services, such as HR and finance.

79. There is an increasing risk that reductions in staff numbers will affect essential support services, such as HR and finance. There are signs of pressure in councils' finance departments, such as delays in preparing annual accounts and supporting papers. We have asked Audit Scotland to examine the impact on finance departments of reduced staff numbers. We will report our findings in next year's overview report. Our [Scotland's public finances—follow-up audit \[PDF\]](#)  stressed the need for council leaders and senior managers to consider the ability of finance departments to supply councillors with clear information to allow them to scrutinise budgets.²⁴

80. There are similar concerns about reductions in skills and experience in internal audit and fraud prevention teams. The recently revised accounting regulations introduce the new requirement for an effective internal auditing service in accordance with recognised standards and practices set out in the public sector internal audit standards.^{25:26} The regulations also require councils to assess the efficiency and effectiveness of internal audit.

Exhibit 14

Roles of statutory officers in councils

Statutory officers have an important role in promoting and enforcing good governance, alongside their wider responsibilities in the council.

Role	Established by	Statutory responsibilities
Head of paid service (chief executive)	Local Government and Housing Act 1989	Council staff structures and numbers; ensuring the work in different departments is coordinated
Chief financial officer (or section 95 officer or proper officer for finance)	Local Government (Scotland) Act 1973	Proper administration of the financial affairs of the council
Monitoring officer	Local Government and Housing Act 1989	Advising councillors about the legal position of proposed actions
Chief social work officer	Social Work (Scotland) Act 1968	Advising councillors and senior officers on the delivery of social work services

Source: Audit Scotland


81. Effective and transparent scrutiny is an essential component of good governance and, where issues have been identified, councils are taking actions to improve. For example, our [Best Value report on South Ayrshire \[PDF\]](#) in February 2014 found that there were significant weaknesses in the way councillors scrutinised how the council and services performed.²⁷ We reported in December 2014 that the council had reviewed its scrutiny arrangements and implemented a new governance structure which appears to have a tighter focus on governance and service performance.

82. Our reports highlight the crucial role of effective leadership from councillors and senior managers:

- School education – found that effective leadership was crucial for improving educational attainment.
- Self-directed support – found that councillors and senior managers were not providing effective leadership in every council for implementing this important social care policy.

83. We reported last year that political tensions were getting in the way of effective leadership in some councils. There are signs that this continues. For example, our 2013 report on [Argyll and Bute Council \[PDF\]](#) highlighted our serious concerns about substantial risks to the council caused by the instability of leadership by councillors since the last council election.²⁸ Our [follow-up report \[PDF\]](#) in 2014 found that the political dynamics of the council were more stable than before, and new political management arrangements were in place, although some underlying tensions were still

evident.²⁹ Similarly, Falkirk Council's auditor noted that following the introduction of a new decision-making structure in May 2013, not all councillors were attending executive and scrutiny committee meetings and scrutiny and policy development panels.

84. Our 2014 report on *Community planning* [PDF]  found that CPP boards are not yet fulfilling their role effectively.³⁰ Strategic leadership, oversight and challenge (for example, of individual partners' contribution to the CPP's priorities) still tends to happen at a level, or at levels, below the CPP board.

85. Many councils have set up ALEOs as an alternative way of delivering council services. ALEOs most commonly provide culture and leisure services and property management, but also deliver social care, transport and other targeted community services. As more councils use ALEOs to save money or run more efficient services, they must satisfy themselves that arrangements are in place to ensure the new structures deliver good services within budget. In particular they must manage the financial risks to the council and service users if the ALEO fails. Councils should also regularly review existing, long-standing ALEOs to ensure their governance arrangements remain effective. Aberdeen City Council has plans to strengthen its governance arrangements for ALEOs (*Case study 2*).

Case study 2



Aberdeen City Council's new governance hubs

Following advice from its auditors to review its governance arrangements for ALEOs, Aberdeen City Council is creating three new governance hubs:

- Social Care, Wellbeing and Safety
- Enterprise, Strategic Planning and Infrastructure
- Education, Culture and Sport.

Each governance hub will consist of service representatives and officers from the council's finance, legal, human resources, risk management and procurement departments. Their role will be to scrutinise in detail each of the council's significant ALEOs. This will involve regularly meeting with the ALEOs and reviewing a range of risk and performance information.

The hubs will report to service committees twice a year on ALEOs' operational performance (including financial performance), people performance, risk management and service quality.

The hubs will also report quarterly to the Audit, Risk and Scrutiny Committee, which retains overall responsibility for scrutinising performance.

Source: Audit Scotland

Governance arrangements need to reflect changes in structures and services

86. Councils should review their governance arrangements whenever they make changes to the way they manage or deliver services to ensure they remain effective. They should also regularly review long-standing arrangements in case they have become less effective over time.

87. A crucial element of governance is audit committee arrangements, and these were the subject of consultations leading to the 2014 accounting regulations. The regulations do not make audit committees mandatory. However, it is clear that Scottish Ministers consider that councils should devote sufficient resources to enable the audit committee, along with other scrutiny functions, to carry out its role effectively. All councils have at least one audit committee. We believe that effective and transparent scrutiny is best achieved where:

- the chair of the scrutiny or audit committee is not a member of the political administration
- the committee has clear terms of reference that set out their role in independent scrutiny of council decisions and performance
- the committee has adequate support and access to independent advice
- members of the committee have the necessary skills and training to do their job.

88. Across Scotland, new service arrangements are being put in place. These include health and social care integration and the new single police service. There are also new local service arrangements, such as joint working between councils and making use of ALEOs. Councils should review governance arrangements when changes like these are introduced to make sure roles, responsibilities and accountabilities are appropriate to the new models.


89. Health and social care integration, which councils and health board partners are working to implement fully by April 2016, requires effective governance arrangements for the new joint bodies. Responsibility for setting up the new joint bodies and establishing good governance arrangements is shared between the two partners. In our report on community planning we said that effective leadership, challenge and scrutiny depends on a culture of trust between partners, in which there are not only good ongoing relationships but the ability to challenge and hold each other to account. The same applies to health and social care bodies. There are also changes to the governance arrangements for pension funds. From April 2015, the law requires that schemes have pension boards comprising employer and employee representatives; currently pension fund committees comprise councillors only.

Councillors need clearer information to help them scrutinise services more effectively

90. Councillors need good information to scrutinise services and make effective decisions. It also helps councils demonstrate that they use public money properly and effectively. Councils have a duty to report their performance publicly. There has been an improvement in councils' overall approach to public performance reporting. It is easier to find information and more councils

now have performance information clearly signposted on their websites.

Our *Best Value report on Comhairle nan Eilean Siar* [PDF]  found that the council improved its public performance reporting arrangements during 2013 when it introduced its public performance calendar.³¹ The calendar presents a range of information, structured around its SOA, as well as service-specific information. However, there is scope to improve performance reporting in some councils. The Improvement Service is developing guidance to assist councils in how they report their performance.

91. Our *SPF follow-up report* [PDF]  found that all public bodies, including councils, need to improve the level and consistency of information provided for scrutiny and decision-making. It reported cases where:

- reporting of financial information was limited in frequency and content
- actions, responsibilities, measurable outcomes or timescales were unclear
- scrutiny of plans and savings took place in private and the decisions were not reported.³²

92. Audited annual accounts are an important element of the public reporting of financial performance. Councils' accounts, for financial year 2013/14, were all completed on time and were signed off by auditors without qualified opinions (this means that the 2013/14 accounts present a 'true and fair' view of the financial position). Unqualified audit opinions were also issued for each of the 11 pension funds run by councils. We welcome this achievement by councils and the assurance it provides to the public and other stakeholders, including the Scottish Government. For the first time in 2013/14, a full audit of registered charities' accounts where a council or some council members are the sole trustees was required by regulation.

93. Financial reporting takes a number of forms, including the audited annual accounts, budget documents, published plans and council papers. Financial risks, uncertainties and the quickly changing context we outline in this report reinforce the need for comprehensive, transparent, reliable and timely financial reporting. An overall picture of the financial position which includes details of what is owned (assets) and what is owed (liabilities) along with annual income and spending levels is essential to understand the risk to financial sustainability.


94. Councils' accounts are complex and include technical accounting adjustments to meet statutory requirements. As a result, it is not always clear to those without a financial background how councils performed against their budgets, or the extent to which they anticipate future funding gaps.

95. It is also difficult to get a clear picture of the overall liabilities and the likelihood and timing of meeting the liabilities in future. For example, while accounting rules require disclosure of a council's involvement in an ALEO in its annual accounts, councillors may not have a comprehensive picture of the overall, potential liabilities associated with their council's involvement in ALEOs. If ALEOs experience financial difficulties, the council may be required to provide additional financial support beyond that included in the council's budget.

96. This is an area for further consideration and development. We therefore welcome recent changes to the accounting regulations which require councils to include a management commentary in their accounts. In addition, the CIPFA/LASAAC Local Authority Accounting Code Board is continuing to work on a project to simplify how councils should report their financial performance in the financial statements.³³

Councillors need training to help them set budgets and scrutinise performance

97. It is more important than ever that councillors have appropriate knowledge and expertise to carry out their role effectively:










- Our SPF follow-up report highlighted the funding arrangements for major capital investment, such as tax incremental financing and NPD, as an example of a complex area. Councillors and other public sector leaders may require help to ensure they are fully aware of the key issues, risks and impact of these financing models on public finances.
- Our *Procurement in councils report* [\[PDF\]](#)  emphasised the importance of councillors having a good knowledge of procurement rules. We recommended that councils should encourage councillors sitting on the main committee or committees dealing with procurement to complete specific training to help them perform their role more effectively.
- Our report on borrowing and treasury management, which we will publish in March 2015, will consider whether councillors have enough expertise to challenge decisions in this complex area.








98. Where necessary, councillors should seek advice and training to support them in their role and councils should assure themselves that they provide appropriate support. For example, North Lanarkshire Council produces an annual learning and development programme and runs training courses for councillors. Two-thirds of councillors attended at least one training session in 2013/14. For the last few years, the Improvement Service has offered a voluntary Continuous Personal Development (CPD) framework for councillors. Alongside SOLACE, the Improvement Service is developing a programme of training for council chief executives, senior managers and councillors.

99. In addition to reviewing their training needs, councillors should ensure the recommendations in this report are implemented, where appropriate. We have provided a self-assessment tool on our website to help them do this.

Endnotes



- ◀ 1 *Local Government Financial Circulars*, Scottish Government, 2012, 2013 and 2014.
- ◀ 2 *How councils work: an improvement series for councillors and officers – Charging for services: are you getting it right?* [PDF]  Audit Scotland, October 2013.
- ◀ 3 *Scottish Housing Quality Standard Progress update 2012/13*, Scottish Housing Regulator, March 2014.
This figure excludes Stirling Council as they did not provide Regulator with data.
- ◀ 4 *The Audit of Best Value and Community Planning. The City of Edinburgh Council. A follow-up report* [PDF]  Audit Scotland, December 2014.
- ◀ 5 *BOLD business cases - delivering a lean and agile council*, The City of Edinburgh Council Finance and Resources Committee, 15 January 2015.
- ◀ 6 *LAAP Bulletin 99: Local Authority Reserves and Balances*, CIPFA, July 2014.
- ◀ 7 *Economic and fiscal outlook*, Office for Budget Responsibility, December 2014.
- ◀ 8 *Pupils projections - 2012 based*, Scottish Government, August 2014.
- ◀ 9 *Self-directed Support: A National Strategy for Scotland*, Scottish Government and COSLA, 2010. Social Care (Self-directed Support) (Scotland) Act 2013.
- ◀ 10 Children and Young People (Scotland) Bill Financial Memorandum, 2013 and letter from Aileen Campbell MSP to Kenneth Gibson MSP, 12 September 2013.
- ◀ 11 *The Government's Programme for Scotland 2014-15*, Scottish Government, November 2014.
- ◀ 12 *Report of the Smith Commission for further devolution of powers to the Scottish Parliament*, The Smith Commission, November 2014. Note: The UK Government established the Smith Commission following the referendum on Scottish independence in September 2014. Its remit was to consider what further powers should be devolved to the Scottish Parliament.
- ◀ 13 *Procurement in councils* [PDF]  Audit Scotland, April 2014.
- ◀ 14 *Public sector employment statistics*, Scottish Government, 2014. Figures exclude police and fire and rescue services.
- ◀ 15 *School education* [PDF]  Audit Scotland, June 2014.
- ◀ 16 *Community Planning: Turning ambition into action* [PDF]  Audit Scotland, November 2014.
- ◀ 17 *Community Planning: Turning ambition into action* [PDF]  Audit Scotland, November 2014.
- ◀ 18 *Self-directed support* [PDF]  Audit Scotland, June 2014.
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- ◀ 20 *Community Planning: Turning ambition into action* [PDF]  Audit Scotland, November 2014.

- ◀ 21 *Financial sustainability of Local Authorities 2014*, National Audit Office, November 2014.
- ◀ 22 *Delivering Good Governance in Local Government, Guidance Note for Scottish Authorities*, SOLACE/CIPFA, 2008.
- ◀ 23 *The Local Authority Accounts (Scotland) Regulations 2014*.
- ◀ 24 *Scotland's public finances – a follow-up audit: Progress in meeting the challenges* [PDF] 
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- ◀ 25 *The Local Authority Accounts (Scotland) Regulations 2014*.
- ◀ 26 *Public Sector Internal Audit Standards. Applying the IIA International Standards to the UK Public Sector*, Issued by the Relevant Internal Audit Standard Setters including the Chartered Institute of Public Finance and Accountancy, HM Treasury and the Scottish Government, June 2013.
- ◀ 27 *South Ayrshire Council. Best Value Audit.* [PDF]  Audit Scotland, December 2014.
- ◀ 28 *Argyll and Bute Council. Statutory report* [PDF]  Audit Scotland, October 2013.
- ◀ 29 *The Audit of Best Value and Community Planning. Argyll and Bute Council. Follow-up audit* [PDF] 
Audit Scotland, July 2014.
- ◀ 30 *Community Planning: Turning ambition into action* [PDF]  Accounts Scotland, November 2014.
- ◀ 31 *The Audit of Best Value and Community Planning. Comhairle nan Eilean Siar. A follow-up report* [PDF] 
Audit Scotland. May 2014.
- ◀ 32 *Scotland's public finances a follow-up audit: Progress in meeting the challenges* [PDF] 
Audit Scotland, June 2014.
- ◀ 33 LASAAC - Local Authority (Scotland) Accounts Advisory Committee.


An overview of local government in Scotland 2015

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Report To: Policy and Resources Committee

Date: 19 May 2015

Report By: Chief Executive

Report No: CE/002/JWM

**Contact Officer: Lynsey Logsdon, Business
Support Executive**

Contact No: 2744

Subject: National Scrutiny Plan 2015/16

1.0 PURPOSE

- 1.1 The purpose of this report is to present the National Scrutiny Plan 2015/16 for formal consideration by the Policy and Resources Committee.

2.0 SUMMARY

- 2.1 The National Scrutiny Plan for 2015/16 was published on the 31st of March 2015 and summarises the strategic scrutiny work from April 2015 to March 2016 in each of Scotland's 32 Councils. The National Scrutiny Plan 2015/16 is contained within Appendix 1 of this report.
- 2.2 The National Scrutiny Plan is accompanied by a map that shows, in broad terms, the timeframe over which scrutiny bodies anticipate having direct contact with Councils. The map is contained within Appendix 2 of this report.
- 2.3 Along with the National Plan, Audit Scotland has published the contributing Local Scrutiny Plans for individual councils. The Local Scrutiny Plan is based upon a shared risk assessment undertaken by representatives of all the main local government audit and inspection agencies. The aim of the process is to draw on a range of evidence and to focus scrutiny activities affecting the Council in the most effective and proportionate way.
- 2.4 Inverclyde's Local Scrutiny Plan for the period 2015/16 concludes that no risks have been identified which require specific scrutiny. This means the Council continues to demonstrate sound corporate governance and performance management and there is submission evidence to demonstrate the Council's awareness of and monitoring of key risks.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee considers and notes the contents of the National Scrutiny Plan 2015/16.

John W Mundell
Chief Executive

4.0 BACKGROUND

- 4.1 The National Scrutiny Plan for local government has been jointly prepared by members of the Strategic Scrutiny Group (SSG). This group comprises Scotland's main public sector scrutiny bodies – the Accounts Commission, Audit Scotland, Education Scotland, the Care Inspectorate, Healthcare Improvement Scotland, Her Majesty's Inspectorate of Constabulary in Scotland, Her Majesty's Fire Service Inspectorate, Her Majesty's Inspectorate of Prisons for Scotland and the Scottish Housing Regulator.
- 4.2 The National Scrutiny Plan provides a summary of the strategic scrutiny work in each of Scotland's 32 Councils between April 2015 and March 2016. The plan is a combination of risk-based scrutiny identified locally by Local Area Networks (LANS) and scrutiny that is planned as part of national inspection programmes, such as the Care Inspectorate's joint inspections of services for children, young people and families and strategic inspections of adult services. It also includes self-evaluation work requested by councils that is designed to build self-evaluation capacity and support improvement. The National Scrutiny Plan 2015/16 is contained within Appendix 1 of this report.
- 4.3 The National Scrutiny Plan is accompanied by a map that shows, in broad terms, the timeframe over which scrutiny bodies anticipate having direct contact with councils. The map is contained within Appendix 2 of this report.
- 4.4 The map contains the following scrutiny activity for Inverclyde Council:
- Self-evaluation of Education Psychology Services in April 2015.
 - The Care Inspectorate and HMICS will be undertaking a joint thematic review of Multi-Agency Public Protection Arrangements (MAPPA) in May 2015.

5.0 LOCAL SCRUTINY PLANS

- 5.1 One of the key changes outlined in the National Scrutiny Plan is the replacement of Assurance and Improvement Plans with much shorter Local Scrutiny Plans that are more clearly focused on the specific local scrutiny risks and responses identified by the LAN.
- 5.2 Another key development is a change to the risk assessments made by LANS. In previous years risk assessments resulted in one of the following judgements: no scrutiny required; further information needed; or scrutiny required. A new risk assessment option of 'ongoing oversight and monitoring required' has been introduced for 2015/16. This scrutiny risk assessment option has been introduced to provide LANS with an opportunity to capture and reflect areas of risk or uncertainty within Councils that require ongoing oversight and monitoring, but where additional scrutiny activity is unlikely to add value.
- 5.3 Audit Scotland has published the Local Scrutiny Plans for individual councils. The Local Scrutiny Plan is based upon a shared risk assessment undertaken by representatives of all the main local government audit and inspection agencies. The aim of the process is to draw on a range of evidence and to focus scrutiny activities affecting the Council in the most effective and proportionate way. Inverclyde Council's Local Scrutiny Plan 2015/16 is the subject of a separate report on this agenda.
- 5.4 Inverclyde Council's Local Scrutiny Plan for the period 2015/16 concludes that no risks have been identified which require specific scrutiny. This means the Council continues to demonstrate sound corporate governance and performance management and there is submission evidence to demonstrate the Council's awareness of and monitoring of key risks.

6.0 IMPLICATIONS

6.1 Finance

One off Costs:

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £'000	Virement From (If Applicable)	Other Comments
n/a	n/a	n/a	n/a	n/A	n/a

There is no direct financial implication in respect of the proposals.

6.2 Legal

None

6.3 Equalities

None

6.4 Repopulation

N/A

7.0 CONSULTATION

7.1 The CMT have been consulted on the contents of this report.

8.0 BACKGROUND PAPERS

8.1 N/A

National scrutiny plan 2015/16

A summary of local government
strategic scrutiny activity



Prepared on behalf of the Strategic Scrutiny Group
March 2015



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.


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Background



- 1.** The National Scrutiny Plan for local government has been jointly prepared by members of the Strategic Scrutiny Group (SSG). This group comprises Scotland's main public sector scrutiny bodies – the Accounts Commission, Audit Scotland, Education Scotland, the Care Inspectorate, Healthcare Improvement Scotland, Her Majesty's Inspectorate of Constabulary in Scotland, Her Majesty's Fire Service Inspectorate, Her Majesty's Inspectorate of Prisons for Scotland and the Scottish Housing Regulator. Details of each body can be found in [Appendix 1](#). In this report, they are collectively referred to as scrutiny bodies.
- 2.** The SSG was established in February 2008 following publication of the Crerar Report, when the Scottish Government asked the Accounts Commission to take on a gatekeeping role in respect of the scrutiny of local government to support the delivery of better coordinated more proportionate and risk-based local government scrutiny.
- 3.** Since 2008, all the main scrutiny bodies for local government have worked together through Local Area Networks (LANs) to share intelligence and agree the key scrutiny risks in each of Scotland's 32 councils. Annually, each LAN has prepared an Assurance and Improvement Plan (AIP) (now known as a Local Scrutiny Plan), setting out the planned scrutiny activity for the council to respond to those specific risks. This approach, called Shared Risk Assessment (SRA), is designed to ensure proportionate and risk-based scrutiny.
- 4.** This 2015/16 National Scrutiny Plan for local government is one of the key outputs from the SRA process. It is the sixth such plan and summarises the strategic scrutiny work¹ from April 2015 to March 2016 in each of Scotland's 32 councils. The plan includes all strategic scrutiny activity of which we are currently aware. This is a combination of risk-based scrutiny identified locally by LANs and scrutiny that is planned as part of national inspection programmes, such as the Care Inspectorate's joint inspections of services for children, young people and families and strategic inspections of adult services. It also includes assisted self-evaluation work requested by councils that is designed to build self-evaluation capacity and support improvement.
- 5.** A separate table showing planned scrutiny activity is available on the [Audit Scotland website \[PDF\]](#) .

¹ Strategic scrutiny work does not include scrutiny activity carried out at service unit or institution level, such as inspections of individual schools or care homes, or the annual financial audit of public bodies.

Part 1

Shared Risk Assessment developments for 2015/16



6. As part of our commitment to continuous improvement, we review the SRA process each year. Our review process involves feedback from staff who are involved in the process; consultation with relevant stakeholders (such as local authority chief executives); and consideration of changes to the scrutiny and public policy landscape. Each year recommendations for change and improvement are considered by the Strategic Scrutiny Group (SSG).

7. The key findings from the review activity that took place in the summer of 2014 (which informed the current SRA cycle) were that there is a general consensus among councils and scrutiny bodies that the SRA process is beneficial, and that if it did not already exist a similar set of arrangements to coordinate local government scrutiny activity and provide a framework for ensuring effective liaison between scrutiny bodies and local authorities would need to be introduced. However, there was a widespread view that over time the process had become too resource intensive and time-consuming for scrutiny bodies. Inconsistent engagement and communication between LAN and councils also emerged as another significant theme, as did the need to improve the links between the SRA and some national scrutiny programmes.

8. In response to those findings, we introduced a number of developments in the SRA process for 2015/16. These included:

- enhancing the central planning and scheduling of national scrutiny activity across scrutiny bodies through more regular ongoing dialogue among senior officers
- improving the way LANs operate and making their interaction with councils more consistent and more regular
- refocusing the scrutiny risk assessment framework to align it more closely with the core statutory roles and responsibilities of the scrutiny bodies that are involved in the process
- streamlining SRA documentation.

9. A key development for 2015/16 has been to replace Assurance and Improvement Plans (AIPs) (which for many councils had become very lengthy documents) with much shorter Local Scrutiny Plans (LSPs) that are more clearly focused on the specific local scrutiny risks and responses identified by the LAN.

10. The risk assessments made by LANs have also changed. In previous years risk assessments resulted in one of the following judgements: no scrutiny required; further information needed; or scrutiny required. For 2015/16 we

introduced a new risk assessment option of 'ongoing oversight and monitoring required'. This scrutiny risk assessment option has been introduced to provide LANs with an opportunity to capture and reflect areas of risk or uncertainty within councils that require ongoing oversight and monitoring, but where additional scrutiny activity is unlikely to add value. Areas that might fall in to this category might include:

- identified risks (eg, local impact of welfare reform, developing longer-term financial plans and strategies) that are being managed and/or mitigated by the council where additional scrutiny activity is unlikely to add value in supporting improvement
- risks that have been identified but which are not yet significant enough to justify scrutiny at present.

11. This year LANs continued to maintain an interest in how the national public service reform agenda is being implemented by councils and their partners. In particular:

- community planning (including community empowerment, the shift towards prevention and local approaches to co-production)
- preparations for implementation of health and social care integration
- the local impact of police and fire reform
- welfare reform planning (including local partnership working to mitigate any potential negative local impacts).

12. The outcomes of local discussions between LANs and councils on these topics have not been reported in LSPs but have, instead, been used to inform the SSG's assessment of progress that is being made by councils in responding to Scotland's wide-ranging and complex public service reform agenda.



Part 2

Scrutiny activity



National scrutiny programmes

13. There is a range of national scrutiny activity planned across councils over the next year and beyond. Where activity has been identified for 2015/16 that impacts on individual councils it is included in the National Scrutiny Plan. Significant pieces of national scrutiny activity that are planned during 2015/16 include:

- Audit Scotland's programme of national performance audits that it undertakes on behalf of the Accounts Commission and Auditor General for Scotland. Audit Scotland has three performance audits covering local government planned during 2015/16. It will be developing a performance audit on social care services (which will involve some joint working with the Care Inspectorate) and will also be working jointly with the Care Inspectorate and Healthcare Improvement Scotland (HIS) on an initial position statement on Health and Social Care integration arrangements across Scotland. The third piece of work will be a follow-up audit on the progress that is being made across Scotland in improving roads maintenance. The [performance audit programme for 2015/16](#)  is available online. Audit Scotland will also continue to carry out a national programme of housing benefit risk assessments across councils.
- The Care Inspectorate will begin to review Alcohol and Drug Partnerships' self-assessment of performance and progress of implementing the *Quality Principles: Standard Expectations of Care and Support in Drug and Alcohol Services*, within the Quality Improvement Framework.
- Education Scotland will be working in partnership with councils to carry out a validated self-evaluation (VSE) of educational psychology services across all councils over a two-year period beginning in 2015/16. It will also review of the quality of careers information advice and guidance services delivered by Skills Development Scotland across all council areas. This will be a three-year programme beginning in 2015/16. In addition, Education Scotland will continue to engage with councils for the purpose of VSE.
- HMICS will be inspecting local policing divisions across Scotland over the next three years. This includes three divisions during 2015/16. Divisional inspections will cover partnership working and in particular, local scrutiny and engagement between Police Scotland and councils and the local Community Planning Partnership and Community Safety Partnership. Local police inspections also include a 'plus' element, which aims to investigate national issues through a local lens. These elements are subject to separate reports published on its website www.hmics.org.uk .

- HMFSI will be inspecting local fire and rescue services across Scotland over the next five years. These inspections will examine, among other things, local scrutiny and engagement between the Scottish Fire and Rescue Service (SFRS) and councils. As part of its programme, HMFSI will inspect four local fire and rescue services during 2015/16. Additionally, HMFSI has a programme of thematic inspections, which in 2015 will include a look at SFRS preparedness for a serious flooding event. HMFSI may also carry out ad hoc inspections in response to specific events, which can involve contact with local authorities.
- The Scottish Housing Regulator (SHR) will carry out a programme of thematic inquiries across a range of housing services including: Gypsy/ Travellers; factoring services; gas safety; complaints handling; customer service standards; repairs; rent consultation; equalities; and openness and accessibility. It will also carry out regulatory assessments focused on the Scottish Social Housing Charter indicators. In carrying out its work, the SHR does not necessarily have any engagement with a council. Where this is the case, details of these are not shown in this plan.

Collaborative scrutiny

14. There is a range of collaborative scrutiny planned across local government in 2015/16:

- As highlighted above, Audit Scotland will be working jointly with the Care Inspectorate looking at social care and jointly with both the Care Inspectorate and HIS on a Health and Social Care integration position statement.
- The Care Inspectorate and Healthcare Improvement Scotland will be carrying out joint inspections of services for adults during 2015-16. Inspections will initially focus on services for older people then, at the latter part of the year, it is envisaged these will encompass other adults' services.
- The Care Inspectorate and HMICS will be undertaking a joint thematic review of Multi-Agency Public Protection Arrangements (MAPPA) in Scotland during 2015. The purpose of the review will be to assess the status, efficiency and effectiveness of the MAPPA process in Scotland in terms of keeping people safe and reducing the potential risk of serious harm by registered sex offenders in our communities. It will cover all 32 local authorities and involve local authorities, Police Scotland, NHS boards and the Scottish Prison Service.
- The Care Inspectorate will lead joint inspection of services for children and young people, which will also involve participation by HIS, Education Scotland and HMICS. These inspections are part of the Care Inspectorate's wider planned programme of national scrutiny work.
- HMICS is currently exploring opportunities with HMFSI around common inspection methodology and joint approaches, where appropriate, to examine local police and fire scrutiny engagement.

15. On behalf of the SSG, national scrutiny partners will also be continuing to carry out a collaborative piece of work in partnership with Perth and Kinross Council and its community planning partners during 2015/16. This work aims to devise and assess a potential methodology for the evaluation and scrutiny of how community planning is operating at a local level, known as place-based scrutiny. This methodology will have particular focus on the four pillars of public service reform – prevention, partnership, people and performance.

Part 3

Strategic scrutiny group development and improvement priorities



16. The context in which the SSG operates has changed significantly since its establishment in 2008. A number of new scrutiny bodies have been created (Education Scotland, Care Inspectorate, HIS) and others have seen either their role and status amended (ie, SHR) or the nature of the service that they inspect change from a local to national service (HMICS, HMFSI).

17. Over the same period the Scottish Government has also been implementing a wide-ranging public service reform agenda, which includes:

- the Scottish Government/COSLA review of community planning
- the creation of single national police, and fire and rescue services
- health and social care integration
- Getting it right for every child (GIRFEC) and the Children and Young People (Scotland) Act 2014
- college regionalisation.

18. A common feature of these developments is that they extend beyond local government and affect a range of different public sector bodies. However, the formal remit of the SSG currently remains the same as when it was established in 2008, ie focused on local government scrutiny coordination.

19. In the context of this changing public sector policy and delivery landscape, the SSG has been clear that it could add more value as a group if it were to:

- become the main forum for scrutiny bodies to develop coordinated strategic responses to major public sector legislative changes or policy developments (including public service reform)
- broaden its scrutiny coordination role to include national thematic scrutiny activity and partnership-based audit and inspection work
- strengthen its focus on supporting improvement and promoting best practice in Scotland's public services
- better drive continuous improvements in operational scrutiny practices (eg, the alignment of scrutiny approaches, promoting more shared training across agencies, implementing more consistent approaches to self evaluation and supporting improvement).

20. This changing context led the SSG, during 2014, to agree a new Terms of Reference that is designed to capture these broader ambitions for its role. During 2014 the SSG also implemented four improvement projects to help it deliver its improvement ambitions. These projects were:

- **Achieving effective alignment between external scrutiny and the public service reform agenda:** the purpose of this improvement project is to ensure that scrutiny developments reflect the evolving public service reform agenda, with its focus on place, partnership, prevention, and performance.
- **Implementing arrangements for improved coordination and alignment of national thematic scrutiny and the scrutiny of partnerships:** the purpose of this improvement project is to establish new arrangements for ensuring appropriate 'joined-up' approaches to the scrutiny of key national policy developments and to improve the planning, scheduling and alignment of partnership-based scrutiny activity.
- **Place-based scrutiny pilot:** the purpose of this pilot is to devise and assess a potential methodology for the evaluation and scrutiny of how well public bodies are operating in partnership at a local level to deliver high quality integrated public services that reflect the needs of local people. The pilot will have a particular focus on the four pillars of public service reform – prevention, partnership, people and performance.
- **Programme of operational scrutiny improvement:** the purpose of this improvement project is to support the strategic group in driving continuous improvement in operational scrutiny practices that contribute to shared learning and the more consistent application of best practice across the scrutiny sector.

21. These projects are still being implemented and their outcomes will be reported later in the year.

Appendix 1

The Local Government Scrutiny Coordination Strategic Group members



Accounts Commission	<p>The Accounts Commission is a non-departmental public body (NDPB). The Accounts Commission is the public's independent watchdog for local government in Scotland. Its role is to examine how Scotland's 32 councils manage their finances, help these bodies manage their resources efficiently and effectively, promote Best Value and publish information every year about how they perform.</p>
Audit Scotland	<p>Audit Scotland is a statutory body providing services to the Accounts Commission and the Auditor General for Scotland (AGS). Working together, the Accounts Commission, the AGS and Audit Scotland ensure that public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.</p>
Care Inspectorate	<p>The Care Inspectorate is a non-departmental public body (NDPB). The Care Inspectorate's purpose is to provide assurance and protection for people who use care, social work and children's services.</p>
Education Scotland	<p>Education Scotland is an executive agency. It is the Scottish Government's national development and improvement agency for education. It is charged with providing support and challenge to the education system, from early years to adult learning, in line with the government's policy objectives.</p>
Healthcare Improvement Scotland	<p>Healthcare Improvement Scotland (HIS) is a health body. The function of HIS is to improve the quality of the care and experience of every person in Scotland every time they access healthcare by supporting healthcare providers.</p>
Her Majesty's Fire Service Inspectorate	<p>The Fire Service Inspectorate in Scotland exists to provide independent, risk-based and proportionate professional inspection of the Scottish Fire and Rescue Service. Its purpose is to give assurance to the Scottish public and Scottish ministers that the Service is working in an efficient and effective way, and to promote improvement in the Service. Through this, the Inspectorate provides external quality assurance to the Service, and provides support to the Service in delivering its functions.</p>
Her Majesty's Inspectorate of Constabulary in Scotland	<p>Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) provides independent scrutiny of both Police Scotland and the Scottish Police Authority. Its approach is to support Police Scotland and the Authority to deliver services that are high quality, continually improving, effective and responsive to local needs. It can inspect other UK police services that operate in Scotland and are members of the National Preventive Mechanism, inspecting police custody centres to monitor the treatment and conditions for detainees.</p>
Her Majesty's Inspectorate of Prisons for Scotland	<p>Her Majesty's Chief Inspector of Prisons for Scotland is required to inspect the 15 prison establishments throughout Scotland in order to examine the treatment of, and the conditions for prisoners. The Chief Inspector also has responsibility for the inspection of legalised police cells and the treatment of and conditions for prisoners under escort.</p>
Scottish Housing Regulator	<p>The Scottish Housing Regulator (SHR) is a non-ministerial department. The statutory objective of the SHR is to safeguard and promote the interests of people who are or may become homeless, tenants of social landlords, or recipients of housing services provided by social landlords.</p>

Appendix 2

Glossary



Local Scrutiny Plan (LSP)	Document which captures agreed areas of risk and good practice, and the resulting scrutiny response for each council. It is the primary planning document for scrutiny bodies.
Local Area Network (LAN)	There is a LAN for each council, comprising representatives of all the scrutiny bodies who engage with the council. LAN members ensure that information and intelligence held by each scrutiny body is shared.
National Scrutiny Plan (NSP)	The aggregation of the individual council's scrutiny plans into a national plan detailing all the scrutiny work planned across Scottish councils.
Scottish Social Housing Charter	The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The Charter was approved by the Scottish Parliament and came into effect from 1 April.
Shared Risk Assessment (SRA)	A joint approach using key information about local government to plan scrutiny activity that is proportionate and based on risk.
Validated Self-Evaluation (VSE)	Assistance provided by Education Scotland to councils on request, to help them develop their own methods and quality of self scrutiny.


National scrutiny plan 2015/16

A summary of local government strategic scrutiny activity

This report is available in PDF and RTF formats,
along with a podcast summary at:

www.audit-scotland.gov.uk 

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Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Chief Executive	Report No:	GM/LP/067/15
Contact Officer:	Gerard Malone	Contact No:	01475 712710
Subject:	Audit Scotland: Local Scrutiny Plan 2015/16		

1.0 PURPOSE

1.1 This report presents the Local Scrutiny Plan 2015/16 as prepared by Audit Scotland.

2.0 SUMMARY

2.1 The Local Scrutiny Plan is based upon a shared risk assessment undertaken by representatives of all of the main local government audit and inspection agencies (the Local Area Network "LAN"). The aim of the process is to draw on a range of evidence and to focus on scrutiny activities affecting the Council in the most effective and proportionate way.

2.2 This report updates the Local Scrutiny Plan for the period 2015/16 and is attached as **Appendix 1**.

2.3 The Local Scrutiny Plan concludes that no risks have been identified which require specific scrutiny this year. This means the LAN is satisfied that the Council continues to demonstrate a sound corporate governance and performance management framework and there is evidence to demonstrate the Council's awareness of and monitoring of key risks.

2.4 The Local Scrutiny Plan highlights several areas of risk and how the LAN intends to monitor these in the year ahead. In addition, planned scrutiny activity is detailed in the Plan.

3.0 RECOMMENDATION

3.1 It is recommended that the Committee consider and note the Local Scrutiny Plan 2015/16 as presented by Audit Scotland.

John W Mundell
Chief Executive

4.0 BACKGROUND

- 4.1 Appendix 1 is based upon a shared risk assessment undertaken by the representatives of all of the scrutiny bodies who engage with the Council (Audit Scotland, the local External Auditors from Grant Thornton, the Care Inspectorate, Education Scotland and the Scottish Housing Regulator) all known as the Local Area Network (LAN).
- 4.2 The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focuses this in the most effective and proportionate way for the Council's activities.
- 4.3 Previous shared risk assessments have been reported to the Council in 2010, 2012 and 2014 all of which evidence continuing improvement for the Council.
- 4.4 The present Local Scrutiny Plan 2015/16 concludes that no risks have been identified which require specific scrutiny by the LAN this year. This means the LAN is satisfied that the Council continues to demonstrate sound corporate governance and performance management and in service areas there has been evidence to demonstrate the Council's awareness of and monitoring of key risks.
- 4.5 Last year's plan indicated that there were two areas of scrutiny following upon national performance audits – Arm's-length external organisations (ALEOs: Are You Getting It Right? (June 2011) and Major capital investment in councils (March 2013)). Reports were issued to the Council following the completion of this work which concluded that the Council generally follows good practice in each of these areas. These were reported to the appropriate Committees at the time.
- 4.6 The LAN will continue to monitor the Council's financial position and the challenges to service delivery. Appendix 1 refers to specific areas of reporting and indicates the future planned scrutiny activity for 2015/16. There are no risks which have been identified within the plan which require specific scrutiny of the Council's services by the LAN this year.

5.0 FINANCIAL IMPLICATIONS

5.1 Financial

One off Costs:

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £'000	Virement From (If Applicable)	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

There is no direct financial implication in respect of the proposals.

Legal

- 5.2 The Local Scrutiny Plan 2015/16 has been noted in terms of its assessment of the Council's sound corporate governance procedures.

Human Resources

5.3 None.

Equalities

5.4 None.

Repopulation

5.5 There are no direct implications in respect of repopulation.

6.0 CONSULTATIONS

6.1 This report has been endorsed by the Corporate Management Team and has been discussed direct with senior representatives of Audit Scotland.

7.0 BACKGROUND PAPERS

7.1 None.

Inverclyde Council

Local Scrutiny Plan

2015/16



Inverclyde Council

Local Scrutiny Plan 2015/16

Introduction

1. This paper sets out the scrutiny activity currently planned for Inverclyde Council during 2015/16.¹ The plan is based on a shared risk assessment (SRA) undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the council (Audit Scotland, the local external auditors from Grant Thornton, the Care Inspectorate, Education Scotland and the Scottish Housing Regulator). The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.
2. This plan does not identify or address all risks in the council. It covers only those risk areas that the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme across Scotland. Planned scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2015/16, which is available on the Audit Scotland website.

Scrutiny risks

3. The conclusion of our shared risk assessment is that no risks have been identified which require specific scrutiny by the LAN this year. This is the same position as in the previous Assurance and Improvement Plan (AIP) issued in May 2014. Scrutiny activity undertaken in the last 12 months was either at the request of the council or part of national activity.
4. This does not mean that the council has addressed all risks or that all areas of performance are improving. However, it does mean that the LAN is satisfied that the council continues to demonstrate a sound corporate governance and performance management framework. In service areas we are satisfied that there has been either:
 - information gathered by the LAN to demonstrate performance in areas where, previously, further information was required; or
 - the council has demonstrated self awareness of the standards of performance required at a service level; or
 - there is evidence to demonstrate the council's awareness of, and monitoring of, the key risks to meeting outcomes and service delivery.

¹ Local Scrutiny Plans have replaced the Assurance and Improvement Plans produced by the Shared Risk Assessment in previous years

5. Last year's AIP reported areas where Audit Scotland planned to carry out scrutiny work at Inverclyde Council in connection with national reports. These related to a targeted follow-up of two national performance audits - *Arm's-length external organisations (ALEOs): are you getting it right?* (June 2011) and *Major capital investment in councils* (March 2013). Reports were issued to the council following the completion of this work. These concluded that the council generally follows good practice in each of these areas. The Accounts Commission intends to publish a national report on Major capital investment in councils in 2015, based on work carried out locally by auditors in 2013/14.
6. The LAN continues to monitor the council's financial position and the challenges to service delivery in the future from increased demand and reducing resources. The council has forecast that it will need to make savings of up to £13.4 million over the period 2015-17. This is in the context of it having ambitious plans for the improvement and regeneration of its area. The council will need to focus strategically on what it most wants to achieve and the best way it can provide high quality services for its communities. This challenging environment over the next few years will require sufficient capacity at senior management level to manage the council through the complexities of this process, while continuing to deliver improvements in services. These challenges must also be considered against the backdrop of organisational change introduced by the requirements of health and social care integration. The LAN recognises the strength of the current Community Health and Care Partnership (CHCP), and this will offer a solid platform on which to build the new arrangements, but the council will need to manage the risks arising from the transition process effectively. The LAN will continue to monitor how the council responds to these challenges and any risks to capacity.
7. The LAN has commented in previous AIP's on the relatively low attainment levels of looked after children in Inverclyde. Our work this year has concluded that although as a whole, Inverclyde is performing just behind national and virtual comparators, these statistics mask improvements within individual groups, such as children in S4 at secondary schools. The council is aware of the issues and has put in place a range of approaches to improve outcomes for children in its care.
8. In relation to housing issues, we have agreed that the Scottish Housing Regulator will continue to monitor the risks relating to the council's homelessness service. Maintaining contact with homeless applicants is critical when adopting a housing options approach. The levels of "contacts lost" by the council before and after it makes its homelessness assessment, are significantly higher than the national average. The Regulator will continue to monitor the council's performance in this area.

Planned scrutiny activity

9. Appendix 1 summarises the scrutiny activity that the council will be subject to during 2015/16. For some of their work, scrutiny bodies have still to finalise their programmes and which specific council areas that will be involved. Where a council is to be included, the relevant scrutiny body will confirm this directly with the council and the LAN lead officer. Where activity is definitely planned this year, details are included below.
10. The Care Inspectorate and HMICS will be undertaking a joint thematic review of Multi-Agency Public Protection Arrangements (MAPPA) in Scotland during 2015. The purpose of the review will be to assess the status, efficiency and effectiveness of the MAPPA process in Scotland, in terms of keeping people safe and reducing the potential risk of serious harm by registered sex offenders in our communities. It will cover all 32 local authorities and involve local authorities, Police Scotland, NHS Boards and the Scottish Prison Service. The joint review will cover the Inverclyde Council area during May 2015.
11. Over the next two years, Education Scotland will be supporting and validating self-assessments of education psychology services in councils across Scotland. Pilot work has taken place and the first batch of councils will be involved between April and June 2015. Inverclyde will be included in this first batch, with fieldwork scheduled for April 2015. In addition to specific work shown in Appendix 1, routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. Audit Scotland will carry out a programme of performance audits during 2015/16 and individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk.

Appendix 1: Scrutiny plan

Scrutiny body	Scrutiny activity	Date
Care Inspectorate and HMICS	The Care Inspectorate and HMICS will be undertaking a joint thematic review of Multi-Agency Public Protection Arrangements (MAPPA) in Scotland during 2015.	May 2015
Education Scotland	Self evaluation of education psychology services across all councils with pilots completed by April 2015 with all councils covered over 2015 to 2017.	April 2015.
Audit Scotland	Audit Scotland has three planned performance audits covering local government during 2015/16. It will be working jointly with the Care Inspectorate looking at social care and jointly with both the Care Inspectorate and HIS on a Health and Social care integration position statement. It will also carry out a follow-up audit on roads maintenance. Any engagement with councils is still to be determined.	To be confirmed
Her Majesty's Inspectorate of Constabulary (HMICS)	HMICS will be inspecting local policing across Scotland over the next three years. These inspections will examine, amongst other things, local scrutiny and engagement between Police Scotland and councils. Two local Policing Divisions are programmed to be inspected in addition to Edinburgh Division in 2015/16. The Divisions will be identified approximately three months prior to inspection, the first being no earlier than October.	Timing to be confirmed
Her Majesty's Fire Services Inspectorate (HMFSI)	HMFSI will be inspecting local fire and rescue services across Scotland over the next five years. These inspections will examine, amongst other things, local scrutiny and engagement between the Scottish Fire and Rescue Service and councils. As part of its programme, HMFSI will inspect four local fire and rescue services during 2015/16. Inverclyde is not included in the programme this year.	To be confirmed
Scottish Housing Regulator (SHR)	The Scottish Housing Regulator (SHR) has a planned programme of thematic inquiries into housing services which will be carried out largely in the first quarter of 2015-16, with publication of inquiry reports in the first and second quarters of the year. The thematic inquiries will cover a range of housing services including:	To be confirmed

	<p>Gypsy/Travellers; factoring services; gas safety; complaints handling; customer service standards; repairs; rent consultation; equalities; and openness and accessibility. Some of the thematic inquiries will not involve any on-site work at all and no local authority will be selected for on-site work in more than one thematic. The SHR will contact individual landlords with details about their potential inclusion.</p> <p>During the first and second quarters of the year, the SHR will review the Charter data submitted by social landlords in May 2015 and identify topics for a further programme of thematic inquiries to be taken forward in the second and third quarters of the year.</p>	
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Report To:	Policy & Resources Committee	Date:	19th May 2015
Report By:	Chief Financial Officer	Report No:	FIN/32/15/AP/CM
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Earmarked Reserves Policy		

1.0 PURPOSE

- 1.1 The purpose of this report is to seek Committee approval for an amended Policy in respect of the establishment and utilisation of Earmarked Reserves.

2.0 SUMMARY

- 2.1 As part of the overall Reserve Strategy approved in 2013 a process was approved which covered how Earmarked Reserves were to be dealt with, this is attached as Appendix 1 to this report.
- 2.2 Concerns have been raised by both External Audit and also internally regarding the volume of Earmarked Reserves held by the Council.
- 2.3 The Corporate Management Team believe it would be appropriate for the Committee to amend the current Policy and in the process reduce the number of Earmarked Reserves and also improve transparency and delivery. The proposed Policy is attached as Appendix 2.
- 2.4 As has been reported to Committee previously and elsewhere in this agenda there is the opportunity for Members to allocate further Reserves to projects/policy areas due to the increased surplus in 2014/15. It is proposed that decisions on this are made at the September Policy & Resources Committee and that at this stage any increase in the "Free Reserves" is carried forward as part of the 2014/15 Accounts closure.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee agree the Earmarked Reserve Policy set out in Appendix 2.
- 3.2 It is recommended that Committee agree to consider utilisation of any surplus Free Reserves at the September Policy & Resources Committee and that any proposals comply with the amended Earmarked Reserve Policy.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 Local Authorities have always held reserves some of which are established by statute such as the Repairs and Renewals Fund and the Capital Fund but in recent years Councils have increasingly used reserves as a way of managing improved medium term financial planning.
- 4.2 Inverclyde Council is reported to have a higher value and volume of reserves than almost any other Council in Scotland and this matter has been commented upon by successive External Audit Reports and Members.
- 4.3 The Council approved a General Reserves Policy in August 2013 and part of this covered Earmarked Reserves.

5.0 WHY HAVE EARMARKED RESERVES?

- 5.1 There are a number of reasons as to why Earmarked Reserves have been established. These include:
 - a) It is a way of smoothing out unpredictable demand led budgets eg. winter maintenance, residential schools placements.
 - b) A way to fund revenue projects which span more than one financial year and which are funded from either a one off allowance from the General Reserve or a recurring revenue budget eg. Riverside Inverclyde, Clune Park area regeneration, Modernisation fund.
 - c) A method by which external revenue funding received at the end of the financial year can be carried forward and used for the purpose for which it has been given eg Integrated Change Fund, Delayed Discharge monies, Scottish Government Grants (mostly Education).
- 5.2 In addition Earmarked Reserves have been established to carry forward the balance on some multi-year Capital Funding models such as the SEMP, Office and Depot AMP or the Vehicle AMP.
- 5.3 As part of the budget approximately £3.5 million was written back from the Council's Earmarked Reserves and funds representing 10% of the balance held. A considerable amount of Officer time is spent tracking, monitoring, budgeting and reporting on Earmarked Reserves and the Corporate Management Team view is that it would be better if fewer Earmarked Reserves were held in order to free up Officer time to concentrate on core delivery of the Capital Programme and Annual Revenue Budget.
- 5.4 In addition there is a growing number of Earmarked Reserves which are established at the year end at the request of budget holders in order to carry forward relatively minor unspent sums for future years. Whilst the rationale for the need to carry the funding forward is understandable from an individual budget holder perspective, when seen in the context of the Council's overall Revenue budget or even at a Directorate budget level there is no reason that these sums could not be contained within the next year's Revenue Budget.
- 5.5 There is however a sound rationale for having Earmarked Reserves if they are clearly justified, have clear outputs, are monitored and reported on a regular basis. In order to achieve this a revised Policy has been drafted which is attached as Appendix 2.

6.0 PROPOSED CHANGES

6.1 Approval Process

The main driver for the establishment and review of Earmarked Reserves is the annual budget process and as such requests to establish Earmarked Reserves should be greatly minimised during the rest of the financial year. There should be a clear justification for the continuation of existing Earmarked Reserves and also a clear justification for the establishment of new

Earmarked Reserves. It is accepted that given both budget timescales and process, and getting full clarity as to the ultimate use of monies is difficult but it is believed that teasing out greater details prior to the approval of the budget will aid delivery in the medium term.

Outwith the budget process then it is believed that an annual report to the August or September cycle of the Policy & Resources Committee will act as a sweep up for any other Earmarked Reserves that require to be established following closure of the Annual Accounts. In every case the creation of the Earmarked Reserve or the allocation of further funding to an existing Reserve should be supported by the Corporate Management Team and where practical be channelled through the Service Committee prior to be remitted to the Policy & Resources Committee for approval.

6.2 Rationale for the Earmarked Reserve

There are too many Earmarked Reserves where it is not clear how the sum allocated has been arrived at or the outputs/outcomes expected and the timescales for delivery. Time requires to be spent on this prior to the request to establish the Earmarked Reserve and this should be captured in a pro forma which should form part of the approved process. A similar process is also recommended in respect of requests to carry forward funding from one year to the next as this will create a discipline for reviewing whether the carry forward is actually necessary.

6.3 Managing Delivery & Spend

The phasing and regular reporting of Earmarked Reserves has delivered improvements in 2014/15. It is recommended that at the establishment of an Earmarked Reserve an indication of phasing of spend and the milestones for delivery are captured as part of the pro forma.

In addition it is important that efforts are made to reduce the number of relatively minor Earmarked Reserves and as such it is recommended that where the balance on an individual Earmarked Reserve is less than £20,000 as at 31st March then this balance is written back to the General Fund unless there is an established legal commitment to pay the remaining balance. Where this legal commitment is not in place then the individual Directorate will contain any spend within its overall Revenue Budget for the next Financial year.

7.0 IMPLICATIONS

Finance

7.1 Financial Implications:

One off Costs

As has been reported to Committee previously and elsewhere in this agenda there is the opportunity for Members to allocate further Reserves to projects/policy priorities. It is proposed that decisions on this are made at the September Policy & Resources Committee and that at this stage any increase in the "Free Reserves" is carried forward as part of the 2014/15 Accounts closure.

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
N/A					

Legal

7.2 There are no specific legal implications arising from this report.

Human Resources

7.3 There are no specific HR implications arising from this report.

Equalities

7.4 There are no specific equalities implications arising from this report.

Repopulation

7.5 There are no specific repopulation implications arising from this report.

8.0 CONCLUSIONS

8.1 The use of Earmarked Reserves is a positive aid to medium term financial management and planning however care needs to be given to ensure that the Earmarked Reserves do not become a distraction to the core delivery to the Council's £200 million Revenue Budget or £90 million Capital Programme.

8.2 In order to ensure the Earmarked Reserve process is totally transparent then the establishment of Earmarked Reserves accompanied by the necessary detail should ultimately be approved by the Policy & Resources Committee just as though it were a request for a draw down on the General Fund Reserve.

9.0 CONSUTLATION

9.1 The contents of this report has been discussed and agreed with the Corporate Management Team.

10.0 BACKGROUND PAPERS

10.1 None.

Earmarked Reserves Process

1. An earmarked reserve cannot be established without the approval of the Chief Financial Officer and the Policy & Resources Committee.
2. For each earmarked reserve there needs to be a clear documented understanding of the purpose of the reserve, the timescale for which the reserve is required and anticipated phasing.
3. For earmarked reserves projecting over £50,000 of spend during the year then the annual spend requires monthly phasing.
4. As part of the year end accounts the remaining balance and continuing purpose of the earmarked reserve requires to be reviewed by the budget holder and approved by Finance.
5. Any earmarked reserve not required is to be written back to the General Fund reserves.

Finance Services
June 2013

Earmarked Reserves Policy

1/ EMR establishment

- a) The event which necessitates the creation of an EMR is the financial year end and as such there is no requirement for regular requests throughout the year to establish EMRs.
- b) The correct vehicle for taking decisions around EMRs is the Budget and officers should therefore ensure that requests to establish an EMR outwith this process are by exception. In every case which uses this exception route the establishment of the EMR will require a report to CMT, then a report to the Service Committee and approval by the Policy & Resources Committee.

2/ Rationale for an EMR

- a) For each EMR a standard pro forma outlining the detail of what the EMR is required for plus the amount requested, expected outcomes, milestones, phasing and areas of spend is required to be submitted as part of the EMR establishment. The completed pro forma will require to be approved by the relevant Corporate Director and Finance Manager.
- b) The same process will be required for the carry forward of any year end balances where an EMR covers more than one year.

3/ Managing Delivery & Spend

- a) When establishing an EMR and each year thereafter, monthly phasing of spend will require to be agreed with Finance Services. Performance against this phasing will be reported to CMT/Committee each Committee cycle.
- b) In order to avoid the carry forward of immaterial sums and to minimise the number of EMRs in existence at any one time, any EMR with an outstanding sum of less than £20,000 at the end of the financial year will be closed and the balance written back to the General Fund. In the event there is residual spend in the next financial year then this will require to be contained by the Committee.
- c) The exception to this will be where there is an established Legal commitment and the EMR does not relate to a recurring budget.

Finance Services
April 2015

Report To:	Policy and Resources Committee	Date:	19 May 2015
Report By:	Patricia Cassidy, Corporate Director, Education, Communities and Organisational Development	Report No:	PR/129/15/PC/KB
Contact Officer:	Karen Barclay, Corporate Policy Officer	Contact No:	01475 712065
Subject:	Future Budget Consultations		

1.0 PURPOSE

- 1.1 The purpose of this report is to inform the Committee of feedback on the Council's Budget Consultation 2016/17 process and to suggest changes to future consultations.

2.0 SUMMARY

- 2.1 A community consultation on the Council's Budget 2016/17 took place during late 2014/early 2015. Feedback has been obtained on the methodology and this has been used to develop a revised, draft consultation process for future Council budgets. More information is outlined in the Appendices.

Appendix 1
Appendix 2
Appendix 3
Appendix 4
Appendix 5

- 2.2 A number of positive results emerged from the feedback:

- more than 70% of respondents found the budget simulator very easy or fairly easy to use;
- more than two thirds of respondents said the Council had supplied enough information to help them make choices about the Budget for 2016/17;
- 71% of people rated the Budget Consultation process as very good or fairly good; and
- the vast majority of people (93.6%) agreed that we could contact them about future Council consultations.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee:

- a. notes the main findings from the feedback on the Budget Consultation 2016/17 process; and
- b. agrees that the suggestions for improvement are taken into account when future Budget Consultation exercises are being devised.
- c. approves that the budget consultation process is funded as outlined in section 7.0.

Angela Edwards
Head of Inclusive Education, Culture and Corporate Policy

4.0 BACKGROUND

- 4.1 The Council wished to gather people's opinions of their experience of participating in the recent Budget Consultation exercise.
- 4.2 A Survey Monkey poll was therefore issued to everyone who had taken part in the Budget Consultation process and who had provided an e-mail address, together with their permission to be contacted.
- 4.3 The survey, comprising nine questions, was issued on 23 February 2015 with a closing date of 6 March 2015. The poll was issued to 506 e-mail addresses and 117 people responded.

5.0 MAIN FINDINGS

- 5.1 The first question asked people how they found out about the Budget Consultation exercise. The majority of people (47%) heard about it because they are members of the Council's Citizens' Panel. Just under a quarter (22%) read about the exercise on the Council's website, with the same number reading about it in the local media. A small number of people (8%) heard about the Consultation from their child's school/nursery, while 7% of people read about it in the Winter 2014 edition of InView. A very small number (3%) heard about the Consultation from their Councillor, while a similar percentage (4%) picked up a questionnaire at their local library.
- 5.2 The second question asked people what consultation methods they used. The vast majority of respondents expressed their views either via the budget simulator (43%) or by completing a Citizens' Panel questionnaire (43%). Just over a fifth of people (20.2%) sent an e-mail to yoursay@inverclyde.gov.uk. Just under 10% (9.7%) of people attended one of the five public meetings held in early December 2014. Questionnaires picked up in local libraries were the consultation method used by 4.4% of respondents, with the same number attending a parent council meeting. A very small number (1.8%) of people contacted their Councillor to express their views. No respondents said they had participated in a Citizens' Panel focus group meeting.
- 5.3 We then asked people how easy they found their chosen method of consultation to use. More than 70% of people (71.7%) found the budget simulator very easy or fairly easy to use, while 16.8% said it was fairly difficult or very difficult to use. Just under three quarters (73%) of respondents said that contacting the Council via the dedicated e-mail address was very easy or fairly easy. The majority of people (84.1%) who completed a Citizens' Panel questionnaire said it was a very easy or fairly easy way of giving their opinions; in contrast, only 3.2% of people said it was either fairly difficult or very difficult to express their views in this way. Providing their opinions at public meetings was fairly easy or very easy for 41.4% of people while a similar number (40.9%) said it was fairly easy or very easy to express their views at parent council meetings. Just over a third (37.5%) of respondents said that completing a questionnaire they had picked up in a library was a very easy or fairly easy method of participating in the Consultation exercise.
- 5.4 The survey then asked people if there was any other way they would have liked to express their views about the Council's Budget for 2016/17. The responses to this question are attached at Appendix 2, grouped under the following headings: positive responses; suggested areas for improvement; public meetings and provision of information.
- 5.5 When we asked people if they thought the Council had supplied enough information to help them make choices about the 2016/17 Budget, more than two thirds (68.6%) said that we had supplied enough information while just under a third (31.4%) said we had

not.

- 5.6 People were then asked to rate the budget consultation process. Encouragingly, more than two thirds of people (71.3%) said the process was very good or fairly good. A small number of people thought it was fairly poor or very poor (8.3% and 3.7% respectively).
- 5.7 The next part of the survey asked people if there is anything the Council could do to improve the Budget Consultation process in future. The responses to this question are attached at Appendix 3, grouped under the following headings: positive responses; suggested areas for improvement; public meetings and provision of information.
- 5.8 The penultimate section of the survey invited people to make additional comments about any aspect of the Budget Consultation exercise. The responses are attached at Appendix 4, grouped under the following headings: positive responses; suggested areas for improvement; provision of information; and comments not directly related to the budget consultation process.
- 5.9 The final question in the survey asked people if they would be happy to be contacted via e-mail about future Council consultations on the Budget and other topics. The overwhelming majority of people (93.6%) agreed to participate in forthcoming consultation exercises.

6.0 PROPOSED CHANGES TO FUTURE BUDGET CONSULTATIONS

6.1 Budget simulator

More than 70% (71.7%) or 49 respondents used the online budget simulator.

We have been asked to make the budget simulator easier to use or provide a more detailed explanation on how to use it. This feedback perhaps explains why 16.8% of people said they found it fairly difficult or very difficult to use. Additionally, requests were made to provide a facility on the budget simulator for the public to make comments and suggestions or request further clarity on issues.

602 people completed the budget simulator exercise during the budget consultation process.

6.2 Public meetings

Just under 10% (9.7%) or 11 respondents attended one of the five public meetings held in December 2014.

While people told us that they welcomed the opportunity to express their opinions at public meetings, a number of comments were made about the need for them to be more widely publicised to encourage more people to attend. It was also said that a greater number of public meetings could have been held and perhaps they could be more accessible in terms of time and locations.

191 people attended the public meetings in December 2014.

6.3 Provision of information

More than two thirds of respondents (68.6%) thought the Council had supplied enough information to help them make choices about the 2016/17 Budget.

However, a number of people said they would welcome more information. Suggestions for improvement were made about provision of information including:

- a request for full, draft accounts/budgetary proposals

- provide details on how much each option would save
- year-to-year comparisons
- details of the potential effect of each budget saving, together with the facility for people to request clarity on particular statements
- more financial data in an easy-to-read format
- details of the remit and expectations of Services
- Services' budgets showing the spend breakdown and comparisons with other Scottish local authorities
- statements about how much each budget option would save
- information regarding potential problems created by budget cuts.

6.4 General areas for improvement

While almost three quarters of respondents (71%) rated the Budget Consultation as very good, we recognise that there are aspects of the process that could be improved in future. For example, a newsletter (attached as Appendix 5) on the Budget was issued to the Citizens' Panel, alongside their Spring 2015 questionnaire. A similar communication could be provided in future to the local media and community groups outlining the feedback received and what action we took in response to the feedback.

Respondents to the survey also made a number of general suggestions for improvement, including the following:

- be more transparent
- greater use of social media throughout the consultation process
- start the consultation process earlier
- issue advance warning of the Full Council meeting, together with the reports
- provide comparator information with other Scottish Local Authorities
- provide details of how people's views were taken in account
- follow through on problems highlighted and issues raised.

The Council will endeavour to improve how it carries out future budget engagements. However providing comparator information with other Scottish Local Authorities could prove difficult, as has been shown by the work being carried out via the Local Government Benchmarking Framework (LGBF). This has shown that Councils' services are set up differently and budgets are allocated in different ways making true comparisons very difficult.

7.0 IMPLICATIONS

7.1 Financial Implications - one-off costs:

Cost centre	Budget heading	Budget year	Proposed spend this report	Virement from	Other comments
02400-999-60005	Budget Consultation Workplan	2015/16	£10,000		

Financial implications - annually recurring costs/(savings):

Cost centre	Budget heading	With effect from	Annual net impact	Virement from	Other comments
n/a	n/a	n/a	n/a	n/a	n/a

7.2 Human Resources: There are no direct human resources implications arising from this report.

7.3 Legal: There are no direct legal implications arising from this report.

7.4 Equalities: There are no direct equalities implications arising from this report.

7.5 Repopulation: Provision of Council services which are subject to close scrutiny with the aim of delivering continuous improvement for current and potential citizens of Inverclyde support the Council's aim of retaining and enhancing the area's population.

8.0 CONSULTATION

8.1 Corporate Communications facilitated the provision of the Survey Monkey poll.

9.0 CONCLUSION

9.1 The results of the Survey Monkey poll on the recent Budget Consultation and suggestions for improving the process in the future are presented for consideration and action, as appropriate.

10.0 LIST OF BACKGROUND PAPERS

10.1 There are no background papers directly relating to this report.

Inverclyde Council - Budget Consultation 2016/17

Thank you for taking part in Inverclyde Council's Budget Consultation Exercise 2016/17 and for agreeing that we could contact you via e-mail.

The Council set its budget for 2016/17 on 19 February 2015.

Your views were used to assist the Council to decide what services we will reduce spending on and the services that will be protected.

To find out more about the Council's budget for 2016/17, visit:

<https://www.inverclyde.gov.uk/committees/details/1771/> (agenda items 03 and 03a).

We would now like to ask you about your experience of taking part in this consultation exercise. The survey only contains 9 questions and should not take long to complete.

The closing date for completing this survey is Friday, 6 March 2015.

1. How did you find out about the budget consultation exercise?

- Council's website
- Feature in the local media (e.g. the Greenock Telegraph, Inverclyde Now)
- Council's InView newspaper
- From my Councillor
- I am a member of the Citizens' Panel
- I picked up a questionnaire in my local library
- From my child's school/nursery

Other (please specify)

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2. What consultation method did you use? (Tick all that apply)

- On-line budget simulator
- E-mail to yoursay@inverclyde.gov.uk
- Citizens' Panel questionnaire
- Public meeting
- Parent Council meeting
- Questionnaire in my local library
- Citizens' Panel focus group meeting
- Contacted my Councillor

Other (please specify)

3. How easy did you find this method to use?

	Very Easy	Fairly Easy	Neither/Nor	Fairly Difficult	Very Difficult
On-line budget simulator	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
E-mail to yoursay@inverclyde.gov.uk	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
Citizens' Panel questionnaire	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
Public meeting	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
Parent Council meeting	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
Questionnaire in my local library	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
Citizens' Panel focus group meeting	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
Contacted my Councillor	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult
Other	<input type="checkbox"/> Very Easy	<input type="checkbox"/> Fairly Easy	<input type="checkbox"/> Neither/Nor	<input type="checkbox"/> Fairly Difficult	<input type="checkbox"/> Very Difficult

If you chose Fairly Difficult or Very Difficult, what was the reason for this?

4FoTYerhlqpl9PS false

4. Is there any other way you would have liked to express your views? Please state.

5. Do you think the Council supplied enough information to help you make choices about the Budget for 2016/17?

- Yes
- No

If No, what other information would you have found useful? Please state.

6. Overall, how would you rate the budget consultation process?

- Very Good
- Fairly Good
- Neither/Nor
- Fairly Poor
- Very Poor

7. Is there anything else the Council could do to improve the budget consultation process in future? Please state.

8. Please use the space below to make additional comments about any aspect of the Council's budget consultation exercise.

9. Finally, are you happy to be contacted via e-mail about future Council consultations on the budget and other topics?

- Yes
- No

Thank you for taking the time to complete this survey.

21 April 2015

4FoTYerhlqpl9PS	false
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**Question 4: Is there any other way you would have liked to express your views?
Please state.**

Positive responses

- Happy with the comprehensive variety of options offered by the Council
- No (14 responses)
- In a survey like this
- None
- No. Budget simulator is fine.
- No, good range of public meetings etc available
- No. I feel I had every opportunity to share my views.
- No. This was okay.
- None at this time
- No, this is easy and a response can be given quickly
- No, this was perfectly adequate
- No. As (I am) quite busy work-wise, the form is the best way for me
- Not applicable
- No. It was very good.

Suggested areas for improvement

- Electronic Citizens' Panel questionnaire
- To be able to clarify exact poor experiences
- Contact via e-mail with Councillors but having contact(ed) a few on other matters and got no response, I felt this was a waste of time
- E-mail and text
- A contact (via a) website which goes directly into the Council
- By e-mail (2 responses)
- Online (2 responses)

Public meetings

- I would have liked to attend meetings but have had no information at all about these
- I intended to attend the local meeting about it but had another commitment

Provision of information

- If we had been given more information from the start, that would have helped instead of the feeling that information was being kept 'from us'

21 April 2015

Question 7: Is there anything else the Council could do to improve the budget consultation process in future? Please state.

Positive responses

- No, I think they covered everything
- No, it was informative and explained clearly
- Nothing comes to mind
- More of the same but I feel it was already pretty good. Well done to the Council.
- I think they did all they could
- No. Please consult in future, too.
- No! This was good consultation.
- Not sure at the moment
- Not that I can think of
- Don't know
- No (2 responses)
- Not applicable
- Let's walk before we can run. So far, on the right track.

Suggested areas for improvement

- Be more transparent
- Explain(ing) cuts clearly and (do) not camouflage with flowery language
- Let people know ahead of time
- Listen to the people
- Advise all Councillors to encourage participation by answering e-mails
- Use social media for a first response. This would give a good idea of what people are generally thinking.
- Give more advance warning in the build-up to the decision(s)
- Difficult to answer. Probably shorten (the Budget Consultation process) and send options/suggestions/yes's/no's.

Question 7: Is there anything else the Council could do to improve the budget consultation process in future? Please state.

- Tell folk. I know nothing about this.
- Yes. There was a huge focus on education (I understand this is where the majority of [the] money is spent). There are other services that don't require funding i.e. the Beacon.

Public meetings

- More accessible public meetings in terms of time and locations
- More public meetings
- Better publicity for public meetings. The one I went to was very badly attended.
- Advertise in libraries and community centres about public meetings. Not everyone uses *Twitter* or (reads) the *Greenock Telegraph*.
- Hold general public meetings and ask (the) public their views
- By having panel members from each area of Inverclyde, where they can discuss where the money can be spent
- There was a similar presentation given at (the) focus (group) meetings. This was very good, however, more time to discuss particular issues relevant to particular group(s) would be good i.e. more time to talk about education cuts in parent council group meetings.

Provision of information

- Provide easy access to full, draft accounts/budgetary proposals
- Get information out as soon as possible and (do) not rely on the budget simulator which is biased towards the Council
- Inexpensive leaflets to each household
- Make the budget simulator easier to use – or explain how to use it properly
- More detail
- Give a year-to-year comparison
- Set up a website with information on the effect of each (budget saving) and the facility for members of the public to ask for further clarity on particular statements

Question 7: Is there anything else the Council could do to improve the budget consultation process in future? Please state.

- Give more numbers, for example, the number of people requiring alcohol support within the population
- More financial data in an easy-to-read/find format would help
- A little more information about the remit and expectations of departments
- More detailed statements within the (Citizens' Panel) questionnaire
- More information supplied before the Consultation process
- Information, information, information
- More information. Departmental budgets showing spend breakdown and comparison with all other Scottish councils.
- Maybe by making sound information available, saying how much each option would save
- More information regarding (the) problems created by budget cuts
- The results were not very clear, (I) had to do a bit of searching to find out the results. East Renfrewshire (Council) had their budget clearly explained on *Twitter*
- Very difficult to make correct choices with so many alternatives given
- Receipt of actual proposals by e-mail prior to vote

21 April 2015

Question 8: Please use the space below to make additional comments about any aspect of the Council's budget consultation exercise.

Positive responses

- Worthwhile exercise and feel public concerns were taken into account
- Can I congratulate the Council in involving the community of Inverclyde. I particularly liked the budget simulator as it gave you an idea of the difficulties faced by those having to make the decisions.
- It is a good idea and I was grateful to be able to take part and would like it to be a more regular thing for (the) Council to gauge public opinion on a variety of issues
- Very good
- Keep it going
- I did not realise how hard it is
- Was happy to be consulted in this way and it did illustrate the difficulties faced with competing uses for funds. More information on what some of the options were would have helped, perhaps.
- Happy to be part of the Consultation
- It made me appreciate the difficulty Councillors face to meet declining budgets
- Think I (am) done meantime
- Maybe the exercise could have been produced a wee bit earlier – but, as long as we got it, that is the main object

Suggested areas for improvement

- The Consultation process is a good concept and provides the facility for individuals to state their views and preferences. However, apart from an acknowledgement that I had participated, there is no follow-up information (to) show how/if my views were actually considered. An analysis document showing the categories of responses and the numbers/statistics involved might provide a balanced overview of how people responded, what the majority of the inputs suggested were (for example, no decrease in the number of teachers) to reflect any strong requests/suggestions etc and an indication as to how these opinions were considered when the budget process was being followed.
- Provide the public with adequate knowledge of constraints within local government control

Question 8: Please use the space below to make additional comments about any aspect of the Council's budget consultation exercise.

- A lot of the areas where I would have made savings appeared to be 'protected' and you were unable to make those savings
- I am lucky my son's school parent/teacher association found out about (the) budget (consultation exercise) or I would never have known
- Follow through on identifying problems highlighted and issues raised
- Feedback on what has been decided and why
- Probably wasted money that would have been used in better ways
- Shockingly bad. If I had not received this e-mail, I'd be none the wiser.
- It was good that you were able to express a view in a variety of formats. However, using the on-line simulator meant that you could not include additional suggestions.

Provision of information

- How much does the Council cost to run, salaries etc?

Comments not directly related to the Budget Consultation process

- Space for ideas, for example, Council Tax rebranding, combiner campus for St Mary's and Ardgowan Primary Schools on the site of the old Greenock Academy would have saved the education budget money. Improve access to areas for sport.
- By having a forum group set up where members from the Council and the public can put forward ideas on how to regenerate the area
- We see the cost for big items (for example) libraries, cleansing minus weekend work. Let's see the small items. We have a terrible problem with the youth smashing *Buckfast* bottles on the Tower Hill. We, as residents, now have our own brush and shovel for cleaning this up before a child or a dog is seriously injured, especially on a Saturday and Sunday morning. How much would this cost to be monitored?

INVERCLYDE COUNCIL CITIZENS' PANEL NEWSLETTER

SPRING 2015

Inverclyde
council



Dear Panel Member

Welcome to the latest Citizens' Panel newsletter.

We were pleased with the response to the survey issued in Winter 2014. 63% of you completed a questionnaire and provided valuable feedback that assisted the Council to make decisions regarding its Budget for 2016/17. To find out more about the Council's Budget for 2016/17, visit <https://www.inverclyde.gov.uk/committees/details/1771/> (agenda items 03 and 03a).

At this link, you will find the report which was considered by Inverclyde Council's Elected Members, as well as a budget proposals booklet which includes a wide range of information covering the budget proposals, the feedback from all methods used for consultation on the budget and the equality impact assessments of the budget proposals.

As well as your responses to the Citizens' Panel questionnaire, the Council has considered feedback from the Budget Simulator, consultation events, focus groups and e-mails to the 'Have your Say' e-mail address.

Topics covered in the Winter 2014 questionnaire were:

- *Council services where spending should be reduced or protected*
- *budget saving options*
- *satisfaction with Council services*
- *participation in sport and leisure activities*
- *charging for Council services*
- *the Council as a Service Provider*
- *access to Council buildings*
- *the role of carers.*

The Spring 2015 survey covers a variety of issues including Child Protection, Alcohol, Mental Health and Stigma, Inverclyde Council's Website and Satisfaction with Council Services. We look forward to receiving your completed questionnaire.

This newsletter outlines the key results from the Winter 2014 survey and what we are doing in response to the feedback you provided.

The main focus of the Winter 2014 survey was the Council's Budget for 2016/17. Given the scale and pace of the savings the Council will be required to make, we asked your opinion on a number of areas around the budget-setting process for the period 2016/17.

1. Inverclyde Council - Services

We asked for your views on the five services you think the Council should reduce spending on. The top five services that you chose to reduce spending on are:

Alcohol services	36%
Drugs services	34%
McLean Museum and Art Gallery	26%
Develop and support businesses	24%
Welfare benefits/money advice	23%

The main reasons you gave for reducing spending on alcohol and drugs service were that you thought support was already provided by other agencies and that these are services which benefit only a minority of local people. Panel members also suggested that it is the role of the NHS and other agencies - rather than the Council - to assist people who have problems with alcohol and drugs. It was also felt by many that such problems are the result of personal choice.

What are we doing with your feedback?

We took the responses of Citizens' Panel members into account when we decided to reduce alcohol counselling services in Inverclyde. We also plan to conduct a review of the service delivery model of alcohol and drugs services. A review of the services provided by the Young Persons' Alcohol Team School Worker will be prepared for consideration by The Members' Budget Working Group.

We then asked you what Council services you would choose to **protect or invest in**. The top five services that you chose to protect or invest in are:

Care for older people	56%
Care for children and young people	35%
Care for people with a disability	35%
Repairs to roads and footpaths	26%
Schools - primary	24%

The reasons people would choose to protect or invest in care for older people, children and young people and people with a disability were that such frontline services provided a social good and engaged with vulnerable members of the public. In addition to this, people did not want to see a reduction in services that would preserve a good local environment such as roads maintenance.

What are we doing with your feedback?

The Elected Members have taken account of, and echo, the desire to protect services for vulnerable people in their budget decision processes.

Roads maintenance is a priority for the Council. We have prepared and implemented an asset investment strategy and recent investment in roads has allowed us to carry out more preventative or resurfacing work rather than solely responding to emergency pothole repairs or patches to roads. We have allocated enhanced funding of £4,600,000 to our Roads Asset Management Plan for both 2016/17 and 2017/18.

2. Charging for Council services

95% of respondents said they accepted the principle of charging for Council services to either avoid reductions in service or to improve the level of service provided.

Panel members said the top five Council services that we should **charge less** for are:

Respite charges for older people and other adults	43%
Waste uplifts from charities	35%
Cremation (adult)	20%
Home helps subject to financial assessment	20%
Music tuition in secondary schools	20%

The top five services that respondents said **charges should remain the same** for are:

Home helps subject to financial assessment	68%
Burial (adult)	67%
School meals and day care meals	67%
Cremation (adult)	66%
Musical instruments in secondary schools	66%

When asked about **increasing charges** for Council services, Panel members opted for the following five services:

Library overdue book/cd	71%
Lost/replacement library tickets	64%
Golf - adult per round	62%
Library cd hire	62%
Animal boarding licence for fewer than 4 animals	61%

We then asked your views on whether we should **introduce charging** for a number of Council services that people do not currently pay for. The five services that most Panel members chose were:

Winter maintenance service for private businesses	78%
Advertising and events sponsorship	77%
Library requests	68%
Replacement or additional black bins	64%
Use of computers in libraries	58%

The five **least popular services** that people thought the Council should **introduce charges** for were:

Day care	31%
Musical instruments in primary schools	33%
Musical tuition in primary schools	33%
Swimming for under 16 year olds	34%
Community alarms	35%

What are we doing with your feedback?

More than three quarters of Panel members said the Council should introduce charging for advertising and events sponsorship. We have therefore made plans to generate income of £20,000 from advertising and the sponsorship of events during 2016/17. The Council also plans to prepare a report on swimming for under 16 year olds and swimming lessons for Primary 6 pupils. The Council will continue to review its charging policies and will take your feedback into account during this review process.

3. Budget saving options

The next section of the questionnaire asked for Panel members' views on budget saving options. The Council identified a range of specific proposals that could assist it to make the required budget savings. Panel members were asked to consider the options and indicate how acceptable or otherwise these would be.

The top five suggestions that respondents felt are acceptable options are:

Maximise the collection of Council Tax and pursue all non-payment	84%
Review the Council's policy in respect of Council Tax liability for long term empty properties	76%
Develop community trusts to maintain flower beds and other landscaped areas	65%
Review all non-teaching staff in schools, moving those not on term time to term time contracts	52%
Investigate shared headships between nurseries and primary schools	48%

What are we doing with your feedback?

The Council collected 94.51% of its income due from Council Tax in the financial year 2013/14 and continues to look at ways of increasing income from current and prior years' Council Tax charges.

Additionally, given that more than three quarters of Citizens' Panel members said the Council should review its policy regarding the Council Tax liability for properties which are empty on a long term basis, we have decided to conduct a review of this policy in 2016/17.

4. Satisfaction with Council services

Eighty-five percent of Panel members said they are either fairly or very satisfied with their neighbourhood as a place to live. A similar number (87%) said they were either fairly or very satisfied with Council services while just over three quarters (78%) of respondents thought the services provided by the Council were either fairly or very good value for money.

Panel members were then asked about the following statement: 'By working together, local people can influence decisions that affect the local area'; 74% of respondents agreed or strongly agreed that they could influence decisions that affect their local area.

Just under half (48%) of respondents said they were very or fairly satisfied with the way Inverclyde Council takes residents' views into account when making decisions affecting the local area; a similar number (47%) agreed or strongly agreed that they could influence decisions that affect the local area.

What are we doing with your feedback?

It is pleasing to note that satisfaction with Inverclyde as a place to live has increased since the last time Panel members were asked this question. Over time this rate has increased from 72% in 2011, to 85% in 2014. In 2014, the Council invested £1 million to help reverse the declining population in Inverclyde, and with partners has been working to encourage more people to move to the area which has suffered population decline over a long period. It is encouraging that there has been an increase in the number of people who are satisfied with their neighbourhood as a place to live.

In terms of influencing decisions that affect their local area, 74% of Panel members felt they had a say in what happens in Inverclyde; this is an increase of 9% since the Panel was last asked the question in 2012.

The percentage of people who are fairly or very satisfied with Council services has increased by 25% since 2012. The results of Citizens' Panel surveys are shared with Council Services to help them identify areas for improvement. This practice may have helped contribute to the improvement in satisfaction levels with Council Services.

There has also been a substantial increase in the percentage of people who think the services provided by the Council are good value for money, up from 54% in 2012 to 88% in 2014.

The Council is keen that residents feel they have the opportunity to have their say in the decisions that affect them; the Citizens' Panel is one way that local people can provide their opinions. The percentage of respondents who are satisfied with the way the Council takes residents' views into account when making decisions that affect the area has increased to 48% from 34% in 2012.

5. Access to Council buildings

Just under half (41%) of respondents said they had visited the main Council buildings within the last 12 months. Among those respondents that stated they had visited the main Council buildings, 88% said that it was either fairly or very easy to access them.

What are we doing with your feedback?

The last time these questions were included in a Citizens' Panel survey was in 2012 when the figures were 29% and 79% respectively. The Council's office modernisation/rationalisation programme has resulted in improved accommodation and, as expected, we have seen performance improve. We will continue to improve our buildings over the next few years.

6. Sport and leisure

Panel members were asked about their participation in sport and leisure activities. Just over half (51%) of respondents said they regularly participate in any kind of sport or leisure activity (i.e. at least once a week). In contrast to this, however, just over a third (34%) of respondents do not regularly participate in any kind of sport or leisure activity.

What are we doing with your feedback?

An *Inverclyde Sports Framework* has been developed and a steering group was established to oversee the implementation of the Framework, the vision of which is to inspire a sporting way of life for all in Inverclyde.

7. Carers

Forty-one percent of respondents said they look after, or give help or support to family members, friends, neighbours or others because of long term physical or mental ill health or disability or problems related to old age. Just over half (53%) of respondents felt they received enough support in their role as a carer.

What are we doing with your feedback?

The Inverclyde Carers' Centre offers information, advice and support to individual carers at a number of locations including Inverclyde Royal Hospital and community venues, as well as at the Centre itself. With additional funding from the Inverclyde Community Health and Care Partnership, the Centre provides a range of relaxation therapies and counselling, together with short breaks for carers and their families. The Centre can be contacted on ☎ 01475 735180.

Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Head of Legal & Property Services	Report No:	LP/079/15
Contact Officer:	Neil Duffy	Contact No:	01475 712147
Subject:	Renewal of Partnership Agreement – Children’s Hearings Scotland		

1.0 PURPOSE

- 1.1 The purpose of this report is to request approval of the renewal, for a period of 3 years, of the partnership agreement with Children’s Hearings Scotland (CHS) for the continued support of Inverclyde’s Area Support Team (AST).

2.0 SUMMARY

- 2.1 The Policy and Resources Committee at its meeting of 18 September 2012 agreed to support, in principle, an agreement with Children’s Hearings Scotland to provide staffing resource to an Inverclyde Area Support Team for an initial period of 2 years and that, during the period, the option to develop a Joint Area Support Team with Renfrewshire and East Renfrewshire be kept under review.
- 2.2 With the Inverclyde Area Support Team in place from 24 June 2013 for an initial period of 2 years, the term of the agreement is set to expire on 30 June 2015.
- 2.3 At the meeting of the AST on 16 December 2014, it was agreed that the AST was in favour of the current arrangement and that it would fully support the Council in progressing the renewal of the Partnership Agreement.

3.0 RECOMMENDATIONS

- 3.1 That the Committee agree to support an agreement with Children’s Hearings Scotland to continue to provide staffing resources, up to the level currently provided, to the Inverclyde Area Support Team, for a further term of 3 years, to 30 June 2018; and
- 3.2 That it be remitted to the Chief Executive to progress and, as appropriate, to conclude negotiations with Children’s Hearings Scotland to ensure the best interests of the Council, and those of the Children’s Hearings System in Inverclyde.

Gerard Malone
Head of Legal & Property Services

4.0 BACKGROUND

- 4.1 The Children's Hearings (Scotland) Act 2011 provided for the National Convener to establish Area Support Teams (ASTs) with the consent of the local authorities involved and introduced significant changes to the way in which the Children's Hearings System will operate as part of a broader national reform and modernisation programme for the system, with the aim of improving the experiences and outcomes of children, young people and families and ensuring consistency of approach and standards within the wider system.
- 4.2 Since 24 June 2013, following the signing of the Partnership Agreement with Children's Hearings Scotland, Inverclyde Council, through the provision of an Officer designated as Clerk to the AST, has provided administrative and secretarial support to the Inverclyde Area Support Team, some of the duties of which include:-
- making arrangements for meetings;
 - acting as a formal link between the AST, the local authority and CHS;
 - arranging for the recruitment and reappointment of AST and children's panel members;
 - monitoring budgets and arranging the payment of expenses and collation of statistics; and
 - providing advice, guidance and support to AST members.
- 4.3 The Partnership agreement currently in place was for an initial period of 2 years from 24 June 2013. The term of the agreement is set to expire on 30 June 2015.
- 4.4 The Inverclyde Area Support Team, at its meeting of 16 December 2014, agreed in favour of the current arrangement being continued and the Partnership Agreement being renewed for a further term of 3 years, to 30 June 2018.
- 4.5 Following the meeting, the Area Convener discussed the progression with the Clerk to the AST and Children's Hearings Scotland's Chief Executive and National Convener, who drew up and submitted to the Council a renewal of the Partnership Agreement for a further term of 3 years, to 30 June 2018.

Appendix 1

5.0 IMPLICATIONS

5.1 Finance

There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.2 Legal

There are no direct legal implications arising from this report.

5.3 Human Resources

There are no direct HR implications arising from this report.

5.4 Equalities

There are no direct equalities implications arising from this report.

5.5 Repopulation

There are no direct repopulation implications arising from this report.

6.0 CONSULTATIONS

- 6.1 Consultation has taken place between the Inverclyde Area Support Team and the National Convener & Chief Executive of Children's Hearings Scotland, Boyd McAdam.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 Letter from the National Convener and Chief Executive of Children's Hearings Scotland
- 7.2 Copy of the proposed, extended partnership agreement between Inverclyde Council and Children's Hearings Scotland.



children's
hearings
scotland

Children's Hearings Scotland
Area 2/1/1 Ladywell House
Ladywell Road | Edinburgh | EH12 7TB
t: 0131 244 3696
www.chscotland.gov.uk

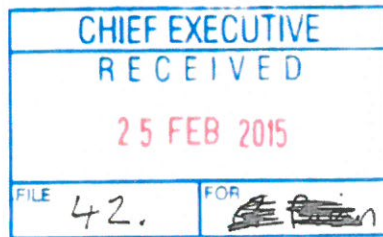
Chief Executive
Inverclyde Council
Municipal Buildings
Clyde Square
Greenock
PA15 1LS

18 February 2015

If calling please ask for:
Boyd McAdam

Direct Dial:
0131 244 3698

Email:
Boyd.mcadam@chs.gsi.gov.uk



Gerrey



RENEWAL OF PARTNERSHIP AGREEMENT

The Children's Hearings (Scotland) Act 2011 came into force on 24 June 2013 and created a national Children's Panel to replace the 32 panels previously administered by local authorities. The Act also created Children's Hearings Scotland (CHS) as a new body with responsibility for the administration of the national Children's Panel and the creation of volunteer-led Area Support Teams (ASTs). ASTs were created with the consent of constituent local authority/authorities who provide practical support to them through the provision of facilities and administrative support.

In January 2013, Inverclyde Council and Children's Hearings Scotland (CHS) entered into a Partnership Agreement which set out the commitments and responsibilities of each to support the volunteers of the national Children's Panel in Inverclyde through the Inverclyde AST. The Agreement covered a two-year period from 24 June 2013 to 30 June 2015 and CHS is keen to renew it in advance of 30 June to provide assurance to panel members, AST members and staff around continuity of support arrangements.

The Agreement has operated very successfully over the past year and a half, due in no small part to the dedication and commitment of the local authority staff who have provided clerking support to the panel volunteers. Helena Couperwhite (now retired) and Neil Duffy have ensured the smooth operation of administrative arrangements and are very much admired and appreciated for their commitment to the panel by the volunteers and CHS alike. It is testament to the high quality of support received from the Council that no issues about the operation or terms of the Agreement have been raised by any party during the period of the initial Agreement.

I have agreed with your officers and the Area Convener of the AST that the current Partnership Agreement should be renewed without amendment for a three year period expiring on 30 June 2018. I have included two copies of the updated Agreement, signed by myself and my Interim Director of Finance and Corporate Services, and I would be grateful if you would consider the Agreement and, if satisfied, sign both copies, returning one to me for CHS' records.

The Children's Panel - life changing.

Chair of Inverclyde Council | National Convener and Chief Executive | 0131 244 3696

Follow @CHScotland

I would like to take this opportunity to thank you on behalf of CHS for the excellent service you provide to the national Children's Panel in Inverclyde. I look forward to continuing our partnership work and together supporting the panel and AST members who give their time and energy to help vulnerable children and young people in Inverclyde.

Yours sincerely

Boyd McAdam
National Convener and Chief Executive

The Children's Panel — life changing.

Chair: [Denny Scott](#) | National Convener and Chief Executive: [Boyd McAdam](#)

 [Follow @CHScotland](#)

Partnership Agreement

between

Children's Hearings Scotland (CHS), as established under section 2 of the Children's Hearings (Scotland) Act 2011 (hereinafter referred to as "CHS")

And

Inverclyde Council, a local authority constituted in terms of the Local Government etc (Scotland) Act 1994 and having its principal office at Greenock Municipal Buildings, Clyde Square, Greenock (hereinafter referred to as "the Council")

WHEREAS

1. The Children's Hearings (Scotland) Act 2011 (the "2011 Act") makes a number of changes to the children's hearings system ("the System") to help ensure that the System is nationally consistent and locally delivered, to ensure that all hearings are child and young person centred and that they make effective, evidence based decisions.
2. The 2011 Act provides for:
 - a. a new position of National Convener to provide leadership, support and coherence for panel members across Scotland (the "National Convener");
 - b. the establishment of CHS, a new dedicated national body which will provide coherent and consistent support for panel members across Scotland, and support for the National Convener in the exercise of his/her responsibilities;
 - c. the establishment of a national Children's Panel to replace the existing 32 local Panels;
 - d. the establishment of Area Support Teams (ASTs) on a collaborative basis between local authorities and CHS to take local responsibility for the recruitment, selection, training, retention, support and deployment of panel members, and the operation of the System in local areas; and
 - e. appointments to ASTs to be made by the National Convener, key among these will be the Area Convener who will provide leadership and direction to the Inverclyde AST and ensure that it fulfils its responsibilities (the "Area Convener").
3. The Parties have agreed to enter into an Agreement relating to the support and administration requirements of the Inverclyde Area Support Team ("Inverclyde AST").
4. The Council together with CHS, undertakes to support the operation of the Inverclyde AST, panel members and the System as set out in this Agreement.

Purpose of the Agreement

5. The purpose of this Agreement is to record the commitment of CHS and the Council to support:
 - a. the System in Scotland, and the national children's panel and underpinning framework of standards, in line with the terms of this Agreement;
 - b. the administration of the Inverclyde AST by the Council through the provision of the services of an AST clerk, and his or her team, and adequate accommodation, office and administration support required for the effective operation of the Inverclyde AST;
 - c. the national children's panel within the Inverclyde AST area through the Council providing accommodation, administrative support and resources which will assist the AST and CHS with recruitment and retention of sufficient panel and AST members at the area level; and
 - d. the System in the Inverclyde AST area by CHS providing continuity of funding, effective support to ASTs, partner engagement and consultation, and information, advice and guidance in line with agreed national standards.
6. This Agreement is intended to underpin a shared commitment to the System by establishing a clear, uniform understanding across Scotland of the services to be provided for the support and administration of ASTs, and to clarify the commitment of the parties involved to the provision of these services.

Duration

7. This Agreement shall commence on the 01 July 2015 **and unless the Parties agree otherwise, shall subsist until 30th June 2018**. The Parties shall review this Agreement annually to agree the services to be provided during the following year.

Principles

8. The System, as revised under the terms of the 2011 Act, is based on well-established principles which place the child at the centre of our concerns, requiring the operation of the System to be fair and responsive and to be administered effectively and efficiently. Eight standards for the operation of the System have been set out in a national standards framework (the National Standards):
 1. Children are at the centre of everything we do;
 2. Panel members are well equipped and supported to undertake their role;
 3. Panel member practice is consistent across Scotland;
 4. Every children's hearing is managed fairly and effectively;
 5. Every children's hearing makes decisions based on sound reasons in the best interests of the child or child or young person;
 6. AST members are well equipped and supported to undertake their role;

7. Communication and information sharing across the Children's Panel, ASTs and CHS is clear, appropriate and purposeful; and
8. Functions, roles and responsibilities are clearly defined and understood within the System.
9. It is acknowledged that these standards will only be achieved through a shared commitment by the National Convener, CHS, Inverclyde AST, panel members and local authority partners. The effective operation of the Inverclyde AST is central to the achievement of these standards, and in this regard, the contribution by the Inverclyde AST clerk and his/her team is of critical importance.

Service Commitment

Services to support the Inverclyde AST

10. CHS will provide:
 - i) Continuity of funding in relation to
 - a. the recruitment, appointment, training and assessment of Inverclyde panel members;
 - b. the recruitment, appointment, training and assessment of Inverclyde AST members;
 - c. the advice, guidance and information required to enable Inverclyde AST members to fulfil their responsibilities;
 - d. the payment of expenses for all volunteers including panel members, the Area Convener and Inverclyde AST members in accordance with the national scheme of expenses to be prepared and updated from time to time by CHS; and
 - e. the payment of Protection of Vulnerable Groups (PVG) fees for all panel members and AST members.
 - ii) Support and training through:
 - a. the development of a national training curriculum and delivery to Inverclyde AST members and panel members;
 - b. localised delivery of training including support and funding to the Inverclyde AST training team;
 - c. delivery of Panelpal training for the Inverclyde AST Clerk and relevant members of their team;
 - d. ensuring the National Convener's duty to provide legal and procedural advice for children's hearings is fulfilled and Inverclyde AST members have the information they require to effectively support the work of panel members;

- e. fielding day-to-day enquiries from Inverclyde AST and providing advice on the role of Inverclyde AST members and on any panel member issues that the AST is unable to deal with;
 - f. guiding and monitoring the day to day work of Inverclyde AST to make sure that it is in accordance with the National Standards; and
 - g. creating systems for the exchange of ideas, learning and best practice between ASTs.
- iii) The learning and development of ASTs through sharing of good practice and effective performance management including:
- a. supporting the National Convener in annual assessment of ASTs and sharing with the Council any issues arising from the annual reporting process
 - b. providing training, advice and support to AST members in the assessment process
 - c. establishing systems for analysing the activities, performance and impact of ASTs and sharing this information with all relevant partners including the local authority
- iv) Support the clerks and their teams through the AST and CHS networks to be established
- v) Other ad hoc and incidental support as agreed with the Council

11. The Council undertakes to work to promote the service commitment and for that purpose will provide:-

- i) A member of staff who is suitably trained, qualified and experienced, to act as the clerk of the Inverclyde AST and specifically to
 - a. provide general administrative and secretarial support to the Area Convener and the Inverclyde AST;
 - b. organise Inverclyde AST meetings, including accommodation, agendas, preparation of reports , including financial reports, and minute taking;
 - c. make administrative arrangements enabling the Area Convener to assess Inverclyde AST members;
 - d. assist the Area Convener with the preparation of reports to the National Convener and the Inverclyde AST annual report;
 - e. ensure the collection, analysis, reporting and return (where required) of information required for performance and monitoring purposes;
 - f. maintain a database of panel member workload and allocation to inform local training and recruitment strategies;

- g. provide administrative support to the panel representatives in the preparation of the panel member rota;
 - h. liaise closely with the Area Convener and panel representatives to put in place arrangements to manage changes to the rota and procedures to ensure that panel members are available for emergency hearings, out of office hours and at short notice when required;
 - i. maintain up to date records of panel member availability;
 - j. work with the Area Convener and Inverclyde AST colleagues to promote the availability of sufficient panel members;
 - k. check and process claims for the payment of allowances for all volunteers including panel members, the Area Convener and Inverclyde AST members in keeping with the national scheme of expenses;
 - l. work with appropriate CHS staff to prepare expenses budgets and make quarterly reports of expenditure in order to reclaim funding from CHS;
 - m. respond to telephone and other enquiries in relation to the Inverclyde AST or the national children's panel; and
 - n. support the panel member recruitment and selection process.
- ii) Accommodation and office support and facilities appropriate to support the functions of the Inverclyde AST including:
- a. office support for Inverclyde AST meetings;
 - b. where reasonably practicable and, to the extent that it does not interfere with the ordinary business of the Council, provide meeting space for Inverclyde AST meetings;
 - c. minute taking and secretarial support for Inverclyde AST meetings and events; and
 - d. where reasonably practicable and, to the extent that it does not interfere with the ordinary business of the Council, provide meeting and seminar facilities for local panel member events organised by the Inverclyde AST, for example training sessions and information evenings for prospective panel members.
- iii) Secure IT and office support systems required to allow the clerk and other relevant Council staff to support the proper functioning of the Inverclyde AST;
- iv) Other ad hoc and incidental support as agreed in advance with CHS.

Structure, Personnel and Administration

12. The names, job titles and contact details of key personnel will be submitted without delay to the National Convener by the clerk.

13. The Area Convener and Inverclyde AST members will determine any sub-committee arrangements with local partners and will ensure relevant parties are aware of such arrangements.
14. The clerk will also provide the National Convener with a specification of the Inverclyde AST sub-committee structure.

Disagreements and Conflicts

15. CHS and the Council agree that when disagreements and conflicts arise about the operation of the Inverclyde AST all efforts will be made to achieve resolution as quickly and expeditiously as possible by the Area Convener and the senior nominated Council representative. When an issue arises where resolution is not achieved locally, the matter shall be referred to the National Convener and the Chief Executive of the Council.

General

16. In agreeing to work together to support the System and Inverclyde AST as set out in this Agreement, both CHS and the Council acknowledge and will comply with their respective obligations, including but not limited to the following:
 - a) the Freedom of Information (Scotland) Act 2002;
 - b) the Data Protection Act 1998, and
 - c) the Equality Act 2010
17. Neither CHS nor the Council shall disclose to any person any confidential information relating to the other party except in the proper course of its duties.
18. Neither CHS nor the Council shall issue any publicity (including press announcements) relating to or otherwise reveal or make public any financial or other confidential information in connection with the services provided or the terms of this Agreement without the prior written consent of the other. Neither party will knowingly commit or permit any of its employees, agents or subcontractors to commit any act which might prejudice or damage the reputation of the other.
19. Each Party shall have Employers Liability and Public Liability insurance to cover their respective duties under this Agreement. The level of cover shall be in compliance with all relevant statutory requirements.
20. Nothing in this Agreement will confer, nor is capable of conferring, nor will operate to confer, any right or obligation upon any person who is not a Party.

21. This agreement shall be governed by, interpreted and construed in all respects in accordance with the laws of Scotland. In WITNESS WHEREOF these present typewritten on this and the 6 preceding pages are executed as follows:-

They are signed for on behalf of the Inverclyde Council at Greenock by:

Chief Executive Date

Name

Proper Officer

Signed

Witness

Date

Name

Address

They are signed for on behalf of Children's Hearings Scotland at Edinburgh by

National Convener Date

Name

Signed

Interim Director of Finance and Corporate Services Date

Name

Position

Report To:	Policy & Resources Committee	Date:	19 MAY 2015
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	LP/068/15
Contact Officer:	Joanna Dagleish	Contact No:	01475 712123
Subject:	Contract Awards – 1 October 2014 to 31 March 2015		

1.0 PURPOSE

1.1 The purpose of this report is to advise the Committee of contracts awarded for the supply of goods or materials, provision of services and execution of works during the period 1 October 2014 to 31 March 2015.

2.0 SUMMARY

2.1 The Policy & Resources Committee at the meeting held on 20 May 2014 agreed that six monthly reports on contract awards be submitted to the Committee by the Head of Legal & Property Services (min ref 2014 para 371(2)).

2.2 Appendix 1 provides details of contracts awarded for the period 1 October 2014 to 31 March 2015.

3.0 RECOMMENDATION

3.1 That the Committee note the contracts awarded by the Council during the period 1 October 2014 to 31 March 2015.

Gerard Malone
Head of Legal & Property Services

4.0 BACKGROUND

4.1 The Policy & Resources Committee of 20 May 2014 agreed that six monthly reports on contract awards be submitted to the Committee by the Head of Legal & Property Services (min ref 2014 para 371(2)).

4.2 Appendix 1 provides details of those contracts not otherwise reported to the relevant committee awarded during the period 1 October 2014 to 31 March 2015 for:

- the supply of goods or materials where the estimated price of the contract exceeds £25,000 and within the £500,000 limit
- the provision of services where the estimated price of the contract exceeds £25,000 and within the £500,000 limit
- the execution of works where the estimated price of the contract exceeds £50,000 and within the £500,000 limit

in accordance with the thresholds set out in Contract Standing Order 3.1.1 and the £500,000 limit set out in Contract Standing Order 9.2 (i).

5.0 IMPLICATIONS

Finance

5.1 There are no direct financial implications arising as a result of this report however the financial implications in respect of each of the contract awards detailed in Appendix 1 are reported to the appropriate service committee as necessary.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments
N/A					

Legal

5.2 There are no legal implications arising as a result of this report. Any legal implications in respect of each of the contract awards will be reported to the relevant service committee.

Human Resources

5.3 There are no direct human resources implications arising as a result of this report.

Equalities

- 5.4 There are no direct equalities implications arising as a result of this report. In accordance with Contract Standing Order 18, however, no contract is awarded without the relevant Head of Service having obtained from the tenderer confirmation in writing that, to the best of the tenderer's knowledge and belief, the tenderer has complied with all statutory requirements relating to equal opportunities in employment and is not unlawfully discriminating within the meaning and scope of the Race Relations (Amendment) Act 2000 in relation to discrimination in employment and has obtained satisfactory information from the tenderer in relation to their statutory obligations under the Race Relations Act 1976 (as amended).

Repopulation

- 5.5 While there are no direct repopulation implications arising as a result of this report many of the contracts awarded will enhance the area or facilities provided and operated by the Council which may help to stabilise the grow the population of Inverclyde.

6.0 CONSULTATIONS

- 6.1 The Corporate Procurement Manager was consulted during the preparation of this report.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 None.

CONTRACT AWARDS - 1 OCTOBER 2014 TO 31 MARCH 2015

DATE OF AWARD	TITLE	NAME OF SUCCESSFUL TENDERER	LOCATION OF SUCCESSFUL TENDERER	CONTRACT AMOUNT
01-Oct-14	CP0155/ECCP Managing Inverclyde Council's Citizens Panel	Lowland Market Research	Glasgow	Schedule of Rates
02-Oct-14	ENV0113 Inverclyde Area Carriageway Reconstruction	J H Civil Engineering Ltd	Airdrie	£188,474.15
02-Oct-14	PRO 0388 Design and Construction of Skateboard Park, Battery Park	Wheelscape Limited	Bristol	£150,000.00
07-Oct-14	CP0185/ECS Mini Competition for the Supply and Delivery of 12 3.5 Tonne Tippers	General Motors UK Ltd	Luton	£245,421.09
14-Oct-14	PRO 0422 Wellpark Play Area	Landcare Solutions (Scotland) Ltd	Inchinnan	£75,768.00
14-Oct-14	PRO 0423 Barrs Brae Play Area	Landcare Solutions (Scotland) Ltd	Inchinnan	£52,926.50
14-Oct-14	PRO 0424 Braeside Play Area	Landcare Solutions (Scotland) Ltd	Inchinnan	£52,050.90
15-Oct-14	CP0168/ECD Mini Competition for the Supply and Installation of Interpretation Signs, Paving and Benches for the Heritage Coastal Trail	Signature Ltd t/a Dee Organ	Inchinnan	£92,272.57
16-Oct-14	ENV0122 Mini Competition for the Supply and Delivery of Roadstone Material	Lafarge Tarmac Trading plc	Birmingham	£183,497.55
24-Oct-14	CP0194/ECS Supply and Delivery of Litter and Dog Waste Bins	Wybone Ltd	Barnsley	Schedule of Rates
24-Nov-14	PRO 0416 St Ninians MUGA	Allsports Construction & Maintenance Limited	Midlothian	£302,109.09
26-Nov-14	CP0178/CORP Framework Agreement for the Supply and Delivery of Printed Material	McKay & Inglis Ltd, Ricoh UK Ltd, Clyde Paper & Print	Glasgow	Schedule of Rates
27-Nov-14	ENV0089 Drumfrochar Road Culvert Replacement	W I & A Gilbert	Dalry	£255,153.25
23-Dec-14	ENV0123 Supply and Installation of Electric Charging Posts	Everwarm Ltd	Bathgate	£49,419.00
23-Dec-14	PRO 0431 Demolition of Greenock Academy	Reigart Contracts Ltd	Coatbridge	£211,597.00
05-Jan-15	CP1098/CHCP Provision of a Lone Worker Monitoring Service	Safe Shores Monitoring Ltd	Dunoon	Schedule of Rates
08-Jan-15	PRO 0438 Port Glasgow Town Hill Rewire Phase 2	WLE Lafferty & Co Ltd	Greenock	£165,712.58
08-Jan-15	ENV0126 Aberfoyle Road, Ladyburn Overflow	Drumbow	Airdrie	£100,384.00
26-Jan-15	ENV0127 Bridge Parapet Strengthening Works Phase 2	Chemcem Scotland Ltd	Falkirk	£51,801.90

30-Jan-15	PRO 0446 Remedial Works to Gourrock Pool Changing Facility	W H Kirkwood Ltd	Greenock	£111,447.97
11-Feb-15	PRO 0442 Coronation Park, Coastal Protection Repair Works	Caskie Ltd	Greenock	£111,342.30
17-Feb-15	CP0210/SET Mini Competition for the Supply and Installation of LED Touchscreen Systems	AVMI Limited	Perth	£47,040.00
27-Feb-15	ENV0130 Grieve Road Resurfacing	Aggregate Industries UK Ltd	Salisbury	£108,881.25
06-Mar-15	PRO 0449 Inverkip Primary school MUGA	Ecosse Sports Ltd	Midlothian	£40,922.96
06-Mar-15	PRO 0450 St Francis and St Michael's Primary School MUGAs	Ecosse Sports Ltd	Midlothian	£85,086.56
06-Mar-15	PRO 0452 St Mary's Primary School MUGA	Ecosse Sports Ltd	Midlothian	£42,392.96
06-Mar-15	PRO 0451 Kings Oak, Lady Alice and St Joseph's Primary School MUGAs	Ecosse Sports Ltd	Midlothian	£153,131.87
16-Mar-15	CP0206/ENV Scotland Excel Framework for Treatment of Food Waste Processing	Wm Tracey Group	Linwood	Schedule of Rates
31-Mar-15	CP01687/ECD Provision of Heritage Inverclyde, Quest for Learning	Inverclyde Community Development Trust	Greenock	£192,960.94

Report To:	Policy & Resources Committee	Date:	19th May 2015
Report By:	Corporate Director Inverclyde HSCP	Report No:	SW/09/2015/BM
Contact Officer:	Dean Robinson Information Governance Officer	Contact No:	01475 712136
Subject:	UPDATED POLICY FOR THE RETENTION AND DISPOSAL OF DOCUMENTS AND RECORDS PAPER AND ELECTRONIC		

1.0 PURPOSE

- 1.1 The purpose of this report is to seek approval of the updated Policy for the Retention and Disposal of Documents and Records Paper and Electronic.

2.0 SUMMARY

- 2.1 The Policy outlines the minimum retention periods for all records within the Council, and a tool to assist in determining whether a record should be archived or securely destroyed once the record is no longer in active use. The Policy serves as a retention and disposal guide for services i.e. what records they can legitimately be disposed of and instructions for transferring records to storage.
- 2.2 Since the last report to Committee in November 2012, the Policy has been updated to reflect any changes in legislation and suggested statutory retention periods in the schedules produced by the Scottish Council on Archives Records Retention Schedules (SCARRS) and national guidance in respect of social work services.
- 2.3 In preparation for submission of our Records Management Plan and duties under the Public Records (Scotland) Act, the Council will be implementing a work plan to reduce its volume of hard copy records and to have in place arrangements for archiving and transfer.

It is anticipated that this will bring considerable benefits for the Council including the streamlining of business processes and a reduction in both the staff time and physical space needed for managing records. The Information Governance Officer (IGO), through the Records Management Working Group, will be leading on the work plan.

3.0 RECOMMENDATIONS

- 3.1 That the Committee
- Approve the updated Policy for the Retention and Disposal of Documents and Records Paper and Electronic.
 - Agree that the Corporate Director HSCP, through the Information Governance Steering Group, submit a further report on the progress of its implementation on an annual basis.

Brian Moore
Corporate Director
IHSCP

4.0 BACKGROUND

- 4.1 Records Management seeks to efficiently and systematically control the creation, use maintenance and final disposition of the records which are routinely created as a result of an organisation's activities and transactions.

It is based on the principles of regular review and controlled retention or destruction with the general aim of ensuring cost-effective business processes, legal and regulatory compliance and corporate accountability.

- 4.2 The recently revised public records legislation, the Public Records (Scotland) Act 2011 improves the management and practice of record keeping and the information they contain. The legislation aims to improve accountability and transparency, strengthen governance and support the national outcome of better public services.
- 4.3 The Freedom of Information (Scotland) Act 2002 (FOISA) is aimed at increasing organisational openness and accountability and encouraging good corporate governance. The FOI(S)A gives the public extensive rights of access to all forms of recorded information held by public bodies and lays down stringent requirements for responding to such requests.

Good Records Management will help to ensure that:

- Only the right information is created in the first place
 - Information is kept as long as is necessary and no longer
 - Information can be located and retrieved in a timely and controlled manner
 - Information is secure
- 4.4 The controlled management of records is also vital for ensuring legal compliance in many other areas beyond the requirements of the FOISA. For example, the Data Protection Act 1998 states that personal data "shall not be kept for longer than is necessary for that purpose or those purposes" – a requirement which is all but impossible to meet if an organisation is unable to adequately manage the retention of the records that store such data.
- 4.5 The effective management of records ensures that sound decisions can be made based on full, accurate and up-to-date information, as well as ensuring that the rationale for and the impact of those decisions can be traced, scrutinised and justified as necessary.
- 4.6 An increasing emphasis is being placed on all organisations being able to demonstrate high standards of good corporate governance through the quality of the records they keep.
- 4.7 There is therefore a clear need for a more systematic and organised approach to Records Management to be adopted at Inverclyde Council.
- 4.8 The Council has recognised that records management is a priority for the Council and the updated Policy for the Retention and Disposal of Records Paper and Electronic has been prepared by the Information Governance Steering Group and is attached as an appendix to this report.

5.0 IMPLICATIONS

Finance

- 5.1 Directorates will contain any implementation costs within their own budgets.

Legal

- 5.2 The Policy for the Retention and Disposal of Documents and Records Paper and Electronic will bring processes in line with regulatory and legislative requirements where applicable.

Human Resources

5.3 The Policy itself does not have any personnel issues however its implementation may have.

Equalities

5.4 None at this time, although recognition will be given to the wider and associate equalities agenda.

Has an Equality Impact Assessment been carried out?

√

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.

Repopulation

5.5 None.

6.0 CONSULTATIONS

6.1 Extensive consultation took place with relevant officers who form part of the Information Governance Steering Group.

7.0 LIST OF BACKGROUND PAPERS

7.1 Policy & Resources Committee Report 13th November 2012 - Draft Policy for the Retention and Disposal of Documents and Records.

Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Head of Legal & Property Services	Report No:	LP/080/15
Contact Officer:	Rona McGhee	Contact No:	01475 712113
Subject:	Disasters Emergency Appeal in Scotland: Nepal Earthquake Appeal – Request by Councillor McCabe		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise of a request received from Councillor McCabe that the Committee consider supporting the Disasters Emergency Appeal (DEC) in Scotland Nepal Earthquake Appeal by means of financial donation and/or promotional activity.

2.0 SUMMARY

- 2.1 Oxfam has contacted Councillor McCabe on behalf of the DEC in Scotland in relation to the Nepal Earthquake Appeal. An Appeal was launched on 28 April in Scotland. The Appeal is in response to the largest earthquake to strike Nepal in 80 years, resulting in the Government of Nepal declaring a national emergency with some 5.3 million people living in areas hit by severe tremors.
- 2.2 The Appeal asks for urgent action to respond quickly to the crisis and to undertake vital work to provide clean water and sanitation, to support health teams, to provide shelter and food and to address trauma.
- 2.3 The Appeal requests that individual Councils within Scotland support the DEC by means of any financial donation as is thought appropriate and through any promotional activities.

3.0 RECOMMENDATION

- 3.1 It is recommended that the Committee consider the request by Councillor McCabe and any action it would wish to take in response to the Appeal.

4.0 BACKGROUND

- 4.1 A request has been received from Councillor McCabe that the Committee consider supporting the DEC in Scotland in relation to the Nepal Earthquake Appeal which was launched on 28 April 2015. The Appeal is in response to the largest earthquake to strike Nepal in 80 years, measuring 7.8 on the Richter scale, which has resulted in the Government of Nepal declaring a national emergency with some 5.3 million people living in areas hit by severe tremors. More than 3,500 people have died, with the true extent of the impact still to be determined by the Government of Nepal, and over 6,500 people have been injured.
- 4.2 The DEC has asked individual Councils to support the Appeal by means of financial donation and by appropriate promotional activities.
- 4.3 Money raised in the Appeal will enable member agencies within the DEC to improve their emergency response and help prevent secondary disasters including outbreak of disease. The Appeal request is attached as Appendix 1.

5.0 IMPLICATIONS

Finance

5.1

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Earmarked Reserves	General Fund Contingency	2015/16	To be determined by Committee		

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments
N/A	N/A	N/A	N/A		

Legal

5.2 None.

Human Resources

5.3 None.

Equalities

5.4 None.

Repopulation

5.5 None.

6.0 CONSULTATIONS

6.1 Not applicable.

7.0 LIST OF BACKGROUND PAPERS

7.1 Not applicable.

APPENDIX 1

From: Ryan McQuigg
Date: 28/04/2015 8:37 AM (GMT+00:00)
To: Ryan McQuigg
Subject: DEC Nepal Earthquake Appeal

We are contacting you on behalf of the Disasters Emergency Appeal (DEC) in Scotland in relation to the Nepal Earthquake Appeal. The appeal (to launch today, Tuesday 28th April) comes amid the largest earthquake to strike Nepal in 80 years; the earthquake was measured at a magnitude of 7.8 in Richter scale. This has resulted in the government of Nepal declaring a state of national emergency with some 5.3 million people living in areas hit by severe tremors.

Individual councils have offered welcome support to previous DEC Appeals – including financial donations and promotional activities. We would urge you to consider what support you can offer to this Appeal.

Our website address is <http://www.dec.org.uk>. Donations can be made at any high street bank and at post office counters. To donate £5 by text send the word SUPPORT to 70000. The full £5 will go to the DEC Nepal Earthquake Appeal. Donors must be 16 years or over and have the bill payer's permission. Texts are free and donations will be added to the bill. Donations can be made at www.dec.org.uk or 0370 60 60 900

More than 3,500 people have died, however the true extent of the impact is still to be fully determined by the Government of Nepal and this number looks likely to rise further, with over 6,500 people injured. More than 30,000 people are currently living in makeshift shelters in 16 government camp locations across the country.

Homes and historic buildings have been destroyed, with many women, men and children feared to be trapped inside their houses while electricity has been cut off and communication system is congested throughout the country. Many hospitals are overcrowded with emergency supplies and stocks depleting fast or used up.

DEC members are responding quickly to the crisis to: provide clean water and sanitation; support health teams; and assist with search and rescue/ recovery operations. However, aftershocks continue to cause damage to roads and vital infrastructure networks making it extremely difficult to reach out to communities outside of the Nepalese capital, this requires further financial support to maintain and develop our humanitarian response.

We wish to acknowledge, and strongly welcome, the Scottish Government's significant £250,000 contribution to this appeal. Whilst recognising the financial constraints you operate in, we hope you appreciate the current assistance the people of Nepal need and we urge you to consider a financial contribution to support the work of the DEC's 13 members. Eleven DEC members have experience of running effective development and disaster preparedness programmes in Nepal, with disaster response plans ready to be activated. DEC member agencies and their partners are working urgently to provide emergency shelter, food, clean water and blankets.

Money raised in this Appeal will enable member agencies to scale up their emergency response, and help prevent secondary disasters, including outbreak of disease with a focus on:

- Providing water and sanitation services to treatment centres.
- Providing medical supplies and staff to assist over-run hospitals
- Providing shelter (tents), as many people are scared to re-enter buildings for fear of other quakes
- Providing food supplies and warm clothing, blankets and bedding
- Addressing trauma, through psychosocial care

Thank you for taking the time to read this and please do not hesitate to contact us to discuss this

further.

Kind regards,

Jamie Livingstone
Convenor, DEC Scotland
Head of Oxfam Scotland

Neil Mathers
Chair, DEC Nepal Earthquake Appeal
Head of Country – Scotland, Save the Children

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Ryan McQuigg | Policy & Public Affairs Manager (Scotland)
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Report To:	Policy & Resources Committee	Date:	19 May 2015
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	LP/081/15
Contact Officer:	Rona McGhee	Contact No:	01475 712113
Subject:	Proposed Closure of Longannet Power Station – Motion by Councillor McCabe		

1.0 PURPOSE

- 1.1 The purpose of this report is to ask the Council to consider a motion by Councillor McCabe countersigned by Councillor Clocherty, which has been submitted in accordance with Standing Order 22. A copy of the motion is attached as **appendix 1**.

2.0 SUMMARY

- 2.1 The motion proposes that the Committee consider the impact on the Scottish economy of the proposed early closure of Longannet Power Station and agree to make appropriate representations to Scottish Power and the Scottish and UK Governments.

3.0 RECOMMENDATION

- 3.1 The Committee is asked to consider the motion by Councillor McCabe.

4.0 BACKGROUND

4.1 The background is as set out in the attached motion by Councillor McCabe (**appendix 1**).

5.0 IMPLICATIONS

Finance

5.1 There are no financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments

Legal

5.2 There are no legal implications arising from this report.

Human Resources

5.3 There are no HR implications arising from this report.

Equalities

5.4 There are no equalities implications arising from this report.

Repopulation

5.5 There are no repopulation implications arising from this report.

6.0 CONSULTATIONS

6.1 None required.

7.0 LIST OF BACKGROUND PAPERS

7.1 None.

APPENDIX 1

Councillor Stephen McCabe
Ward 1 – Inverclyde East
Municipal Buildings
Greenock
PA15 1LX

Inverclyde
council

Leader of the Council

Mr. G Malone
Head of Legal & Property Services

Direct Line: 01475 712727
Fax: 01475 712976
Email: stephen.mccabe@inverclyde.gov.uk
Our Ref: SMcC/sc
Your Ref:
Date: 30 April 2015

Dear Mr. Malone

Proposed Closure of Longannet Power Station

I shall be grateful if you would arrange for the following motion to be consideration by the Policy & Resources Committee at its meeting on Tuesday 19 May 2015:

“That the Committee consider the impact on the Scottish economy of the proposed early closure of Longannet Power Station in Fife by Scottish Power and agree that appropriate representations should be made to Scottish Power and the Scottish and UK Governments in relation to this matter.”

Yours sincerely

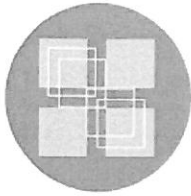
Stephen McCabe
Leader of the Council

Jim Clocherty
Depute Leader of the Council



**Healthy
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Lives**





Industrial Communities **Alliance** Scotland

The all-party association campaigning on behalf of local authorities
in the industrial areas of England, Scotland and Wales

Scotland Director: *David Hewet, 26 Oakbank Drive, Cumnock, Ayrshire KA18 1BD*
Tel: 01290 423560 Email: hewet99@aol.com

Fergus Ewing MSP
Minister for Business, Energy and Tourism
St Andrew's House
Regent Road
Edinburgh EH1 3DG

20 April 2015

Dear Minister,

Longannet Power Station

I am writing to express our deep concern about the proposed closure of Longannet power station, and to call on the Scottish Government to make every effort to retain this key asset for the Scottish and UK economies.

ICA Scotland represents some fifteen local authorities covering Scotland's industrial areas and, as you are aware, works closely with the Cross-Party Group of MSPs on Industrial Communities. Over the years, we have taken a particularly close interest in Scotland's energy sector.

We are naturally concerned by the possible loss of 270 jobs at the power station, and fully aware that the inclusion of job losses among contractors would increase this figure substantially. The distress and hardship the closure would cause among employees and the local community is immense.

But we are at least as concerned by the knock-on consequences for the rest of industrial Scotland. In particular, the closure of Longannet would lead to a significant reduction in the market for Scottish opencast coal.

As you know only too well, the Scottish opencast industry has just gone through a major crisis following the insolvency of the main operators. Thanks in part to the efforts of the Scottish Government, particularly through the work of the Scottish Opencast Mining Taskforce which you chair, there has been progress on ensuring further coaling and, crucially, restoration on many sites. We are also aware of the 'restoration coal tax exemption' proposal put forward by the industry, which would have a positive impact in Scotland. We acknowledge that prompt and decisive action is required from the Westminster Government regarding this proposal, but on all counts the closure of Longannet would deliver a severe blow moving forward.

A consequence of Longannet's closure would therefore be substantial jobs losses elsewhere across Scotland and a number of major opencast coal sites would probably be left unrestored, creating no doubt a long-term liability for the public purse.

We therefore welcome your statement to the Scottish Parliament on 25 March that "the Scottish Government are determined to continue to explore any options that may avert the premature closure of Longannet".

We share your concern that the high transmission charges imposed on power from Longannet are a major problem. Indeed, the charges are a significant obstacle to the continuing large-scale export of power from Scotland to the rest of the UK, which should be a key policy aspiration given Scotland's abundance of power sources. Additionally, Longannet has only recently commissioned FGD on three of its four units, easing the environmental impact.

However, in our view the strongest argument for the retention of Longannet lies in the overall shortfall of UK generating capacity. At present, and looking ahead over the next few years, the UK electricity industry is operating with an extraordinarily small margin of spare capacity, verging on the irresponsible bearing in mind the inherent day-to-day unreliability of supplies from renewables. This winter the margin has been just 4.1 per cent, compared to 17 per cent only three years ago.

Longannet is an exceptionally large power station – at 2.3GW it is the second largest in the UK – and we note that in the National Grid's most recent *Ten Year Statement* it has been included as an available source of power right through until 2035. Indeed, Longannet's generating capacity alone is more or less equal to the current spare capacity on the entire UK electricity grid.

Once a new UK government is in place, there should therefore be ample scope for arguing for Longannet's retention. This would be seen as good for the UK as a whole, because it would secure electricity supplies, and good for Scotland in particular.

I would therefore like to propose that we collaborate with you and the Scottish Government in bringing pressure to bear to deliver a future for Longannet. As part of the wider UK Industrial Communities Alliance, ICA Scotland has extensive and potentially helpful contacts in Westminster and Whitehall.

To help build momentum, I hope you will understand that we intend to circulate copies of this letter widely, including to relevant MSPs and local authorities.

I look forward to hearing from you.

Yours sincerely,

Cllr William Menzies
Chair, ICA Scotland