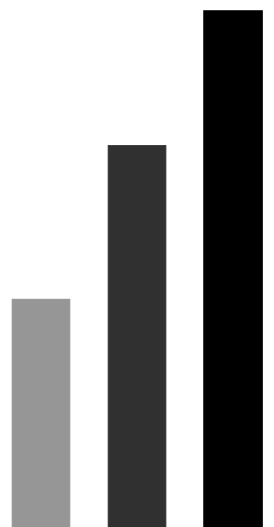


# Agenda 2017

# Policy & Resources Committee

For meeting on:

|    |         |      |
|----|---------|------|
| 31 | January | 2017 |
|----|---------|------|



**A meeting of the Policy & Resources Committee will be held on Tuesday 31 January 2017 at 3pm within the Municipal Buildings, Greenock.**

GERARD MALONE  
Head of Legal & Property Services

**BUSINESS**

| 1. <b>Apologies, Substitutions and Declarations of Interest</b>   | Page |
|---|------|
| <b>PERFORMANCE MANAGEMENT</b>   |      |
| 2. <b>Policy &amp; Resources Capital Programme 2016/18 – Progress Report</b><br>Report by Chief Financial Officer and Corporate Director Environment, Regeneration & Resources  | p    |
| 3. <b>Capital Programme 2016/18</b><br>Report by Chief Financial Officer  | p    |
| 4. <b>Policy &amp; Resources Committee Revenue Budget 2016/17 - Period 8 to 30 November 2016</b><br>Report by Chief Executive, Corporate Director Education, Communities & Organisational Development and Chief Financial Officer | p    |
| 5. <b>General Fund Revenue Budget 2016/17 as at 30 November 2016</b><br>Report by Chief Financial Officer   | p    |
| 6. <b>ICT Services Performance Update</b><br>Report by Chief Financial Officer  | p    |
| 7. <b>Procurement Update</b><br>Report by Corporate Director Environment, Regeneration & Resources  | p    |
| 8. <b>Welfare Reforms Update</b><br>Report by Chief Financial Officer and Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership   | p    |

|   |  |                     |
|---|--|---------------------|
| 9.  | <b>Corporate Services Performance Report</b><br>Report by Head of Inclusive Education, Culture & Corporate Policy  | p                   |
| <b>NEW BUSINESS</b>   |  |                     |
| 10.   | <b>Membership of the Members' Budget Working Group</b><br>Report by Head of Legal & Property Services  | p                   |
| 11.   | <b>2017/18 Funding Settlement</b><br>Report by Chief Financial Officer   | p                   |
| 12.   | <b>Local Government in Scotland – Financial Overview 2015/16</b><br>Report by Chief Financial Officer  | p                   |
| 13.   | <b>Audit Scotland Reports on Angus, Falkirk and East Dunbartonshire Councils and Recommendations for Inverclyde Council</b><br>Report by Head of Inclusive Education, Culture and Corporate Policy   | p                   |
| 14.   | <b>Delivering Differently in Inverclyde</b><br>Report by Chief Executive   | p                   |
| 15.   | <b>Glasgow City Region - Regional Economic Strategy 2017-2035</b><br>Report by Corporate Director Environment, Regeneration & Resources  | p                   |
| 16.   | <b>People and Organisational Development Strategy 2017-2020 - Update</b><br>Report by Head of Organisational Development, Human Resources & Communications   | p                   |
| 17.   | <b>Recruitment and Selection Policy</b><br>Report by Head of Organisational Development, Human Resources & Communications  | p                   |
| 18.   | <b>Defence Employer Recognition Scheme</b><br>Report by Head of Organisational Development, Human Resources & Communications   | p                   |
| <b>The documentation relative to the following items 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 the paragraphs of Part I of Schedule 7(A) of the Act whose numbers are set out opposite the heading to each item.</b> |  |                     |
| 19.   | <b>Award of Supply and Delivery of Hire of Surfacing Plant and Roads Related Services</b><br>Report by Corporate Director Environment Regeneration & Resources on tenders received for the above and recommending the acceptance of tenders                                      | Paras 6, 8 & 9<br>p |
| 20.   | <b>Common Good Public Consultation – Proposed Lease of Site, Lynedoch Street, Greenock</b><br>Report by Head of Legal & Property Services seeking authority to undertake a public consultation exercise in relation to the proposed lease of a site at Lynedoch Street, Greenock | Paras 2, 6 & 9<br>p |

**REMITTS FROM COMMITTEES**

21. **Waste Disposal Budget Pressure – Remit from Environment & Regeneration Committee** **Paras 6 & 8**

Report by Corporate Director Environment, Regeneration & Resources on a remit from the Environment & Regeneration Committee relative to budget pressures within the waste disposal budget

**p**

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



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|                         |   |                    |                        |
|-------------------------|---|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>   | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Chief Financial Officer and<br/>Corporate Director Environment,<br/>Regeneration &amp; Resources</b> | <b>Report No:</b>  | <b>FIN/02/17/AP/MT</b> |
| <b>Contact Officer:</b> | <b>Matt Thomson</b>   | <b>Contact No:</b> | <b>01475 712256</b>    |
| <b>Subject:</b>         | <b>Policy &amp; Resources Capital Programme 2016/18 - Progress<br/>Report</b>                           |                    |                        |

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## **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 the 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 section 6 that the projected spend over the period to 2017/18 is £2.293m, which means that the total projected spend is on budget.
- 2.3 Expenditure at 30 November is 70.27% of 2016/17 projected spend. Net slippage of £0.166m (39.1%) is being reported. This is a decrease in slippage of £0.012m (2.82%) since last Committee mainly due to advancement within the Modernisation Fund.
- 2.4 Two approvals are sought as detailed in the report and set out below.

## **3.0 RECOMMENDATIONS**

- 3.1 That the Committee note current position of the 2016/18 Capital Programme, the reported slippage and the progress on the specific projects detailed in the report and Appendix 1.
- 3.2 That the Committee approve the virement of £50,000 from the Rolling Replacement of PCs to the Modernisation Fund to meet the continued costs of digitisation of Council Services.
- 3.3 That the Committee approve the allocation of £20,000 from the Modernisation Fund for the upgrade of the Council's Income Management System.

**Alan Puckrin**  
Chief Financial Officer

**Scott Allan**  
Corporate Director  
Environment, Regeneration  
& Resources

## 4.0 BACKGROUND

4.1 On March 10 2016 the Council approved the 2016/18 Capital Programme, this effectively continued the previously approved 2015/18 Capital Programme.

## 5.0 PROGRESS

5.1 PC Refresh Programme – Phase 1 of the 2016/2017 PC Refresh Programme has now been completed. 1830 older, smaller monitors have been replaced by larger, widescreen, more efficient LED models. There is a one off saving associated with the extension of the refresh programme which will be reflected in the 2017/20 Capital Programme proposals.

5.2 Infrastructure Refresh Programme - ICT have completed their programme of upgrading core Network Infrastructure Equipment in support of the migration to the Scottish Wide Area Network (SWAN).

5.3 Scottish Wide Area Network (SWAN) – Transition to SWAN has now been completed and associated project and installation works are now finished.

5.4 During the PSN Accreditation process a number of systems were identified as at, or near, “End of Life” and in need of replacement. £60,000 has been allocated for this purpose and work is ongoing.

5.5 A report elsewhere on the agenda provides an update on the various modernisation projects. The key item since the previous report being the launch of Citizens Mobile.

## 6.0 FINANCIAL IMPLICATIONS

### Finance

6.1 The figures below detail the position at 30 November 2016. Expenditure to date is £0.182m (70.27% of the 2016/17 projected spend).

6.2 The current budget for the period to 31 March 2019 is £2.293m. The current projection is £2.293m which means the total projected spend is on budget.

6.3 The approved budget for 2016/17 is £0.425m. The Committee is projecting to spend £0.259m with net slippage of £0.166m (39.1%) mainly due to revised phasing of the 2016/18 Indicative Allocation (£0.134m) and the Rolling Replacement of PC's (£0.044m), offset by advancement within the Modernisation Fund.

6.4 Virement of £50,000 from the 2016/18 allocation to the Modernisation Fund is requested to meet the costs of the continued digitisation of Council Services.

6.5 One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report<br>£000 | Virement From | Other Comments |
|-------------|----------------|--------------|------------------------------------|---------------|----------------|
| N/A         |                |              |                                    |               |                |

## Annually Recurring Costs/ (Savings)

| <b>Cost Centre</b> | <b>Budget Heading</b> | <b>With Effect from</b> | <b>Annual Net Impact £000</b> | <b>Virement From (If Applicable)</b> | <b>Other Comments</b> |
|--------------------|-----------------------|-------------------------|-------------------------------|--------------------------------------|-----------------------|
| 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**



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|                         |   |                    |                        |
|-------------------------|---|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b> | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Chief Financial Officer</b>          | <b>Report No:</b>  | <b>FIN/03/17/AP/MT</b> |
| <b>Contact Officer:</b> | <b>Matt Thomson</b>                     | <b>Contact No:</b> | <b>01475 712256</b>    |
| <b>Subject:</b>         | <b>2016/18 Capital Programme</b>        |                    |                        |

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to provide the Committee with the latest position of the 2016/18 Capital Programme.

## 2.0 SUMMARY

- 2.1 On March 10 2016 the Council approved the 2016/18 Capital Programme, this effectively continued the previously approved 2015/18 Capital Programme.
- 2.2 The Scottish Government settlement for 2016/17 included re-profiling of part of the capital grant to future years, this resulted in a deficit of £0.823m being approved. Subsequent unbudgeted 3<sup>rd</sup> party contributions and additional grant allocations for various flooding projects, further reduced the deficit to £0.178m.
- 2.3 In December 2016 the Scottish Government announced the provisional settlement for 2017/18 which confirmed the capital grant as £9.182m, £1.882m higher than previously estimated including £0.96 million for flooding projects. As a result the Capital Programme is now reporting a surplus of £1.704m.
- 2.4 It should be noted that the Government has indicated that the Council will now receive the £1.4m Capital grant removed in 2016/17 at some point over 2018/20 and this is therefore not included in the 2016/18 Programme.
- 2.5 It can be seen from Appendix 2 that as at 30 November 2016 expenditure in 2016/17 was 59.06% of projected spend. Phasing and project spend has been reviewed by the budget holders and the relevant Corporate Director.
- 2.6 The position in respect of each individual Committee is reported in Appendix 2 and Section 5 of the report. Overall committees are projecting to outturn on budget. In the current year net advancement of 6.87% is currently being reported, an increase in advancement of 2.90% since the previous Committee. This compares with net advancement of 3% in 2015/16. In view of high slippage levels in previous years officers were prudent in estimates of capital spend when preparing the 2016/17 Capital Programme and are actively seeking to advance projects where possible to offset unavoidable slippage.
- 2.7 Work is ongoing in developing the draft 2017/20 Capital Programme which will reflect the final 2017/18 settlement and include additional projects which Officers have reported to Committee. The 2017/20 Programme will be considered by the Council on 16 February 2017.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Committee note the current position of the 2016/18 Capital Programme.
- 3.2 It is recommended that Committee note that officers are developing a 2017/20 Capital Programme for consideration as part of the Budget Process.

**Alan Puckrin**  
**Chief Financial Officer**

## 4.0 BACKGROUND

- 4.1 On March 10 2016 the Council approved the 2016/18 Capital Programme, this effectively continued the previously approved 2015/18 Capital Programme to 2017/18.
- 4.2 In February 2016 the Scottish Government announced the 2016/17 Capital Grant. While the settlement itself was £8.035m, £0.735m higher than had been estimated, £1.443m of this has been re-profiled to future years which means it will not be received in 2016/17 but rather will now be added to the Council's Capital Grant over the 2018/20 period. This grant is therefore not included over the current 2016/18 period.
- 4.3 The previously agreed 2015/18 Capital Programme had been budgeted to break even however the re-profiling of the capital grant highlighted above resulted in a budgeted deficit of £0.823m.
- 4.4 Subsequent to the budget approval in March 2016 unbudgeted 3<sup>rd</sup> party contributions were received and along with some year end adjustments reduced the deficit. In addition the 2016/17 General Capital Grant confirmed additional grant allocated for various flooding projects, as these projects were previously funded within the Capital Programme this further reduced the deficit to £0.178m.
- 4.5 In December 2016 the Scottish Government announced the provisional settlement for 2017/18 which confirmed the capital grant as £9.182m, £1.882m higher than previously estimated including £0.96 million of flooding grant. As a result the Capital Programme is now reporting a surplus of £1.704m.
- 4.6 A number of potential future projects have now been reported to the relevant Committee, in particular the continuation of the Roads Asset Management Strategy (previously RAMP), Cemetery Development, Crematoria Replacement and the Parks, Cemeteries and Open Spaces Asset Management Plan. Work is ongoing in developing the draft 2017/20 Capital Programme which will include these projects as well as reflecting the recently announced 2017/18 settlement.

## 5.0 CURRENT POSITION

- 5.1 Appendix 2 (column H) shows that over the 2016/18 period the Capital Programme is in a break-even position.
- 5.2 The position in respect of individual Committees is as follows:

### Health & Social Care

No slippage is being reported at this time with spend of 19.4%.

### Environment & Regeneration

Net advancement of £0.739m (4.76%) is being reported with spend being 52.9% of projected spend for the year. The advancement is projected mainly within the Roads Asset Management Plan (£0.438m) and additional projects within core property assets budgets (£1.000m) including Wallace Place Elevation Roofing works offset by slippage within the Flooding Strategy and Asset Management Plan (Offices).

### Education & Communities

Net advancement of £1.324m (12.91%) is being reported with spend being 72.3% of projected spend for the year. The advancement is mainly due to the progression of the New Community Facility, Broomhill (£0.998m).

### Policy & Resources

Net slippage of £0.166m (39.06%) is being reported due to revised phasing of the 2016/18 indicative allocation (£0.134m) and the Rolling Replacement of PCs (£0.044m) offset by some advancement in the Modernisation Fund, with spend being 70.3% of projected spend.

- 5.3 Overall in 2016/17 expenditure is 59.06% of the projected spend for the year and that project advancement from the programme agreed in March 2016 is currently £1.897 million (6.87%). This compares with advancement of 3% in 2015/16. It should be noted that officers have actively sought to advance projects in anticipation of potential slippage as well as taking a prudent view when setting the 2016/17 Capital Programme.

## 6.0 2017/20 CAPITAL PROGRAMME

6.1 Officers are progressing the development of a draft 2017/20 Capital Programme for Members to consider as part of the Budget process. A number of potential future projects have now been reported to Committee, in particular the continuation of the Roads Asset Management Strategy (previously RAMP), Cemetery Development, Crematoria Replacement and the Parks, Cemeteries and Open Spaces Asset Management Plan. Members will consider the 2017/20 Programme on 16 February 2017.

## 7.0 CONSULTATION

7.1 This report reflects the detail reported to Service CommitteeS.

## 8.0 IMPLICATIONS

### Finance

#### 8.1 Financial Implications

All financial implications are shown 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 - 2016/17 - 2018/19

Available Resources

|  | A             | B             | C            | D            | E             |
|--|---------------|---------------|--------------|--------------|---------------|
|  | 2016/17       | 2017/18       | 2018/19      | Future       | Total         |
|  | £000          | £000          | £000         | £000         | £000          |
| Government Capital Support                   | 7,355         | 9,182         | -            | -            | 16,537        |
| Less: Allocation to School Estate            | (4,674)       | (4,300)       | -            | -            | (8,974)       |
| Capital Receipts (Note 1)                    | 692           | 435           | -            | -            | 1,127         |
| Capital Grants (Note 2)                      | 919           | 174           | -            | -            | 1,093         |
| Prudential Funded Projects (Note 3)          | 13,935        | 21,128        | 3,904        | 1,000        | 39,967        |
| Balance B/F From 15/16 (Exc School Estate)   | 1,243         | -             | -            | -            | 1,243         |
| Capital Funded from Current Revenue (Note 4) | 450           | 4,289         | -            | -            | 4,739         |
|  | <u>19,920</u> | <u>30,908</u> | <u>3,904</u> | <u>1,000</u> | <u>55,732</u> |

Overall Position 2016/19

|  |              |
|--|--------------|
| Available Resources (Appendix 1, Column E) | <u>£000</u>  |
| Projection (Appendix 2, Column B-E)        | 55,732       |
| (Shortfall)/Under Utilisation of Resources | <u>1,704</u> |

Notes to Appendix 1

All notes exclude School Estates

Note 1 (Capital Receipts)

|                          | 2016/17    | 2017/18    | 2018/19  | Future   | Total        |
|--------------------------|------------|------------|----------|----------|--------------|
|                          | £000       | £000       | £000     | £000     | £000         |
| Sales                    | 610        | 385        | -        | -        | 995          |
| Contributions/Recoveries | 82         | 50         | -        | -        | 132          |
|                          | <u>692</u> | <u>435</u> | <u>-</u> | <u>-</u> | <u>1,127</u> |

Note 2 (Capital Grants)

|                                  | 2016/17    | 2017/18    | 2018/19  | Future   | Total        |
|----------------------------------|------------|------------|----------|----------|--------------|
|                                  | £000       | £000       | £000     | £000     | £000         |
| Cycling, Walking & Safer Streets | 88         | 109        | -        | -        | 197          |
| SPT                              | 175        | -          | -        | -        | 175          |
| Sustrans                         | 37         | -          | -        | -        | 37           |
| Sports Scotland/SFA              | 18         | -          | -        | -        | 18           |
| Electric Vehicle Charging Points | 17         | -          | -        | -        | 17           |
| Historic Scotland                | -          | 65         | -        | -        | 65           |
| Big Lottery Fund                 | 584        | -          | -        | -        | 584          |
|                                  | <u>919</u> | <u>174</u> | <u>-</u> | <u>-</u> | <u>1,093</u> |

## Notes to Appendix 1

| <u>Note 3 (Prudentially Funded Projects)</u>                  | <u>2016/17</u> | <u>2017/18</u> | <u>2018/19</u> | <u>Future</u> | <u>Total</u>  |
|---|----------------|----------------|----------------|---------------|---------------|
|   | £000           | £000           | £000           | £000          | £000          |
| Additional ICT - Education Whiteboard & PC Refresh            | 94             | 66             | -              | -             | 160           |
| Vehicle Replacement Programme                                 | 110            | 615            | 1,179          | -             | 1,904         |
| Greenock Parking Strategy                                     | 123            | 20             | -              | -             | 143           |
| Asset Management Plan - Offices                               | 2,452          | 2,005          | -              | -             | 4,457         |
| Asset Management Plan - Depots                                | 3,518          | 3,094          | 250            | -             | 6,862         |
| Capital Works on Former Tied Houses                           | 18             | 210            | 360            | -             | 588           |
| Waterfront Leisure Complex Combined Heat and Power Plant      | 227            | -              | -              | -             | 227           |
| Leisure & Pitches Strategy                                    | 13             | 23             | -              | -             | 36            |
| Broomhill Community Facility                                  | -              | 500            | -              | -             | 500           |
| Clune Park Regeneration                                       | -              | -              | -              | 1,000         | 1,000         |
| Neil Street Childrens Home Replacement                        | 1,132          | 498            | -              | -             | 1,630         |
| Crosshill Childrens Home Replacement                          | 57             | 1,535          | 90             | -             | 1,682         |
| Modernisation Fund  | 58             | 82             | -              | -             | 140           |
| Watt Complex Refurbishment                                    | 523            | 1,293          | -              | -             | 1,816         |
| Roads Asset Management Plan                                   | 4,300          | 5,377          | 2,025          | -             | 11,702        |
| Surplus Prudential Borrowing due to project savings           | 60             | 60             | -              | -             | 120           |
| Reduction in Prudential Borrowing, ICT Annual allocation      | (150)          | (150)          | -              | -             | (300)         |
| Additional Prudential Borrowing to Support annual allocations | 1,400          | 1,400          | -              | -             | 2,800         |
| Additional Prudential Borrowing to allow return of Reserves   | -              | 4,500          | -              | -             | 4,500         |
|   | <u>13,935</u>  | <u>21,128</u>  | <u>3,904</u>   | <u>1,000</u>  | <u>39,967</u> |

| <u>Note 4 (Capital Funded from Current Revenue)</u>    | <u>2016/17</u> | <u>2017/18</u> | <u>2018/19</u> | <u>Future</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|--------------|
|  | £000           | £000           | £000           | £000          | £000         |
| Regeneration of Port Glasgow Town Centre               | 345            | 235            | -              | -             | 580          |
| Play Areas   | 125            | 90             | -              | -             | 215          |
| Contribution to Birkmyre Park Pitch Improvements       | 25             | 275            | -              | -             | 300          |
| Scheme of Assistance                                   | 333            | 333            | -              | -             | 666          |
| Flooding Strategy                                      | -              | 1,863          | -              | -             | 1,863        |
| Greenock Parking Strategy                              | 47             | -              | -              | -             | 47           |
| Roads Asset Management Plan                            | -              | -              | -              | -             | -            |
| Broomhill Community Facility (Community Facility Fund) | 851            | (198)          | -              | -             | 653          |
| Inverkip Community Facility                            | 651            | 100            | -              | -             | 751          |
| Neil Street Childrens Home Replacement                 | -              | 133            | -              | -             | 133          |
| John Street, Gourrock                                  | 225            | -              | -              | -             | 225          |
| Primary School MUGA's - various                        | 152            | 45             | -              | -             | 197          |
| Various MUGAs - transfer to SEMP                       | -              | -              | -              | -             | -            |
| Community Facilities Investment                        | 65             | -              | -              | -             | 65           |
| Blaes Football Parks                                   | 27             | -              | -              | -             | 27           |
| Bakers Brae Re-alignment/Broomhill Regeneration        | 100            | 1,343          | -              | -             | 1,443        |
| Central Gourrock                                       | 30             | -              | -              | -             | 30           |
| Scottish Wide Area Network                             | 23             | -              | -              | -             | 23           |
| Rankin Park Cycle Track                                | 61             | -              | -              | -             | 61           |
| RCGF Port Glasgow/Broomhill                            | 150            | 350            | -              | -             | 500          |
| King George VI Refurbishment                           | 50             | 450            | -              | -             | 500          |
| District Court Room Restoration                        | -              | 330            | -              | -             | 330          |
| AMP - William St                                       | -              | 300            | -              | -             | 300          |
| GMB Lighting Replacement                               | 17             | -              | -              | -             | 17           |
| Trafalgar St Solum                                     | 13             | -              | -              | -             | 13           |
| Investment in Play Areas                               | 10             | 140            | -              | -             | 150          |
| Investment in Park Assets                              | 150            | -              | -              | -             | 150          |
| Contribution to General Fund Reserves                  | (3,000)        | (1,500)        | -              | -             | (4,500)      |
|  | <u>450</u>     | <u>4,289</u>   | <u>-</u>       | <u>-</u>      | <u>4,739</u> |

## Capital Programme - 2016/17 - 2018/19

Agreed Projects

| Committee                                   | A<br>Prior<br>Years<br>£000 | B<br>2016/17<br>£000 | C<br>2017/18<br>£000 | D<br>2018/19<br>£000 | E<br>Future<br>£000 | F<br>Total<br>£000 | G<br>Approved<br>Budget<br>£000 | H<br>(Under)/<br>Over<br>£000 | I<br>2016/17 Spend<br>To 30/11/16<br>£000 |
|---|-----------------------------|----------------------|----------------------|----------------------|---------------------|--------------------|---------------------------------|-------------------------------|---|
| Policy & Resources                          | 1,288                       | 259                  | 746                  | -                    | -                   | 2,293              | 2,293                           | -                             | 182                                       |
| Environment & Regeneration                  | 34,064                      | 16,272               | 20,353               | 3,889                | -                   | 74,578             | 74,578                          | -                             | 8,611                                     |
| Education & Communities (Exc School Estate) | 2,210                       | 3,941                | 3,065                | 833                  | 1,000               | 11,049             | 11,049                          | -                             | 1,964                                     |
| CHCP  | 228                         | 1,414                | 2,166                | 90                   | -                   | 3,898              | 3,898                           | -                             | 274                                       |
| Sub -Total                                  | 37,790                      | 21,886               | 26,330               | 4,812                | 1,000               | 91,818             | 91,818                          | -                             | 11,031                                    |
| School Estate (Note 1)                      | 5,901                       | 7,635                | 18,550               | 13,994               | 2,798               | 48,878             | 48,878                          | -                             | 6,405                                     |
| Total                                       | 43,691                      | 29,521               | 44,880               | 18,806               | 3,798               | 140,696            | 140,696                         | -                             | 17,436                                    |

Note 1Summarised SEMP Capital Position - 2014/18

|   | 2016/17 | 2017/18 | 2018/19  |
|---|---------|---------|----------|
| Capital Allocation                            | 4,674   | 4,300   |          |
| Scottish Government School Grant (estimate)   | 1,120   | 1,953   | 100      |
| Surplus b/fwd                                 | 3,827   | 7,011   | (2,886)  |
| Prudential Borrowing                          | 3,965   | -       | -        |
| Prudential Borrowing - Accelerated Investment |         | -       |          |
| Contractor Contribution                       | 60      |         |          |
| CFCR  | 1,000   | -       | -        |
| Available Funding                             | 14,646  | 13,264  | (2,786)  |
| <u>Projects</u>                               |         |         |          |
| Ex-Prudential Borrowing                       | 2,670   | 16,150  | 13,994   |
| Prudential Borrowing                          | 3,965   | -       | -        |
| CFCR  | 1,000   | -       | -        |
| Total   | 7,635   | 16,150  | 13,994   |
| Surplus c/fwd                                 | 7,011   | (2,886) | (16,780) |

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|                         |  |                    |                        |
|-------------------------|--|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>  | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Chief Executive, Corporate<br/>Director Education,<br/>Communities &amp; Organisational<br/>Development and Chief<br/>Financial Officer</b> | <b>Report No:</b>  | <b>FIN/08/17/AP/AE</b> |
| <b>Contact Officer:</b> | <b>Angela Edmiston</b>   | <b>Contact No:</b> | <b>01475 712143</b>    |
| <b>Subject:</b>         | <b>Policy &amp; Resources Committee 2016/17 Revenue Budget – Period 8 to<br/>30th November 2016</b>  |                    |                        |

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## 1.0 PURPOSE

- 1.1 To advise the Committee of the 2016/17 projected out-turn for the Policy & Resources Committee as at period 8, 30th November 2016.

## 2.0 SUMMARY

- 2.1 The total revised Committee budget for 2016/17 is £14,503,000. This excludes Earmarked Reserves of £1,766,000.
- 2.2 The latest projection, excluding Earmarked Reserves, is an underspend of £56,000. This is a reduction of £31,000 in the underspend since Period 6.
- 2.3 The main reasons for this underspend are:
- a) £120,000 underspend projected mainly due to additional turnover savings being achieved.
  - b) £150,000 under-recovery on Internal Resource Interest income due to a reduction in interest rates.
  - c) £50,000 underspend based on current estimated calls on the Inflation Contingency.
  - d) £70,000 of additional income received for prior year Council Tax based on most recent projections.
- 2.4 The Earmarked Reserves for 2016/17 totals £1,766,000 of which £571,000 is projected to be spent in the current financial year. To date expenditure of £330,000 (58%) has been incurred which is £22,000 over the phased budgeted spend to date. It is to be noted that Earmarked Reserves reported in appendix 4 excludes Earmarked Reserves for Asset Plans and Strategic Funds.
- 2.5 The Common Good Fund is projecting a surplus fund balance at 31 March 2017 of £2,930. This is below the minimum level of reserves of £100,000 recommended. Rates costs are being examined to ensure all appropriate relief has been obtained. It is important that the Common Good budget operates on a sustainable basis and an action from the 2015/16 Members Report will be progressed to review the Common Good position as part of the 2017/18 Budget.

### **3.0 RECOMMENDATIONS**

- 3.1 The Committee note the 2016/17 projected underspend of £56,000 for the Policy and Resources Committee as at Period 8, 30th November 2016.
- 3.2 The Committee note the projected fund balance of £2,930 for the Common Good Fund and that a 2017/18 Common Good budget will be presented to the Council February 2017.

Aubrey Fawcett  
Chief Executive

Alan Puckrin  
Chief Financial Officer

Wilma Bain  
Corporate Director  
Education, Communities  
& Organisational Development

Scott Allan  
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 2016/17 budget and to highlight the main issues contributing to the projected underspend of £56,000 in 2016/17.

## 5.0 2016/17 CURRENT POSITION

- 5.1 The current projection is an underspend of £56,000 which represents a £31,000 reduction in the projected underspend since Period 6.
- 5.2 The following material variances relate to the Environment, Regeneration & Resources Directorate:

### **Finance - £210,000 underspend**

Employee Costs: £114,000 projected underspend which is an decrease in underspend of £10,000 since last reported to Committee mainly due to additional turnover savings being achieved and delays in recruiting to professional posts.

Supplies & Services: £24,000 projected overspend which is a reduction in spend of £14,000 since last Committee mainly due to a budget virement for inflationary increase within Computer Software Maintenance.

Admin Costs: £78,000 projected overspend mainly due to £61,000 overspend for Sheriff Officer Legal fees which is off-set within Income. This overspend was not reported at last Committee.

Payments to Other Bodies: Current projection is an underspend of £20,000 which is a reduction in spend of £4,000 since last Committee.

Income: An over-recovery of £176,870 is being projected which is an increase in income of £58,870 since last reported to Committee. This is mainly due to £70,000 of additional income due to be received for prior year Council Tax based on most recent projections and £34,000 received from the DWP for which additional costs will be contained within existing budgets. Also £61,000 over-recovery for Sheriff Officer Legal fees which offsets increased costs within Admin fees. This over-recovery was not reported at last Committee.

### **Legal & Property - £63,000 overspend**

Employee Costs: An overspend of £24,000 was projected at period 4 there has been no changes.

Income: Under recovery of £46,000 was projected at period 6 with no changes to date. Under recovery due to a combination of a shortfall in legal fee income of £18,000 and a decrease in liquor licence applications of £28,000.

- 5.3 The following material variances relate to the Education, Communities & Organisational Development Directorate:

### **Organisational Development, H.R. & Communications - £15,000 overspend**

Various projected overspends all of which are below £10,000.

- 5.4 The following material variances relate to the Miscellaneous budget.

### **Miscellaneous – £95,000 overspend**

Inflation Contingency: Projecting an underspend of £50,000 based on current estimated calls on inflation contingency. This is a movement of £7,000 since last reported to Committee.

Internal Resource Interest: Projecting an under-recovery of £150,000 which is a reduction in income of £50,000 since last reported at Committee. This is due to a reduction in interest rates.

5.5 The following material variances relate to the Chief Executive budget.

**Chief Executive – £23,800 underspend**

Employee Cost: Projecting an underspend of £23,800 which is a reduction in cost of £1,800 since last Committee.

**6.0 VIREMENT**

6.1 There are no virements to report in period 8.

**7.0 EARMARKED RESERVES**

7.1 Appendix 4 gives a detailed breakdown of the current earmarked reserves position. Total funding is £1,766,000 of which £571,000 is projected to be spent in 2016/17 and the remaining balance of £1,195,000 to be carried forward to 2017/18 and beyond. It can be seen that expenditure of £330,000 has been achieved which is £22,000 over the phased budgeted spend to date and represents 58% of the annual projected spend.

**8.0 COMMON GOOD FUND**

8.1 Appendix 5 shows a projected overspend of £19,900 in the Common Good Fund as at 30 November 2016. This results in a projected available fund balance at 31 March 2017 of £2,930. This is below the minimum level of reserves of £100,000 recommended. Rates costs are being examined to ensure all appropriate relief has been obtained.

8.2 It is important that the Common Good budget operates on a sustainable basis and this issue was picked up in the 2015/16 Members Letter by External Audit. A full review of the sustainability of the budget will be undertaken as part of the 2017/18 Budget.

**9.0 IMPLICATIONS**

**9.1 Finance**

Financial Implications:

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report<br>£000 | Virement From | Other Comments |
|-------------|----------------|--------------|------------------------------------|---------------|----------------|
| N/A         |                |              |                                    |               |                |

Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact<br>£000 | Virement From (If Applicable) | Other Comments |
|-------------|----------------|------------------|---------------------------|-------------------------------|----------------|
| N/A         |                |                  |                           |                               |                |

**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

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.

### 9.5 Repopulation

There are no repopulation 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 CONCLUSIONS

11.1 The Committee note the 2016/17 projected underspend of £56,000 for the Policy and Resources Committee as at Period 8, 30th November 2016.

## 12.0 BACKGROUND PAPERS

12.1 There are no background papers for this report.



**Policy & Resources Budget Movement - 2016/17****Period 8: 1st April - 30th Nov 2016**

| Service   | Approved Budget |                   | Movements        |                                  |                               | Revised Budget  |
|---|-----------------|-------------------|------------------|----------------------------------|-------------------------------|-----------------|
|   | 2016/17<br>£000 | Inflation<br>£000 | Virement<br>£000 | Supplementary<br>Budgets<br>£000 | Transferred to<br>EMR<br>£000 | 2016/17<br>£000 |
| Finance   | 7,897           | 3                 | (80)             | 0                                | (100)                         | 7,720           |
| Legal & Property                                | 1,496           | 0                 | 0                | 0                                | 0                             | 1,496           |
| Organisational Development, HR & Communications | 1,642           | 0                 | 0                | 0                                | 0                             | 1,642           |
| Corporate Policy                                | 190             | 0                 | 0                | 0                                | 0                             | 190             |
| Chief Exec                                      | 414             | 0                 | 0                | 0                                | 0                             | 414             |
| Miscellaneous                                   | 3,213           | (144)             | (28)             | 0                                | 0                             | 3,041           |
| <b>Totals</b>                                   | <b>14,852</b>   | <b>(141)</b>      | <b>(108)</b>     | <b>0</b>                         | <b>(100)</b>                  | <b>14,503</b>   |

**Supplementary Budget Detail**

£000

External ResourcesInternal ResourcesFinanceLegalOrganisational Development, HR & CommunicationsCorporate PolicyChief ExecMiscSavings/Reductions

0

**POLICY & RESOURCES**

Appendix 2

**REVENUE BUDGET MONITORING REPORT**

**CURRENT POSITION**

**PERIOD 8: 1st April 2016- 30th Nov 2016**

| Service  | Approved Budget<br>2016/17<br>£000 | Revised Budget<br>2016/17<br>£000 | Projected<br>Out-turn<br>2016/17<br>£000 | Projected<br>Over/(Under)<br>Spend<br>£000 |
|--|------------------------------------|-----------------------------------|--|--|
| Finance  | 7,897                              | 7,820                             | 7,611                                    | (209)                                      |
| Legal & Property Services  | 1,496                              | 1,496                             | 1,559                                    | 63   |
| <b>Total Net Expenditure Environment,<br/>Regeneration &amp; Resources</b>                   | <b>9,393</b>                       | <b>9,316</b>                      | <b>9,170</b>                             | <b>(146)</b>                               |
| Organisational Development, Human<br>Resources & Communications                              | 1,642                              | 1,642                             | 1,657                                    | 15   |
| Corporate Policy   | 190                                | 190                               | 194                                      | 4  |
| <b>Total Net Expenditure Education,<br/>Communities &amp; Organisational<br/>Development</b> | <b>1,832</b>                       | <b>1,832</b>                      | <b>1,851</b>                             | <b>19</b>                                  |
| Chief Executive  | 414                                | 414                               | 390                                      | (24)                                       |
| Miscellaneous  | 3,213                              | 3,041                             | 3,136                                    | 95   |
| <b>TOTAL NET EXPENDITURE</b>   | <b>14,852</b>                      | <b>14,603</b>                     | <b>14,547</b>                            | <b>(56)</b>                                |
| Earmarked reserves   |                                    | (100)                             | (100)                                    |  |
| <b>Total Net Expenditure excluding<br/>Earmarked Reserves</b>                                | <b>14,852</b>                      | <b>14,503</b>                     | <b>14,447</b>                            | <b>(56)</b>                                |

**POLICY & RESOURCES****REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)****PERIOD 8: 1st April 2016 - 30th Nov 2016**

| Outturn<br>2015/16<br>£000 | Budget Heading                              | Budget<br>2016/17<br>£000 | Proportion<br>of Budget<br>£000 | Actual to<br>30/11/16<br>£000 | Projection<br>2016/2017<br>£000 | Over/(Under)<br>Budget<br>£000 |
|----------------------------|---|---------------------------|---------------------------------|-------------------------------|---------------------------------|--------------------------------|
|                            | <b><u>Finance/ICT</u></b>                   |                           |                                 |                               |                                 |                                |
| 5,179                      | Employee Costs                              | 5,260                     | 3,317                           | 3,265                         | 5,146                           | (114)                          |
| (338)                      | Rev & Bens - Government Grants              | (232)                     | (155)                           | (49)                          | (255)                           | (23)                           |
| (295)                      | Council Tax Prior Year                      | (305)                     | (210)                           | (191)                         | (375)                           | (70)                           |
| (37)                       | Rev & Bens - Income                         | (21)                      | (8)                             | (26)                          | (57)                            | (36)                           |
|                            | <b><u>Legal &amp; Property Services</u></b> |                           |                                 |                               |                                 |                                |
| 1,141                      | Audit & legal- Employee Costs               | 1,076                     | 676                             | 755                           | 1,100                           | 24                             |
| (94)                       | Legal - Liquor Licences                     | (122)                     | (87)                            | (68)                          | (94)                            | 28                             |
|                            | <b><u>Miscellaneous</u></b>                 |                           |                                 |                               |                                 |                                |
| 2,219                      | Inflation Contingency - Non Pay             | 557                       | 156                             | 156                           | 507                             | (50)                           |
| (362)                      | Internal Resource Interest                  | (326)                     | 0                               | 0                             | (176)                           | 150                            |
|                            | <b><u>Chief Executive</u></b>               |                           |                                 |                               |                                 |                                |
| 369                        | Employee Costs                              | 371                       | 234                             | 216                           | 347                             | (24)                           |
| <b>7,782</b>               | <b>TOTAL MATERIAL VARIANCES</b>             | <b>6,258</b>              | <b>3,923</b>                    | <b>4,058</b>                  | <b>6,143</b>                    | <b>(115)</b>                   |

## EARMARKED RESERVES POSITION STATEMENT

## COMMITTEE: Policy &amp; Resources

| <u>Project</u>                                       | <u>Lead Officer/<br/>Responsible Manager</u> | <u>Total<br/>Funding<br/>2016/17</u> | <u>Phased Budget<br/>To period 8<br/>2016/17</u> | <u>Actual<br/>To period 8<br/>2016/17</u> | <u>Projected Spend<br/>2016/17</u> | <u>Amount to be<br/>Earmarked for<br/>2017/18<br/>&amp; Beyond</u> | <u>Lead Officer Update</u>  |
|--|--|--------------------------------------|--|---|------------------------------------|--|---|
|  |  | <u>£000</u>                          | <u>£000</u>                                      | <u>£000</u>                               | <u>£000</u>                        | <u>£000</u>  |   |
| Modernisation Fund                                   | Alan Puckrin                                 | 323                                  | 48   | 34  | 40                                 | 283  | DAG overseeing developments including Schools On Line payments , EDRMS and Customer Service developments.   |
| Welfare Reforms - Operational                        | Alan Puckrin                                 | 234                                  | 58   | 62  | 85                                 | 149  | Funding temporary Posts.  |
| Budget Development                                   | Alan Puckrin                                 | 137                                  | 43   | 37  | 95                                 | 42   | Uncommitted £46k. Assuming 50% of uncommitted funds to be utilised in 2016/17 along with £32k spend for temporary Grade G Greenock Town Centre post, £16k for PPP review, £20k for Social transport & £4k for budget development.   |
| 2013/18 Revenue Contingency                          | Alan Puckrin                                 | 318                                  | 70   | 118                                       | 209                                | 109  | Total uncommitted funds £69k, £65k of which is projected to be spent in 2016/17. Spend for 2016/17 includes £65k for Grand Prix Boats, £40k for Chief Exec post advertisement, £20k for play schemes, £10k for contribution to Oxfam, £5k for Toll Boys and £10k for Gourock Highland Games. A further £99k is committed within 2017/18; £49k for Play Schemes & £50k Grand Prix Boats. CCTV underspend will be included at Year End. |
| Welfare Reform - Policy                              | Alan Puckrin                                 | 503                                  | 0  | 0   | 0                                  | 503  | £325k allocated to HSCP / Finance in 2016/17. A further £313k allocated from the £503k balance in 2017/18.  |
| Corporate Complaints Improvements                    | Steven McNab                                 | 80                                   | 9  | 6   | 22                                 | 58   | Post for 2 years - Grade I filled 26th Sept 2016 and continue to Aug 2018.  |
| HR Temporary Resources                               | Steven McNab                                 | 80                                   | 26   | 19  | 35                                 | 45   | Two posts being funded from EMR for 2016/17. 1 PT Grade H and 1 Grade D post for 2 years.   |
| Specialist Post - Equalities Officer to 31/03/17     | Ruth Binks                                   | 46                                   | 25   | 25  | 40                                 | 6  | Projected spend on Employee Costs up to 31/03/17 is £40k with £6k of EMR not required and can be written back to General Reserves at Year End.  |
| Specialist Post - Information Governance to 31/03/17 | Helen Watson                                 | 45                                   | 29   | 29  | 45                                 | 0  | The spend relates to the Council's Information Governance Officer.  |
| <b>Total Category C to E</b>                         |  | <b>1,766</b>                         | <b>308</b>                                       | <b>330</b>                                | <b>571</b>                         | <b>1,195</b>   |   |

**COMMON GOOD FUND**

Appendix 5

**REVENUE BUDGET MONITORING REPORT 2016/17**

**PERIOD 8 : 1st April 2016 to 30th November 2016**

|                                      |          | <b>Final<br/>Outturn<br/>2015/16</b> | <b>Approved<br/>Budget 2016/17</b> | <b>Budget to Date<br/>2016/17</b> | <b>Actual to Date<br/>2016/17</b> | <b>Projected<br/>Outturn 2016/17</b> |
|--------------------------------------|----------|--------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| <b><u>PROPERTY COSTS</u></b>         |          | <b>38,790</b>                        | <b>21,000</b>                      | <b>14,000</b>                     | <b>19,920</b>                     | <b>24,800</b>                        |
| Repairs & Maintenance                | <b>1</b> | 19,700                               | 9,000                              | 6,000                             | 3,890                             | 9,000                                |
| Rates                                | <b>2</b> | 20,810                               | 11,000                             | 7,300                             | 17,740                            | 14,800                               |
| Property Insurance                   |          | (1,720)                              | 1,000                              | 700                               | (1,710)                           | 1,000                                |
| <b><u>ADMINISTRATION COSTS</u></b>   |          | <b>17,370</b>                        | <b>8,700</b>                       | <b>3,200</b>                      | <b>4,750</b>                      | <b>8,700</b>                         |
| Sundries                             |          | 10,170                               | 1,500                              | 1,000                             | 2,550                             | 2,500                                |
| Commercial Rent Management Recharge  |          | 2,200                                | 2,200                              | 2,200                             | 2,200                             | 2,200                                |
| Recharge for Accountancy             |          | 5,000                                | 5,000                              | 0                                 |                                   | 4,000                                |
| <b><u>OTHER EXPENDITURE</u></b>      |          | <b>101,230</b>                       | <b>100,700</b>                     | <b>54,300</b>                     | <b>21,240</b>                     | <b>100,700</b>                       |
| Christmas Lights Switch On           |          | 10,500                               | 10,500                             | 0                                 |                                   | 10,500                               |
| Christmas Dinners/Parcels            |          | 21,600                               | 21,600                             | 0                                 | 13,690                            | 21,600                               |
| Gourock Highland Games               |          | 29,400                               | 29,400                             | 29,400                            |                                   | 29,400                               |
| Armistice Service                    |          | 6,710                                | 8,300                              | 8,300                             | 5,050                             | 8,300                                |
| Comet Festival                       |          | 13,300                               | 13,300                             | 13,300                            |                                   | 13,300                               |
| Fireworks                            |          | 12,600                               | 12,600                             | 0                                 |                                   | 12,600                               |
| Society of the Innocents Rent Rebate |          | 5,000                                | 5,000                              | 3,300                             | 2,500                             | 5,000                                |
| Bad Debt Provision                   |          | 2,120                                |                                    |                                   |                                   | 0                                    |
| <b><u>INCOME</u></b>                 |          | <b>(114,870)</b>                     | <b>(139,010)</b>                   | <b>(92,700)</b>                   | <b>(90,990)</b>                   | <b>(122,910)</b>                     |
| Property Rental                      |          | (183,000)                            | (187,470)                          | (125,000)                         | (90,950)                          | (187,470)                            |
| Void Rents                           | <b>3</b> | 68,640                               | 50,460                             | 33,600                            |                                   | 65,060                               |
| Internal Resources Interest          |          | (510)                                | (2,000)                            | (1,300)                           | (40)                              | (500)                                |
| Disposal of Land                     |          |                                      |                                    |                                   |                                   |                                      |
| <b><u>NET ANNUAL EXPENDITURE</u></b> |          | <b>42,520</b>                        | <b>(8,610)</b>                     | <b>(21,200)</b>                   | <b>(45,080)</b>                   | <b>11,290</b>                        |
| <b><u>EARMARKED FUNDS</u></b>        |          | <b>42,440</b>                        | <b>0</b>                           | <b>0</b>                          | <b>0</b>                          | <b>0</b>                             |
| <b><u>TOTAL NET EXPENDITURE</u></b>  |          | <b>84,960</b>                        | <b>(8,610)</b>                     | <b>(21,200)</b>                   | <b>(45,080)</b>                   | <b>11,290</b>                        |

Fund Balance as at 31st March 2016 14,220

Projected Fund Balance as at 31st March 2017 2,930

Notes:

**1 Repairs & Maintenance**

Significant repairs costs continue to be incurred in respect of vacant properties to bring them to an adequate condition to allow the property to be let out. An estimate of the repairs costs is currently being prepared and will be reported to future Committee. Should this estimate be in excess of existing Repairs & Maintenance budgets Officers will consider and recommend how any shortfall should be addressed.

**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 Current Empty Properties are:**

|                      | <u>Vacant since:</u>         |
|----------------------|------------------------------|
| 12 Bay St            | April 2015                   |
| 14 Bay St            | March 2015                   |
| 4 John Wood Street   | May 2010                     |
| 17 John Wood Street  | March 2014                   |
| 74 Port Glasgow Road | September 2012 (Under Offer) |

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|                         |   |                    |                        |
|-------------------------|---|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>                           | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Chief Financial Officer</b>                                    | <b>Report No:</b>  | <b>FIN/07/17/AP/AE</b> |
| <b>Contact Officer:</b> | <b>Alan Puckrin</b>   | <b>Contact No:</b> | <b>01475 712223</b>    |
| <b>Subject:</b>         | <b>2016/17 General Fund Revenue Budget as at 30 November 2016</b> |                    |                        |

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## 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 30 November 2016 and to update the Committee in respect of the position of the General Fund Reserves and Earmarked Reserves.

## 2.0 SUMMARY

- 2.1 The Council approved the 2016/17 Revenue Budget in March 2016 and at this meeting the Council also provisionally approved the 2017/18 Revenue Budget. The Council set a balanced budget for 2016/17 without the use of Revenue Reserves.

- 2.2 It can be seen from Appendix 1 that as at 30 November 2016 the General Fund is projecting a £1.305 million underspend which represents 0.68% of the net Revenue Budget. This is an increase of almost £1.0million since the previous report and is mainly due to:

- Continued reduction in demand for support from the Council Tax Reduction Scheme partly caused by the Council Tax Freeze.
- Increased Council Tax income due to increases in the number of properties within Inverclyde.
- Grant Redeterminations from the Scottish Government as part of the recent Local Government funding announcement.
- Additional turnover savings across all Directorates.
- Projected increased underspend within Teachers employee costs.
- Reductions in the cost of ASN travel contracts.
- The above are partially offset by reduced Internal Resources Interest, a projected shortfall in Planning Fee Income and Commercial & Industrial Rental Income plus increased waste disposal costs.

- 2.3 From Appendix 1 it can be seen that 2 Service Committees are currently projecting underspends. The Environment and Regeneration Committee is projecting an overspend mainly due to an under recovery of Planning Fee Income, Commercial & Industrial Rent Income plus a projected overspend within Waste Disposal due to an increase in tonnage treated. The Health and Social Care Committee is projecting an overspend primarily due to an increase in residential and nursing placements, an increase in homecare hours provided offset in part by a reduction in client packages within Physical Disabilities Service. It is envisaged that the projected overspend within the Health and Social Care Committee will be funded from the Integrated Joint Board Social Care Fund.

- 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 30 November 2016 expenditure totalled £1.702 million which equates to 26.6% of the projected spend in 2016/17. It can also be seen from Appendix 2 that at 30 November 2016 actual expenditure is 26.1% behind phased budget, this maintains the level of slippage from the previous report.

The Chief Executive has reminded the Corporate Management Team to ensure Earmarked Reserve spend is maximised.

- 
- 2.5 It can be seen from Appendix 2 that the Health and Social Care Committee has £2.584 million of Earmarked Reserves for 2016/17. This excludes those reserves relating to Asset Plans and Strategic Funds which, when included, increases the Earmarked Reserves balance to £3.382 million. The Council formally transferred these Earmarked Reserves to the Integrated Joint Board at the meeting on 20 September 2016.
- 2.6 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31 March 2017 is £5.123 million which is £1.323 million greater than the minimum recommended balance of £3.8 million. This position is before the 2017/18 Settlement has been taken into account which requires an increase in the use of Reserves over 2017/19. A decision was taken at the meeting on 20 September 2016 to defer any further decisions regarding the use of free Reserves until the 2017/18 Budget is considered in February 2017.
- 2.7 The Local Government 2017/18 Settlement was announced on 15 December 2016 and is the subject of a report elsewhere on the Agenda. The Council will thereafter consider the 2017/18 Budget at a meeting on the 16 February.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the latest position of the 2016/17 Revenue Budget and General Fund Reserves.
- 3.2 It is recommended that the Committee note that at the meeting on 20 September 2016, consideration of the use of free reserves has been deferred until considering the 2017/18 Budget in February 2017.

Alan Puckrin  
Chief Financial Officer

## 4.0 BACKGROUND

- 4.1 The Council approved the 2016/17 Revenue Budget in March 2016 and at this meeting the Council also provisionally approved the 2017/18 Revenue Budget. The Council set a balanced budget for 2016/17 without the use of Revenue Reserves.

## 5.0 POSITION AS AT 30 NOVEMBER 2016

- 5.1 It can be seen from Appendix 1 that as at 30 November 2016 the General Fund is projecting an underspend of £1.305 million which equates to 0.68% of the net General Revenue Fund Budget and is an increase of just under £1.0million from the previous report to Committee. The majority of the increase relates to reductions in Council Tax Reduction Scheme expenditure increases, in the Council Tax Base due to an increase in the number of properties paying Council Tax plus Government Grant Redeterminations announced as part of the Local Government Funding Settlement.

- 5.2 It can be seen from Appendix 1 that 2 Service Committees are currently projecting underspends, the Environment and Regeneration Committee and the Health and Social Care Partnership are currently projecting overspends.

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

Policy & Resources Committee – Projected underspend of £56,000 (0.39%) mainly due to additional turnover savings achieved and a projected over recovery of prior years' Council Tax offset in part by a projected under recovery of Internal Resources Interest due to cuts in interest rates.

Environment & Regeneration – Projected overspend of £101,000 (0.53%) mainly due to excess turnover savings projected offset by an overspend within residual waste contract due to an increase in tonnages treated, an under recovery within Commercial & Industrial rental income and a projected shortfall of Planning Fee Income.

Education & Communities - £499,000 (0.61%) projected underspend mainly due to additional turnover savings projected, a projected underspend within Teachers employee costs and projected savings in ASN transport contracts. This has been offset in part by a projected overspend for Waivers within Sports and Leisure.

Health & Social Care – Projected overspend of £176,000 (0.36%) mainly due to an increase in Residential and Nursing care home beds and an increase in home care hours provided. This has been offset in part by a projected underspend in client packages within Physical Disability Services and additional turnover savings achieved. The Committee overspend should be funded from the Integrated Joint Board Social Care Fund.

- 5.4 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 will not be 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.

- 5.5 It can be seen that as at 30 November 2016 the Council has spent £1.702 million against a phased budget target of £2.302 million. This represents slippage of 26.1% against target and spend equates to 26.6% of the projected spend for 2016/17. Performance in respect of Earmarked Reserves is reviewed by the Corporate Management Team and reported in detail to each Service Committee.

- 5.6 The Earmarked Reserves includes £2.584 million for the Health and Social Care Committee and a further £0.798 million for Strategic Funds. As strategic delivery of these services has transferred to the IJB, the Council formally approved transfer of these reserves to the Integrated Joint Board at the meeting on 20 September 2016.



5.7 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31 March 2017 is £5.123 million which is £1.323 million greater than the minimum recommended balance of £3.8 million. This position is before the 2017/18 Settlement has been taken into account which requires an increase in the use of Reserves over 2017/19.

5.8 At the meeting on 20 September 2016, it was decided that any further decisions regarding the use of free reserves be deferred until setting the 2017/18 Budget in February 2017.

## 6.0 OTHER FINANCIAL MATTERS

6.1 The Local Government 2017/18 Settlement was announced on 15 December 2016 and is the subject of a report elsewhere on the Agenda. The Council will thereafter consider the 2017/18 Budget at a meeting on the 16 February.

## 7.0 CONSULTATION

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

## 8.0 IMPLICATIONS

### 8.1 Finance

One off Costs

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

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            |

### 8.2 Legal

None

### 8.3 Human Resources

None

### 8.4 Equalities

None

### 8.5 Repopulation

None

## 9.0 BACKGROUND PAPERS

9.1 None

**Policy & Resources Committee**  
**Revenue Budget Monitoring Report**  
**Position as at 30th November 2016**

| Committee  | Approved Budget<br>2016/2017 | Revised Budget<br>2016/2017 | Projected Out-turn<br>2016/2017 | Projected Over/(Under)<br>Spend | Percentage<br>Variance |
|--|------------------------------|-----------------------------|---------------------------------|---------------------------------|------------------------|
|  | £,000's                      | £,000's                     | £,000's                         | £,000's                         |                        |
| Policy & Resources                                   | 14,852                       | 14,505                      | 14,449                          | (56)                            | (0.39%)                |
| Environment & Regeneration                           | 21,386                       | 19,117                      | 19,218                          | 101                             | 0.53%                  |
| Education & Communities <b>(Note 1)</b>              | 90,930                       | 82,218                      | 81,719                          | (499)                           | (0.61%)                |
| Health & Social Care                                 | 48,815                       | 48,766                      | 48,942                          | 176                             | 0.36%                  |
| <b>Committee Sub-Total</b>                           | <b>175,983</b>               | <b>164,606</b>              | <b>164,328</b>                  | <b>(278)</b>                    | <b>(0.17%)</b>         |
| Loan Charges (Including SEMP)                        | 14,395                       | 18,561                      | 18,561                          | 0                               | 0.00%                  |
| Contribution to General Fund Reserve <b>(Note 2)</b> | 260                          | 445                         | 445                             | 0                               | 0.00%                  |
| Contribution to / (from) Statutory Funds             | (240)                        | (240)                       | (240)                           | 0                               | 0.00%                  |
| Earmarked Reserves                                   | 0                            | 7,471                       | 7,471                           | 0                               | 0.00%                  |
| <b>Total Expenditure</b>                             | <b>190,398</b>               | <b>190,843</b>              | <b>190,565</b>                  | <b>(278)</b>                    | <b>(0.15%)</b>         |
| <b>Financed By:</b>                                  |                              |                             |                                 |                                 |                        |
| General Revenue Grant/Non Domestic Rates             | (163,552)                    | (163,997)                   | (164,172)                       | (175)                           | 0.11%                  |
| Council Tax  | (26,846)                     | (26,846)                    | (27,522)                        | (676)                           | 2.52%                  |
| Integrated Joint Board - Social Care Fund            | 0                            | 0                           | (176)                           | (176)                           | 100.00%                |
| <b>Net Expenditure</b>                               | <b>0</b>                     | <b>0</b>                    | <b>(1,305)</b>                  | <b>(1,305)</b>                  |                        |

**Note 1 - Reduction reflects loans charges and earmarked reserves.**

**Note 2 - Contribution is reflected in Appendix 3 General Fund Reserves Position.**

**Earmarked Reserves Position Statement**

**Appendix 2**

**Summary**

| <u>Committee</u>           | <u>Total Funding 2016/17</u> | <u>Phased Budget to 30 Nov 2016</u> | <u>Actual Spend To 30 Nov 2016</u> | <u>Variance Actual to Phased Budget</u> | <u>Projected Spend 2016/17</u> | <u>Earmarked 2017/18 &amp; Beyond</u> | <u>2016/17 %age Spend Against Projected</u> | <u>2016/17 %age Over/(Under) Spend Against Phased Budget</u> |
|----------------------------|------------------------------|-------------------------------------|------------------------------------|---|--------------------------------|---------------------------------------|---|--|
|                            | <b>£000</b>                  | <b>£000</b>                         | <b>£000</b>                        | <b>£000</b>                             | <b>£000</b>                    | <b>£000</b>                           |   |  |
| Education & Communities    | 4,545                        | 841                                 | 627                                | (214)                                   | 2,076                          | 2,469                                 | 30.20%                                      | (25.45%)   |
| Health & Social Care       | 2,584                        | 735                                 | 671                                | (64)                                    | 2,451                          | 133                                   | 27.38%                                      | (8.71%)  |
| Regeneration & Environment | 2,856                        | 418                                 | 74                                 | (344)                                   | 1,291                          | 1,565                                 | 5.73%                                       | (82.30%)   |
| Policy & Resources         | 1,766                        | 308                                 | 330                                | 22                                      | 571                            | 1,195                                 | 57.79%                                      | 7.14%  |
|                            | 11,751                       | 2,302                               | 1,702                              | (600)                                   | 6,389                          | 5,362                                 | 26.64%                                      | (26.06%)   |

**Actual Spend v Phased Budget      Underspend = (£600k)      (26.06%)**

**Appendix 3**

**GENERAL FUND RESERVE POSITION**  
**Position as at 30/11/16**

|  | <u>£000</u> | <u>£000</u>        |
|--|-------------|--------------------|
| Balance 31/03/16   |             | 8773               |
| Projected Surplus/(Deficit) 2016/17                                      | 1305        |                    |
| Contribution to General Fund Reserve 2016/17 ( <b>Note 1</b> )           | <u>445</u>  |                    |
|  |             | 1750               |
| Proposals contained in the Budget Strategy Report (Subject to Approval): |             |                    |
| - One off use of reserves for 2017/19 Budget                             |             | (5100)             |
| - Funding for I-Zones to 31/03/18  |             | (180)              |
| - Local Elections Funding - May 2017                                     |             | (120)              |
| Projected Unallocated Balance 31/03/17                                   |             | <u><u>5123</u></u> |

**Minimum Reserve required is £3.8 million**

**Note 1 (One off Savings)**

|  |                   |
|--|-------------------|
| SEMP Loans Charges not required 2016/17                      | 260               |
| Housing Benefit Subsidy (2017/18 £600k Saving Target)        | 100               |
| Clyde Muirshiel Contribution (2017/18 £600k Saving Target)   | 28                |
| UC Delivery Partnership Income (2017/18 £600k Saving Target) | 17                |
| Early Achievement of ASN Transport Savings                   | 40                |
|  | <u><u>445</u></u> |

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|                         |   |                    |                          |
|-------------------------|---|--------------------|--------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b> | <b>Date:</b>       | <b>31 January 2017</b>   |
| <b>Report By:</b>       | <b>Chief Financial Officer</b>          | <b>Report No:</b>  | <b>FIN/05/17/AP/AMcD</b> |
| <b>Contact Officer:</b> | <b>Allan McDonald</b>                   | <b>Contact No:</b> | <b>01475 712098</b>      |
| <b>Subject:</b>         | <b>ICT Services Performance Update</b>  |                    |                          |

---

## **1.0 PURPOSE**

- 1.1 The purpose of this report is to update the Committee on the performance of ICT Services and provide updates on a number of projects.

## **2.0 SUMMARY**

- 2.1 ICT has a range of ongoing projects listed in Appendix 1 that will improve reliability and delivery of services and is working with a number of services to identify opportunities to implement new ways of working and drive efficiencies.
- 2.2 The Servicedesk continues to deliver a high quality service as demonstrated in Appendix 2. There is a challenge to ensure that this is maintained in light of on-going and increasing resource pressures. The majority of the day to day work that the Servicedesk undertakes is in the Schools. With an increasing emphasis on the use technology in the classroom ICT works closely with QIO colleagues in Education Services to ensure that the service delivers in line with educational priorities.
- 2.3 The Council has begun the process to utilise the Scottish National MyAccount Service to authenticate citizens for online services and this will be developed further as part of the Council's Digital Access Strategy.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the performance detailed in the report and supporting appendices.

**Alan Puckrin**  
**Chief Financial Officer**

## 4.0 BACKGROUND

- 4.1 As part of the ongoing restructure of the Council's Services, ICT Services became part of Finance Services on 1 April 2016.
- 4.2 ICT Services provides 5 main functions as part of its overall service:
- Servicedesk – Incident Response and Service request
  - Server and System Support
  - Network and Telecommunications
  - Application Support and Development
  - Project Management
- 4.3 The service provides support from 08:40 – 17:00 (16:30 Friday) and delivers a highly efficient and very cost effective service as evidenced by SOCITM Benchmarking where the service is consistently benchmarked as one of the lowest spending services per customer/device of all 32 local authorities.

## 5.0 PERFORMANCE

- 5.1 ICT Services provides a range of functions critical to the ongoing delivery of services to staff, pupils and customers of the Council. Despite ongoing budgetary pressures, ICT Services has continued to meet and exceed Service level targets. Appendices 1 and 2 show the high level performance across a range of targets:
- Servicedesk Incidents
  - Servicedesk Service Requests
  - Internet and Web Access
  - Email
  - PC Refresh
  - Projects Update
- 5.2 Servicedesk Incidents. These tables show the steady number of Incidents being received by the Servicedesk on a month by month basis. The number of calls that fail to be resolved within the agreed Service Levels remain low and the overall Service Levels remains well above the current 80% target. An incident is defined as an issue that impacts directly on the ability of a member of staff, a team or service to continue to perform their job. Common examples are PC failures, Application errors and Interactive Whiteboard bulb replacements. The Servicedesk responds to, on average, over 1500 incidents per month of which it resolves almost 95% of calls within agreed SLA levels against an SLA target of 80%.
- 5.3 Servicedesk Service Requests. These tables also show the number of Service Requests being received by the servicedesk on a month by month basis. The number of requests that fail to be resolved within the agreed Service Levels remain low and the overall remains above the current 80% target. A Service request is defined as an additional requirement. Common examples are additional network points or equipment, office moves or the provision of a bespoke application. The Servicedesk receives, on average, over 400 service requests per month of which it resolves almost 90% of requests within agreed SLA levels against an SLA target of 80%.
- 5.4 Internet and Web Access. This report shows the number of visitors to the main Council website [www.inverclyde.gov.uk](http://www.inverclyde.gov.uk). It shows an improvement in the number of pages being visited since the website was refreshed in May 2015. These enhanced statistics detail the way the site is being used and by which type of device.
- 5.5 Email. The Council receives an average of approximately 500,000 incoming emails each month. The figures in these tables show the breakdown of legitimate mail against spam messages and mail that contains viruses and malware.
- 5.6 PC Refresh Programme. The Council currently has a five year PC refresh programme. Phase 1 of the 2016 Refresh programme has now been completed and 1830 older and smaller monitors have been replaced with larger, more efficient LED widescreen devices.

## 6.0 OTHER ISSUES

- 6.1 MyAccount is a Scottish Government initiative to provide a single account for all citizens to be able to access a wide range of public sector services using only one username and password. Following Committee approval ICT Services have begun the process of engaging with the Improvement Service to implement the necessary infrastructure changes required to implement the service.
- 6.2 Officers are working on a refreshed ICT & Digital Access Strategy which will be informed by discussions with the Improvement Service and all Directorates and Services to include a review of Service Level Agreements (SLAs) and Service Provision and provide an approach to delivering digital services to the Council and its customers. The report will be presented before the summer recess.
- 6.3 The Council has used a version of Aventail for Remote Access since 2006 when it was procured to replace a number of separate access systems. Since 2011 Dell has owned the product and has rebranded it Dell SonicWall Secure Remote Access (SRA). The system is used in both Corporate and Education Networks. Following recent service and reliability issues, ICT has commissioned an external review of remote access in order to make improvements to the service during 2017.

## 7.0 IMPLICATIONS

### 7.1 Finance

There are no direct costs 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         |                |                  |                        |                               |                |

### 7.2 Legal

There are no legal implications arising from this report.

### 7.3 Human Resources

As per the 2016/17 budget, a restructure has been approved which will deliver a £23,000 saving.

### 7.4 Equalities

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.



## **7.5 Repopulation**

There are no repopulation issues arising from this report.

## **10.0 LIST OF BACKGROUND PAPERS**

10.1 None

## **Appendix 1 – Projects Update**

### **1 -Scottish Wide Area Network (SWAN)**

Following final transition of the Council Wide Area Network to SWAN, ICT Services continue to engage with the SWAN Authority, and the supplier, Capita, to progress use of “Value Added Services” that will become available via the SWAN Contract.

Areas currently being pursued by the Council are the implementation of the ability to use Council ICT equipment in other public sector locations and conversely, allowing other public bodies access via our own wireless network. The implementation of a secure email relay service between SWAN members and other public bodies such as the Criminal Justice and Policing sector.

The Council has indicated its willingness to participate in any early trials of these services.

### **2 -Digital Access Strategy**

#### **2.1 – MyAccount Scotland**

Committee has given approval for the Council to use MyAccount as the authentication method for Council online services. The Council is now beginning the “on-boarding” process to become a participant in the scheme.

As we progress with the roll out of complex on line customer processes we will implement the MyAccount solution. There are service requests which require diarised bookings and payments hence the requirement for identification and authentication.

We have had initial engagement with the Improvement Service to tap into similar work they have been doing nationally and to leverage any resources they may be able to provide. A workshop will be hosted early in 2017 and the outputs from this will aid in the development of the 2017/20 Digital Access Strategy.

#### **2.2 -Customer Services – Kana Upgrade**

Web Self Service Portal (SSP) is ready to be launched. Training in the product has now been delivered to ICT and CSC Staff. A number of services offered by Roads, Transport and Waste Collection have been identified as suitable pilots and will be accessible from the main council website. The introduction of the new SSP has allowed a streamlining of some back office processes which has made them more efficient.

Citizen Mobile is an app for mobile devices which offers similar functionality to the Self Service Portal. This provides another route to services for citizens. The app takes advantage of the GPS positioning and camera technology inherent in the devices to capture rich and accurate data to attach to the case created in KANA system. Included are Abandoned Vehicles, Dog Fouling, Fly Tipping, Graffiti, Potholes, Rubbish Collection and Street Cleaning.

An analysis highlighting the public take up of the app will be provided once a reasonable period of time has passed.

### **2.3 -Schools Online Payments**

Following a capability and capacity assessment of suppliers with Procurement and Legal Services, a supplier has been appointed.

The project has been initiated and pilot schools have been identified (Clydeview Academy, Inverclyde Academy, St Mary's, St Ninian's).

Training was delivered towards the end of August and was followed by implementation of initial payment items.

System was launched mid-September to allow for schools to return from summer break and local training to be delivered.

Feedback to date is that solution has been well received and indications are of a desire to roll out further across school estate.

### **2.4 Remote Access**

#### **Background**

Further recent connectivity issues have prompted ICT to bring forward the review of our remote access solution. Due to Aventail support being paid up to July 2017 previous reports had informed of a review of overall solution being implemented next summer. This 3<sup>rd</sup> party, independent review will now commence January 2017. An initial meeting has already taken place with a suitable supplier (SERIC) and they have been asked to analyse our existing solution with a view to improvement or potential replacement.

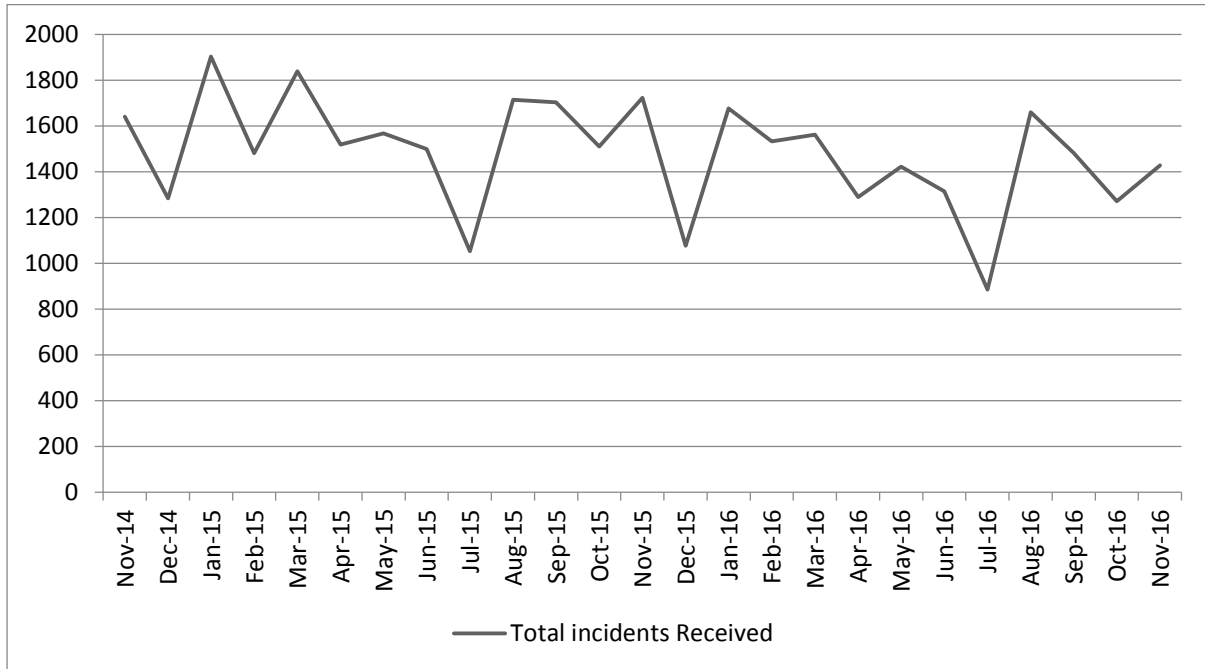
The Council has used a version of Aventail for Remote Access since 2006 when it was procured to replace a number of separate access systems. Since 2011 Dell has owned the product and has rebranded it Dell SonicWall Secure Remote Access (SRA). The system is used in both Corporate and Education Networks.

## Appendix 2 – Performance Statistics – 31<sup>st</sup> January 2017

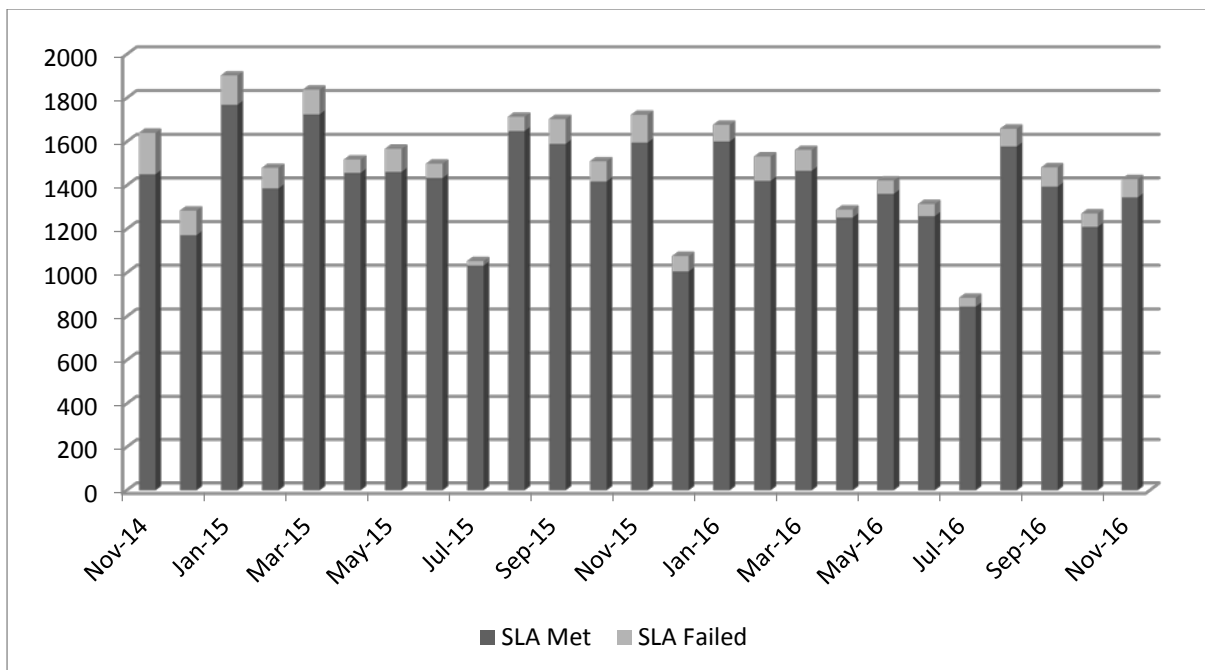
### Section 1 - Servicedesk

#### 1.1 Incidents

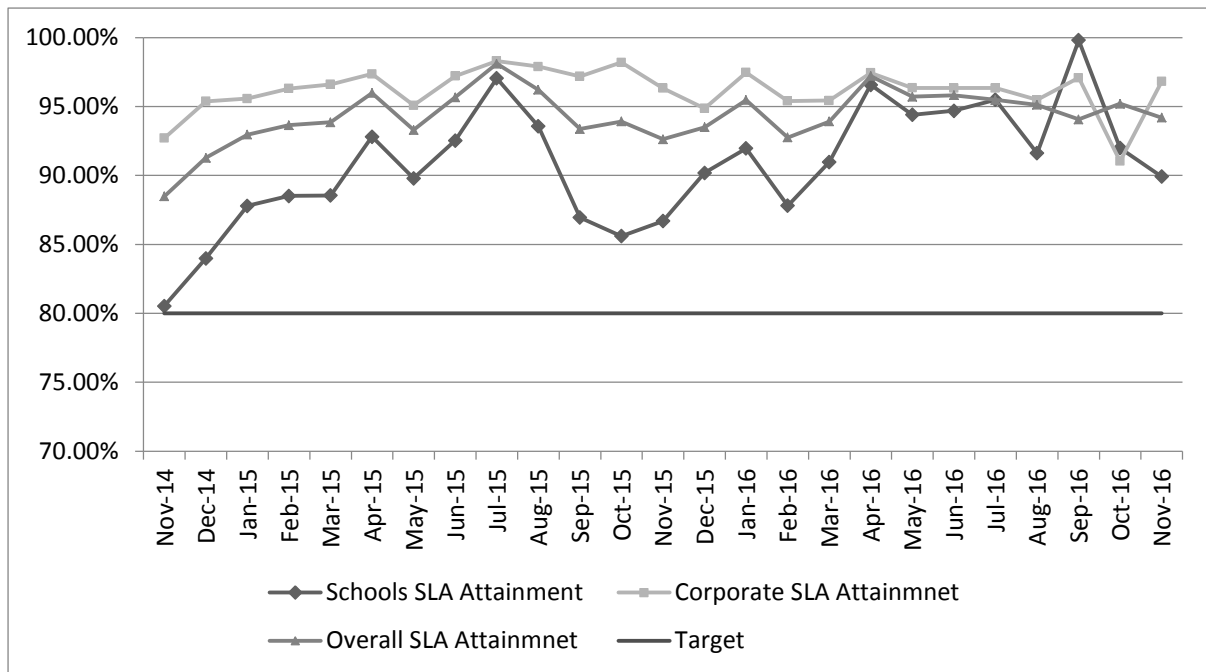
##### Incidents Received



##### 1.1.1 - Incidents Met/Failed within SLA



### 1.1.2 - Monthly Service Level Attainment - Incidents



#### SLA Details

##### VIP Users

| Priority  | Target Resolution Time |
|-----------|------------------------|
| Critical  | 3 hours                |
| High      | 4 hours                |
| Normal    | 7 hours                |
| Low       | 21 hours               |
| Long Term | No target              |

##### Standard Users

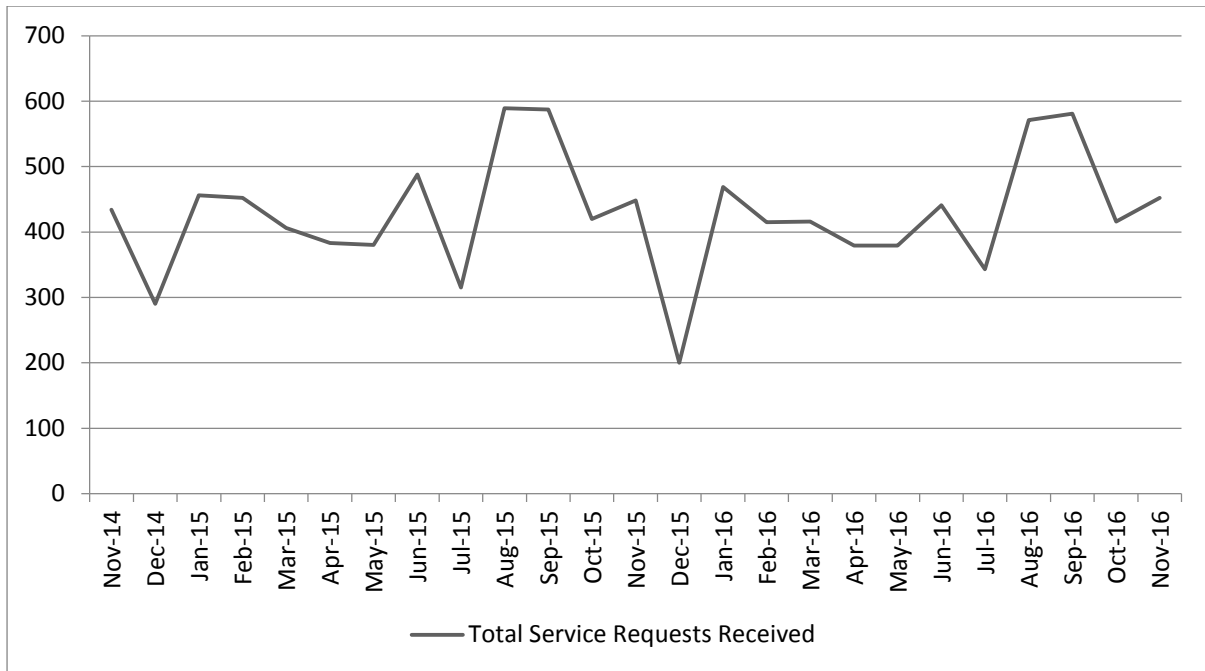
| Priority  | Target Resolution Time |
|-----------|------------------------|
| Critical  | 4 hours                |
| High      | 7 hours                |
| Normal    | 21 hours               |
| Low       | 35 hours               |
| Long Term | No target              |

SLA Attainment is 80% of incidents resolved within Target Resolution Time.

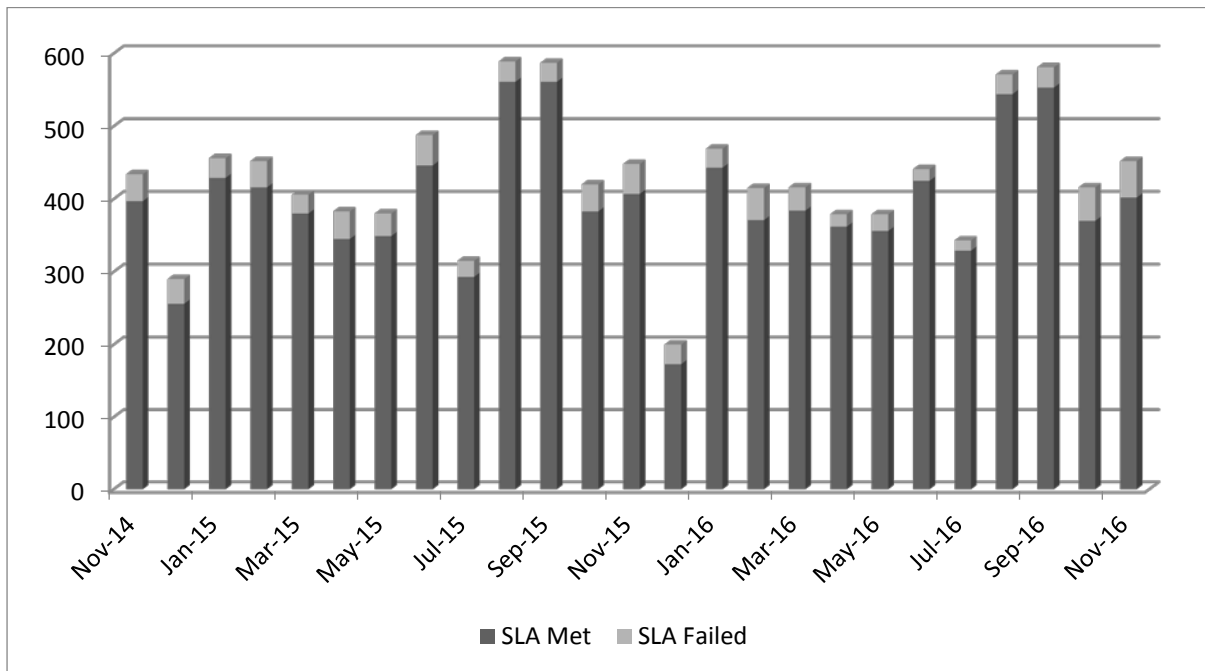
A typical Service request is unlocking a user account or password, software errors, PC faults, PDA, whiteboard and projector issues.

## 1.2 - Service Requests

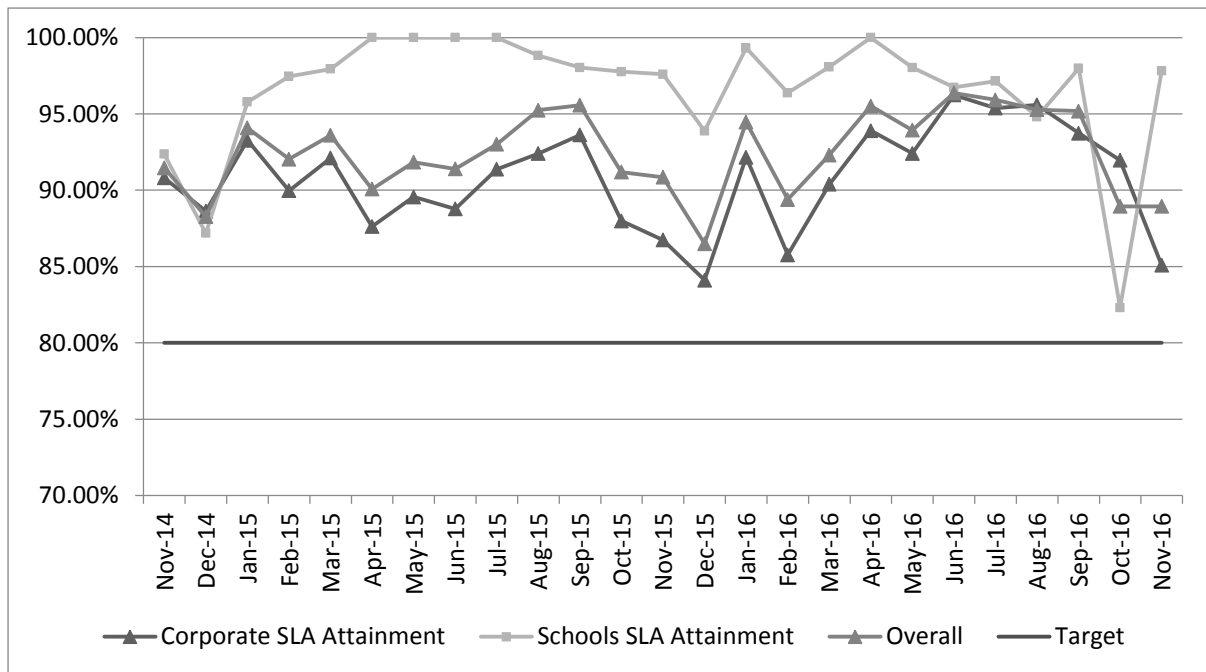
### 1.2.1 - Service Requests Received



### 1.2.2 - Service Requests Met/Failed within SLA



### 1.2.3 - Service Level Attainment – Service Requests

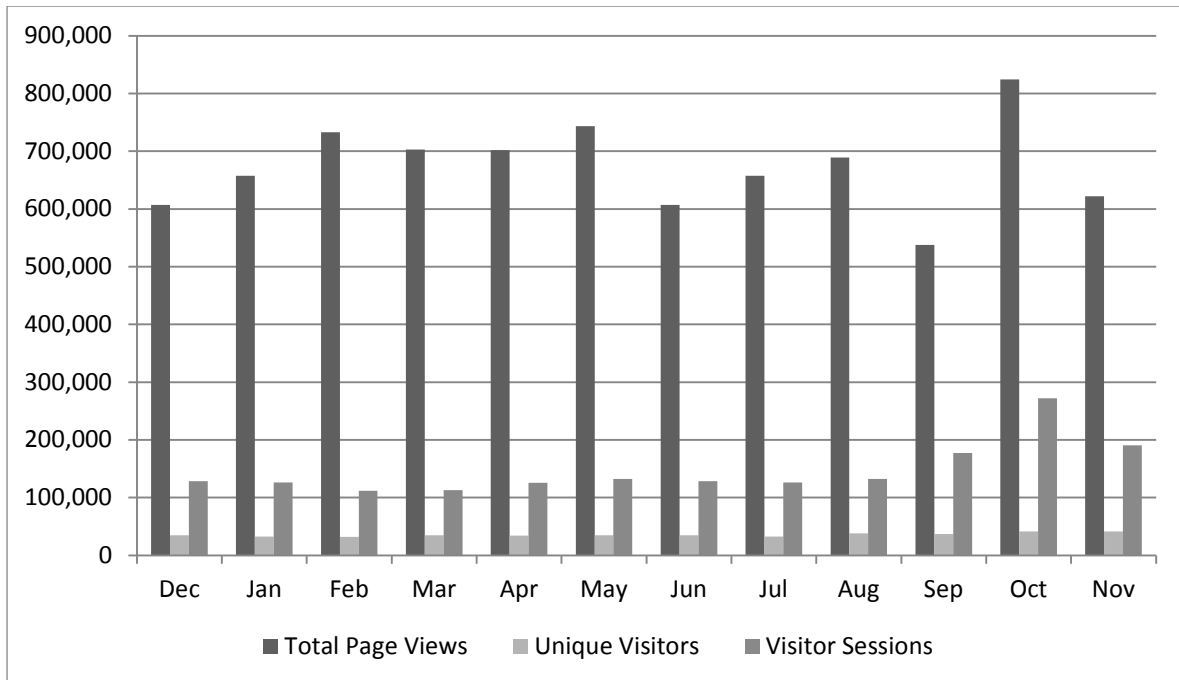


SLA Attainment is 80% of incidents resolved within Target Resolution Time.

A typical Service request is provision of a new user account, a new PC or Laptop, relocation of existing services.

## Section 2 - Internet and Web Access

### 2.1 - [www.inverclyde.gov.uk](http://www.inverclyde.gov.uk) – Site Statistics



|                  | Dec     | Jan     | Feb     | Mar     | Apr     | May     | Jun     | Jul     | Aug     | Sep     | Oct     | Nov     |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total Page Views | 606,734 | 657,450 | 733,030 | 703,084 | 701,748 | 743,166 | 606,734 | 657,450 | 688,863 | 537,464 | 824,539 | 621,768 |
| Unique Visitors  | 34,715  | 32,270  | 31,802  | 34,828  | 34,116  | 34,439  | 34,715  | 32,270  | 37,800  | 36,913  | 41,081  | 41,216  |
| Visitor Sessions | 128,388 | 126,062 | 111,823 | 112,676 | 125,892 | 132,517 | 128,388 | 126,062 | 132,382 | 177,439 | 272,255 | 190,632 |

**Page View:** A single view of a single web page from an individual visitor to our site.

**Unique Visitor:** Unique IP (web) address to identify our viewers.

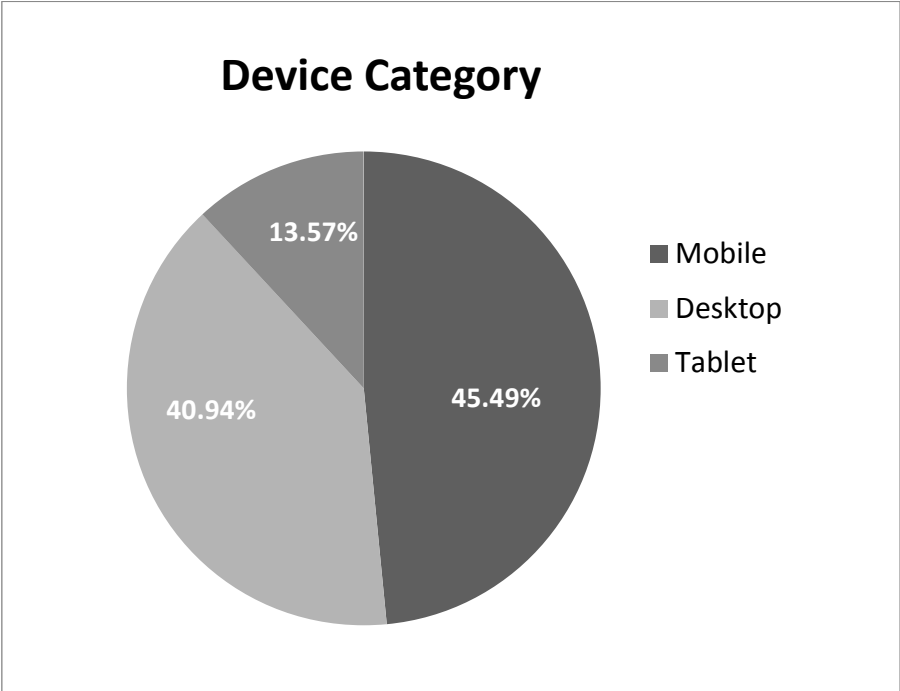
**Visitor Sessions:** The number of times a unique visitor returns to view the site after leaving for more than 20mins.



**2.2- Top Search Terms** – these are the most common terms entered into the Search Bar on the home page:

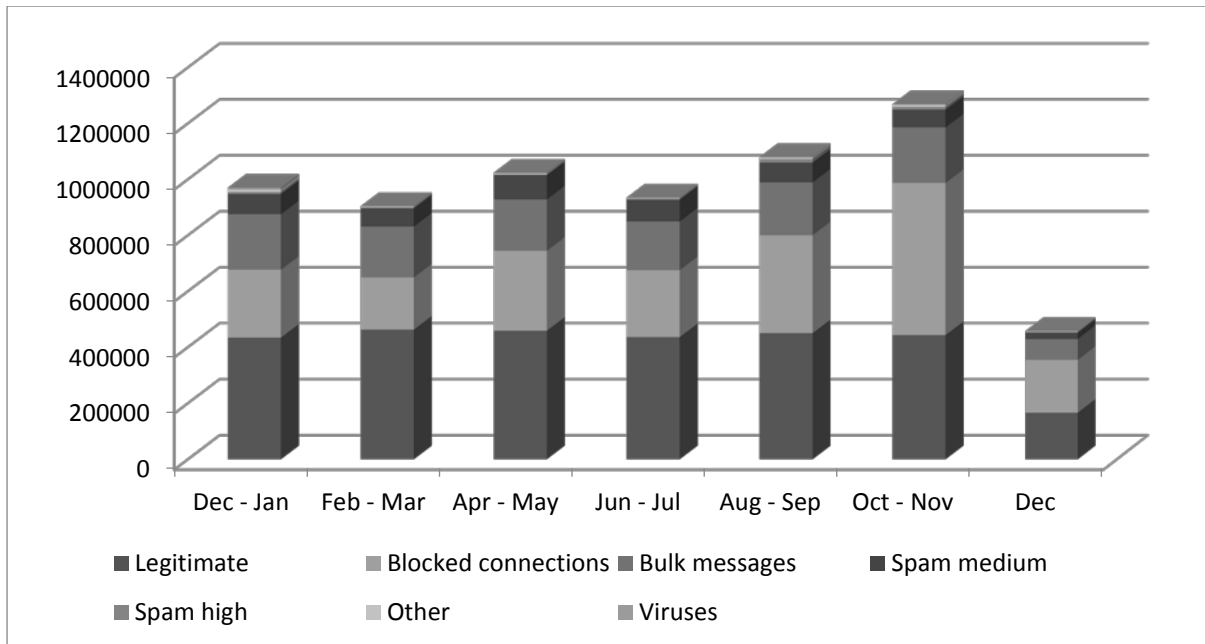
| Top Site Search Terms      |
|----------------------------|
| Search Term                |
| Fireworks                  |
| Christmas                  |
| Christmas lights           |
| council tax                |
| school holidays            |
| Christmas lights switch on |
| education                  |
| planning                   |
| Libraries                  |
| chief executive            |

**2.3 – Web Browsing by Device Categories**



## Section 3 - Email

### 3.1 - Inbound Email Volumes – Yearly Trend



|                     | Dec - Jan | Feb - Mar | Apr - May | Jun - Jul | Aug - Sep | Oct - Nov | Dec    |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------|
| Legitimate          | 434300    | 462887    | 458813    | 436011    | 450259    | 443153    | 166282 |
| Blocked connections | 242256    | 186393    | 285438    | 239156    | 350026    | 543809    | 188307 |
| Bulk messages       | 198602    | 181933    | 183704    | 174060    | 188434    | 198504    | 74514  |
| Spam medium         | 72561     | 65145     | 87163     | 77696     | 71418     | 63565     | 22508  |
| Spam high           | 7043      | 3663      | 2103      | 4612      | 12330     | 9922      | 4199   |
| Other               | 8419      | 1520      | 1985      | 1141      | 4862      | 7086      | 1492   |
| Viruses             | 6993      | 2762      | 4472      | 2072      | 2453      | 2481      | 836    |
| Totals              | 1031469   | 976499    | 906599    | 844917    | 850696    | 943335    | 343959 |

Blocked connections – sources identified as being nodes where spam originates.

Bulk messages – messages with multiple recipients, usually marketing type emails

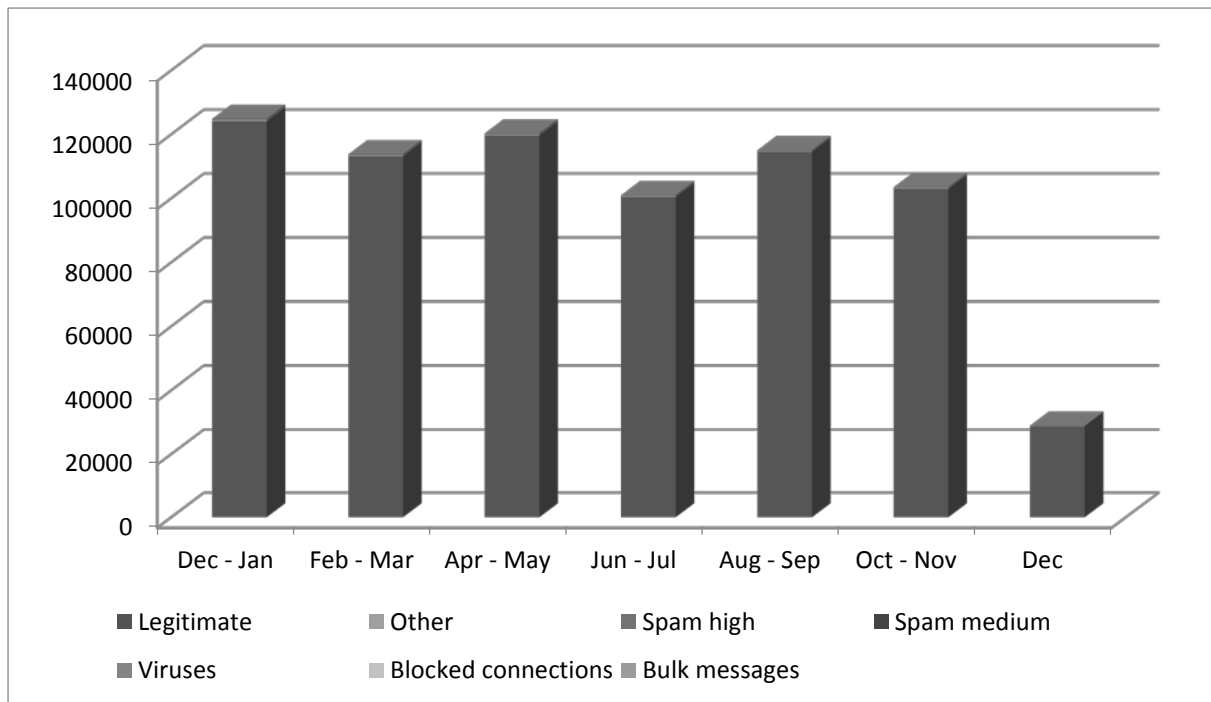
Spam medium – messages with a medium probability rating of being Spam – a message is forwarded to recipient asking if the email is to be released.

Spam high – messages identified as being with a high probability rating of being Spam – automatically quarantined.

Other – offensive or racist language, inappropriate content.

Virus – messages containing malicious software designed to disrupt system use or create a data breach.

### 3.2 - Outbound Email Volumes – Yearly Trend



|                     | Dec - Jan | Feb - Mar | Apr - May | Jun - Jul | Aug - Sep | Oct - Nov | Dec   |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| Legitimate          | 124089    | 113173    | 119607    | 100404    | 114539    | 102999    | 28793 |
| Other               | 419       | 332       | 317       | 261       | 275       | 313       | 105   |
| Spam high           | 146       | 125       | 259       | 187       | 84        | 66        | 21    |
| Spam medium         | 127       | 108       | 91        | 85        | 105       | 84        | 20    |
| Viruses             | 0         | 0         | 0         | 0         | 0         | 0         | 0     |
| Blocked connections | 0         | 0         | 0         | 0         | 0         | 0         | 0     |
| Bulk messages       | 0         | 0         | 0         | 0         | 0         | 0         | 0     |
| Totals              | 124781    | 113738    | 120274    | 100937    | 115003    | 103462    | 28939 |

Spam medium – messages with a medium probability rating of being Spam – a message is forwarded to recipient asking if the email is to be released.

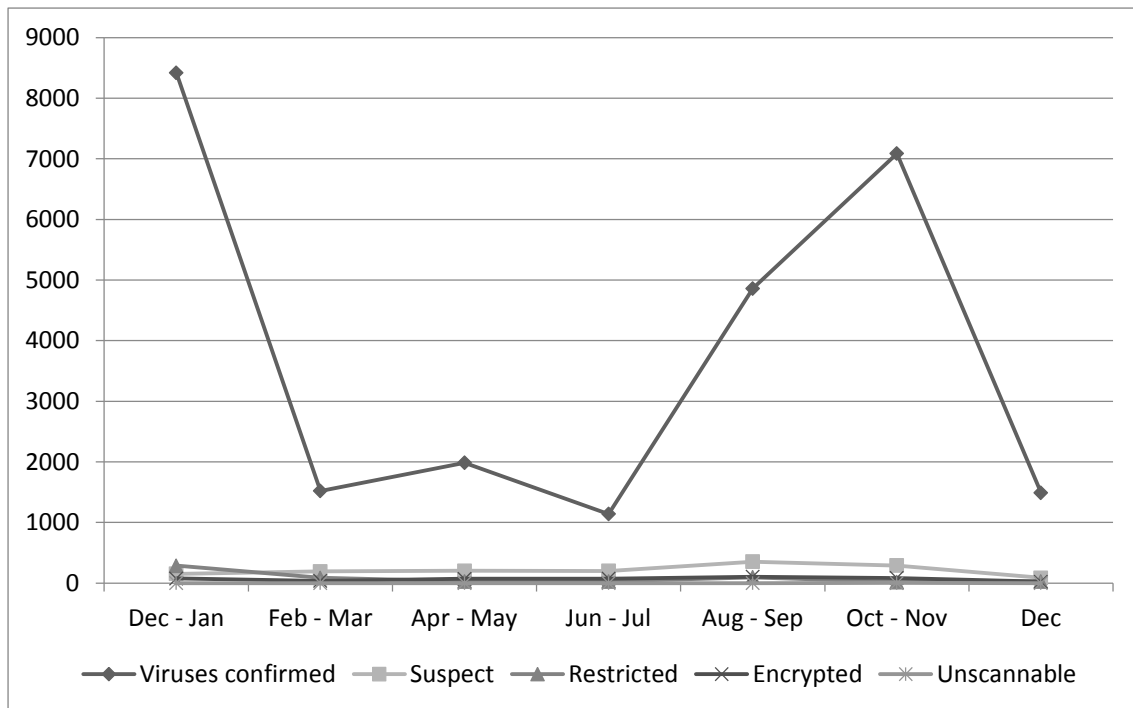
Spam high – messages identified as being with a high probability rating of being Spam – automatically quarantined.

Other – offensive or racist language, inappropriate content.

Virus – messages containing malicious software designed to disrupt system use or create a data breach.

Note. The majority of irregular messages detected are false positives. Legitimate reports containing potentially offensive language, tiles or contents of messages that have similar phrasing to typical bulk or spam emails.

### 3.3 - Inbound Virus Trend – Last 52 weeks



|                   | Dec - Jan | Feb - Mar | Apr - May | Jun - Jul | Aug - Sep | Oct - Nov | Dec  |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|------|
| Viruses confirmed | 8419      | 1520      | 1985      | 1141      | 4862      | 7086      | 1492 |
| Suspect           | 154       | 194       | 203       | 202       | 354       | 292       | 87   |
| Restricted        | 289       | 87        | 29        | 29        | 94        | 19        | 29   |
| Encrypted         | 77        | 38        | 71        | 74        | 106       | 84        | 24   |
| Unscannable       | 1         | 1         | 0         | 1         | 1         | 2         | 0    |

2 Significant attack vectors were identified during Quarter 3 of 2015 that have resulted in a significant increase in emails infected with malware being detected and blocked by Anti-Virus Software:

Dridex is a strain of malware designed to eavesdrop on victim's computers in order to steal personal information such as usernames and passwords, with the ultimate aim of breaking into bank accounts and siphoning off cash.

CryptoRansomWare – A series of virus and malware which try to infect and then encrypt the data on PCs and across networks. Files are encrypted and are only unencrypted when a bitcoin ransom is provided a code is provided in return to allow files to be accessed again.

Reports that arrests have been made in Cyprus regarding the Dridex attack, which may have a positive impact on the number of infected emails being sent.

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|                         |  |                    |                        |
|-------------------------|--|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy and Resources Committee</b>                                | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Corporate Director Environment<br/>Regeneration and Resources</b> | <b>Report No:</b>  | <b>PR03/17/SA/BH</b>   |
| <b>Contact Officer:</b> | <b>Brendan Hurrell</b>   | <b>Contact No:</b> | <b>01475 712654</b>    |
| <b>Subject:</b>         | <b>Procurement Update</b>  |                    |                        |

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to update the Committee on the latest developments within Procurement.

## 2.0 SUMMARY

- 2.1 Committee approved the new Procurement Strategy and resultant Action Plan for the period 2015/18 in September 2015. This Strategy will assist the Council in managing changes in public sector procurement and with tendering and contract requirements.
- 2.2 The Action Plan is attached in Appendix 1 with updates against each of the actions that have been agreed. Changes have been made to the Strategy with new actions added as a result of the obligations contained within the new Procurement Regulations.
- 2.3 The 2013/16 Procurement Workstream savings target of £313,000 was achieved. The 2016/18 budget contains a further £28,000 savings target and this has now been achieved. The summary of these savings is contained in Appendix 2.
- 2.4 The Procurement Capability Assessment (PCA) has now been replaced by a new test. The Procurement and Commercial Improvement Programme (PCIP). Inverclyde was assessed in November and achieved a score of 66%.

## 3.0 RECOMMENDATIONS

- 3.1 That the Committee note progress on the Procurement Strategy and that the 2016/18 savings target has now been achieved.
- 3.2 That the Committee note the PCIP score of 66%.

## **4.0 BACKGROUND**

- 4.1 A key requirement in the development of Procurement is that the Council requires to have an ongoing Procurement Strategy. Previous versions of the Procurement Strategy have been approved by Committee and the actions monitored and reported to Committee.
- 4.2 Procurement has improved each year since 2010 as evidenced by increasing Procurement Capability Assessment scores. The Procurement Capability Assessment (PCA) has now been replaced by a new test. The Procurement and Commercial Improvement Programme (PCIP) focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver. This new assessment involves a new question set and new scoring and performance bandings. The assessment will take place every two years.

## **5.0 RECENT PROGRESS**

- 5.1 The Procurement Strategy is attached as Appendix 1 and is split into discrete sections and, where appropriate, actions against each of the sections have been identified
- 5.2 A number of actions within the Procurement Strategy are related to the publication of the new procurement regulations and the subsequent statutory guidance. The new Contract Standing Orders were approved in October and this closes a number of actions within the Strategy.
- 5.3 The focus on Contract and Supplier Management has in the past delivered softer benefits and awareness of supply issues. With the likelihood of achieving savings via tender activity becoming less likely the focus has now been put on obtaining savings from existing contracts. The Procurement Board has agreed a list of suppliers that will be included in a supplier management process during 2016/17. The suppliers cover street lighting maintenance, waste management, roadstone, school transport and software.
- 5.4 Separate Committee reports give detailed updates on the Governance of External Organisations with an annual summary report to the Policy and Resources Committee. The Governance process was put in place to monitor the governance of key External Organisations with which the Council has a significant financial relationship but it also assesses the performance of these organisations which provide services directly to the residents of Inverclyde. This forms part of the supplier management process for these organisations and works in tandem with the Council's over-arching supplier management framework.
- 5.5 The Corporate Procurement Manager has been representing the Council at City Deal Procurement Officer meetings with partner Local Authorities. Inverclyde hosted a meet the Buyer event on behalf of City Deal partners at the Beacon in June. Further engagement with suppliers has been carried out via the Construction Forum which was held in November. One to one meetings with any supplier who requests these are regularly organised as well as regular debriefs with suppliers who have tendered for Council contracts.
- 5.6 As noted within a report to April's Environment and Regeneration Committee on the Corporate Directorate Improvement Plan, the Procurement function has now been transferred from Finance Services to the Regeneration and Planning Service. This move has assisted in achieving better links between regeneration and procurement. The recent changes to the Contract Standing Orders now allow local suppliers more opportunity to bid for works contracts below £100,000. A local supplier has also been successful in being appointed onto a Scotland Excel Framework and more is being done to promote Scotland Excel opportunities that could potentially stimulate work for local suppliers.

## **6.0 PROCUREMENT REGULATIONS**

- 6.1 Regulations transposing the public procurement directive have been laid in the Scottish Parliament and have been in place since 18 April 2016. These regulations flow from the new EU directives on procurement and the Procurement Reform Act (Scotland) 2014. Member briefings

and training have been held to ensure Members are aware of the changes and the impact on our procurement policies with further sessions planned later in the calendar year.

## 7.0 PROCUREMENT PERFORMANCE

- 7.1 The Procurement Capability Assessment (PCA) has now been replaced by a new test. The Procurement and Commercial Improvement Programme (PCIP). Inverclyde was assessed in November and achieved a score of 66%.
- 7.2 Scores are not intended to be comparable from the previous assessment to the new assessment. However, since the first assessment in 2009, there has been a 62% improvement. The latest score also represents a good performance in terms of comparison with other Councils with the average score being 65%.
- 7.3 The next assessment will be carried out in 2018. The procurement strategy is linked to the areas that can be improved and progress on the associated actions will see further improvement in the 2018 score.

## 8.0 IMPLICATIONS

### Finance

- 8.1 Appendix 2 shows the position in respect of savings planned during 2016/18. A further savings target for 2016/2018 of £28,000 has been achieved. Further savings are expected and will continue to be reported.

#### 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

- 8.2 There are no matters of a legal nature arising from this report.

### Human Resources

- 8.3 There are no matters of a HR nature arising from this report.

### Equalities

- 8.4 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**

8.5 A Procurement Strategy which supports local opportunities will have a positive impact on the Council's repopulation agenda.

### **9.0 CONSULTATIONS**

9.1 None.

### **10.0 LIST OF BACKGROUND PAPERS**

10.1 None.



**Procurement Strategy Update**

|    |                                     |   |   |                        |                                      |                        |
|----|-------------------------------------|---|---|------------------------|--------------------------------------|------------------------|
|    |                                     | <p><b>Procurement Action Plan</b><br/> A range of activities have been identified which will allow the Council to achieve the objectives and outcomes set out in the previous section. These are divided into the following three areas, more detail on which can be found in the following tables:<br/> a) Strategy, Policy and Advice<br/> b) People and Organisation<br/> c) Processes &amp; Systems</p> <p><b>a) Strategy, Policy and Advice</b><br/> In light of the significant changes being driven by the reduction in the Council's budget, the Procurement Team will be working with Council Services during the year to undertake a strategic review of procurement within the Council and identify how it can add most value to support delivery of the Council's strategic priorities.<br/> We will continue to act as the procurement centre of expertise for the Council and develop clear procurement policies, providing guidelines to employees on how to purchase goods, services and works. We will also continue to ensure compliance with relevant legislation and integration with Council policies and processes.</p> |   |                        |                                      |                        |
|    | <b>Issue</b>                        | <b>Action</b>   | <b>Original Target Date</b>             | <b>New Target Date</b> | <b>Who By</b>                        | <b>Update 31/01/17</b> |
| 1. | <b>Procurement Strategy 2015/18</b> | The Procurement Team will work with the Council Services to build a deep understanding of the strategic challenges and opportunities and to identify how procurement can best support the delivery of Council strategic priorities. The conclusions and agreed changes in the Council's approach to procurement resulting from this review process will form the basis of a new Procurement Strategy for 2015/18.   | New Strategy approved by September 2015 | Complete               | Procurement Board/ CMT and Committee | Complete               |

|    |  |  |  |                               |  |  |
|----|--|--|--|-------------------------------|--|--|
|    |  |  |  |                               |  |  |
| 2. | <p>Individual contract strategies being prepared for spend above £50k to ensure that contracts deliver value for money (with a balance of cost quality and sustainability) and are advertised to ensure transparent and equal treatment of suppliers.</p> <p>Engage earlier with suppliers and the people who use public services.</p> | <p>All spend above will have a contract strategy agreed prior to advertising.</p> <p>Develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts</p>  | <p>Ongoing</p> <p>Ongoing</p>                                | <p>Ongoing</p> <p>Ongoing</p> | <p>Services/ Procurement Team</p> <p>Services/ Procurement Team</p>  | <p>Ongoing.</p> <p>Ongoing.</p>  |
| 3. | <p><b>Community Benefits</b><br/>With a view to increasing community benefits achieved through contracts tendered by the Procurement Team Committee approved the recommendations to, where possible, implement a total of</p>  | <p>Procurement Team will review further areas and spend levels and report back to the Committee with proposals.</p> <p>Develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis</p> | <p>Update/Review report to Committee due by January 2016</p> | <p>October 2016</p>           | <p>Procurement Manager/Head of Service Regeneration and Planning</p> | <p>Pilot of 10% weighting for community benefits was approved at November P&amp;R. Report back to committee on results. New target Date June 2017.</p> |

|    |   |  |   |                |   |   |
|----|---|--|---|----------------|---|---|
|    | 5% evaluation weighting for community benefits within construction and infrastructure procurements over £1m.  |  |   |                |   |   |
| 4. | <p><b>Local employment</b></p> <p><b>The Living wage</b></p> <p>The Council is committed to encouraging payment of the Living Wage to all employees working for or servicing the Council. This is promoted through all tender exercises conducted by the Procurement Team</p> | Procurement Team will review the use of the procurement approach to the Living Wage with partners and other Local Authorities and adopt further changes if necessary   | To be embedded in Report due to Committee before end of 2015 on new Procurement Regulations | Ongoing        | Procurement Manager and HOS Legal and Property Services       | Ongoing - Policy established and being used. The Council are already compliant as per policy on workforce matters that was approved by Committee in May 2015. |
| 5. | <p><b>Standing Orders – Contract Standing Orders</b></p> <p>Standing Orders are revised</p>   | Revise in line with new EU legislation and Directives when fully implemented.  | New CSOs to be in place by end of 2015.   | September 2016 | Head of Service Legal and Property Services                   | Completed   |
| 6. | <p><b>Document Standardisation</b></p>  | Documentation to be kept up to date according to legislation and lessons learned. Include compliance with the new European Single Procurement Document and in particular include statements on the Council policy on– <ul style="list-style-type: none"> <li>• compliance with the relevant</li> </ul> | Ongoing and review to 2018  | Ongoing        | Procurement Manager and Services at DPO meeting every 6 weeks | Ongoing   |

|    |  |   |               |              |   |  |
|----|--|---|---------------|--------------|---|--|
|    |  | <p>Health and Safety at work act.</p> <ul style="list-style-type: none"> <li>Fairly and ethically traded goods and services</li> <li>Provision of food to improve health, wellbeing and education of communities in the organisations area: and promote the highest standard of animal welfare. (where applicable)</li> <li>That payments are made to suppliers within 30 days and to their sub-contractors within the same period.</li> <li>The treatment of tenderers involved in blacklisting</li> </ul> |               |              |   |  |
| 7. | <p><b>Supplier Management</b><br/>Refresh Supplier management/<br/>Governance for the top high value and/or high risk suppliers in each service.</p>     | <p>A review of the supply base is underway in 2015 to consider the contracts currently being managed from a high value, high complexity and/or high risk perspective. The aim is to establish if Procurement Team is managing the correct contracts and how this process interacts with Governance of external organisations.</p>   | December 2015 | March 2016.  | Procurement Manager/<br>Procurement Board               | Review of contracts complete. Supplier Management now ongoing                              |
| 8. | <p><b>Sustainability</b><br/>Refresh and consolidate Sustainability policy and action plan.</p> <p>The Council has a Corporate Sustainability Policy</p> | <p>Sustainability policy and action plan to be embedded.<br/>Sustainability is built into the procurement process.<br/>Implementation of the Sustainability Policy will ensure consideration at contract strategy stage.<br/>CSR and Sustainability rolled out</p>  | June 2016     | October 2016 | Procurement Manager/<br>Procurement Board/<br>Committee | P&R Committee approved the Sustainable Procurement policy in November with all actions now |

|  |  |  |  |  |  |          |
|--|--|--|--|--|--|----------|
|  | <p>(CSR), with recommendations to incorporate CSR in all strategies; where relevant. This has not been fully rolled out and is not consistent.</p> <p>Policy requires to be refreshed and consolidated</p> | <p>and included as a consideration at a contract strategy stage; where relevant.</p> <p>Introduction and implementation initiatives such as:</p> <ul style="list-style-type: none"> <li>• Ongoing Supplier events for SME's to cover areas of concern and help educate on how to become a supplier to the Council.</li> <li>• 50% of suppliers selected in the quick quote process will be local (where possible).</li> <li>• Policy for dealing with Supported Business</li> <li>• Process for engagement with the Supplier Development Programme.</li> </ul> <p>Encourage main contractors to engage with local suppliers and SME's.</p> |  |  |  | ongoing. |
|--|--|--|--|--|--|----------|

**b) People and Organisation**

Effective implementation of the strategy is dependent on having staff with the right skills and experience in place and on a close working relationships with the Procurement Team

|           | <b>Issue</b>  | <b>Action</b>  | <b>Target Date</b> | <b>New Target Date</b> | <b>Who By</b>  | <b>Update 31/01/17</b>  |
|-----------|---|--|--------------------|------------------------|--|---|
| <b>1.</b> | <p><u>Training</u><br/>The Procurement Team have secured a training budget over the last 3 years to ensure staff are professionally trained and staff are encouraged to achieve certification with the Chartered Institute of Purchasing and Supply (CIPS).</p> <p>Encourage elected members sitting on the main committee(s) dealing with procurement to</p> | <p>During the period 2015/18 it is intended to continue providing professional training for Procurement Team staff. Procurement Team focuses on training staff within Services and providing training and information to suppliers and third sector partners.</p> <ul style="list-style-type: none"> <li>• Roll out e-learning course and ensure all officers involved in procurement have passed.</li> <li>• Ensure All Procurement staff have undertaken training in the latest updates to the Procurement reform bill and EU legislation.</li> <li>• Deliver an All Member Training Session on the new regulations (Sept 2016)</li> </ul> | March 2017         | March 2017             | Procurement Team and Designated Procurement Officers | <p>Ongoing- Online e-learning tool now available. Specific training to be completed and recorded for officers involved in procurement on the new regulations.</p> <p>An All Member Training Session has been completed.</p> |

|           |  |  |   |   |   |   |
|-----------|--|--|---|---|---|---|
|           | complete specific training to help them undertake their governance role more effectively   |  |   |   |   |   |
| <b>2.</b> | <p><u>Engagement with Services</u><br/>The Procurement Team has developed effective working relationships with Services. However, this could be further developed with more formal communication and regular meetings.</p> | Strengthen the ongoing operational engagement between the Procurement Team and Service management teams to ensure Procurement Team fully understands service priorities and challenges and is best able to highlight areas where procurement innovation can help support the delivery of Service objectives in the short to medium term                                      | Review at Procurement Board June 2016 And ongoing review to end of 2018 | Review at Procurement Board and ongoing review to end of 2018 | Procurement Team and Designated Procurement Officers/ Procurement Board | To be reviewed at ongoing Procurement Boards  |
| <b>3.</b> | <p><u>Compliance</u><br/>New EU Procurement Directive came into force in April 2014<br/>The New Regulations are expected to be in place by the end of 2015.</p>  | <p>Ensure all updates are implemented where not already in place by the completion date e.g.</p> <ul style="list-style-type: none"> <li>• Agree revisions required to the procurement strategy on an annual basis.</li> <li>• Continue to promote e-tendering for all tenders.</li> <li>• Continue to consider lot structure within tenders to ensure quality and</li> </ul> | Dec 2015  | Ongoing   | Procurement Team and Designated Procurement Officers/ Procurement Board | Officer Training is ongoing via Scottish Government e-learning and face to face sessions with procurement. Additional member training to take place in September alongside briefings on the Contract Standing Orders. |

|    |   |   |   |   |  |   |
|----|---|---|---|---|--|---|
|    |   | <p>opportunity for SMEs.</p> <ul style="list-style-type: none"> <li>• Implement new rules for Social Care contracts.</li> <li>• Increase market research at strategy stage.</li> <li>• Consider how to incorporate new rules within tendering and evaluation.</li> </ul>  |   |   |  |   |
| 4. | <p><u>Collaboration</u><br/>The Council makes use of many of the contracts put in place by the centres of expertise. These are mainly Scotland Excel, Scottish Government and the Crown Commercial Service (CCS).</p> <p>The Council is now actively working with Scottish Future Trust (SFT) Hub initiative and should ensure all communication and joint work leads to a successful</p> | <ul style="list-style-type: none"> <li>• Ensure the best possible pricing is being obtained from frameworks</li> <li>• Communication, collaboration and sharing of best practice with other Local Authorities.</li> <li>• Continue to work with the (SFT) Hub West Scotland to ensure successful conclusion of two Primary schools.</li> <li>• Regular meetings are held with City Deal partners and Local Authorities</li> </ul> | Review at quarterly Procurement Board and report to Committee | Review at quarterly Procurement Board and report to Committee | Procurement Manager/ Procurement Board | Tender workplan reviewed at Procurement Board |



|           |  |  |                                       |                                       |   |  |
|-----------|--|--|---------------------------------------|---------------------------------------|---|--|
|           | conclusion.<br><br>The Council is part of the City Deal project                  |  |                                       |                                       |   |  |
| <b>5.</b> | <u>Serious organised crime accessing public funds through public procurement</u> | Work with Police Scotland, Scottish Government and partner public bodies to ensure that measures are in place to avoid serious organised crime getting access to public funds.<br><br>Share tender workplan with Police Scotland | Review tender Workplan every 6 months | Review tender Workplan every 6 months | Head of Service Legal and Property Services | Serious and Organised Crime Training has been held with all procuring officers, legal and Audit in March.<br><br>Officers are aware of policies on conflicts of interest, anti-competitive behaviour, hospitality and fraud. |

**c) Process & Systems, P2P, Benefits Tracking, E-Procurement**

This element of the strategy is essential if the Council is to achieve the efficiencies identified. If we do not have detailed processes and systems, which are adhered to, savings achieved through the tender process will not materialise.

|           | <b>Issue</b>          | <b>Action</b>  | <b>Target Date</b> |               | <b>Who By</b>                         | <b>Update 31/01/17</b>  |
|-----------|-----------------------|--|--------------------|---------------|---------------------------------------|---|
| <b>1.</b> | <u>Purchase Cards</u> | <ul style="list-style-type: none"> <li>Increase the rebate on purchase cards by increasing the volume of spend</li> <li>more use of</li> </ul> | December 2016      | December 2016 | Procurement Team/ Services/ Creditors | Review of current use of Pcards has taken place and compared with spend. Schools are being encouraged to purchase more with p cards to increase spends. |

|           |  |   |               |               |  |  |
|-----------|--|---|---------------|---------------|--|--|
|           |  | Pcards instead of non-matched payments  |               |               |  |  |
| <b>2.</b> | <b>Electronic Invoicing</b><br>Legal requirement to have electronic invoicing in place by 2019 | Ensure e-invoicing is in place by 2019 by working with Scottish Government and Finance System supplier. | December 2018 | December 2018 | Procurement Team/ Services/ Creditors                    | Review of P2P completed by procurement in conjunction with Finance colleagues with a draft report on findings to be reviewed by CFO prior to next steps. |
| <b>3.</b> | <b>E-Procurement eTendering</b>  | Ensure Public Contracts Scotland – tender system known as pcs-t, is fully rolled out to all services    | August 2017   | August 2017   | Procurement Team/ Legal/ Designated Procurement Officers | Ongoing. Property and Roads Officers now receiving training.   |

Appendix 2

| Commodity         | New Supplier  | Start Date | Annual Spend/<br>(Income) | Achieved or Planned | New Projected 2016/18<br>Savings | Full<br>Year<br>Savings |
|-------------------|---------------|------------|---------------------------|---------------------|----------------------------------|-------------------------|
| Water             | Anglian Water | 01/03/16   | £400,000                  | A                   | £3,000                           | £6,000                  |
| High Volume Print | Critiqom      | 01/09/16   | £60,000                   | A                   | £2,000                           | £2,000                  |
| Stationery        | Lyreco        | 01/09/16   | £170,000                  | A                   | £12,000                          | £20,000                 |

Savings Summary (2016/18)

|                        |               |
|------------------------|---------------|
| Savings Achieved       | £<br>28,000   |
| Savings Target         | <u>28,000</u> |
| Savings to be Achieved | NA            |

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|                         |   |                    |                        |
|-------------------------|---|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b> | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Chief Financial Officer/HSCP</b>     | <b>Report No:</b>  | <b>FIN/04/17/AP/LA</b> |
| <b>Contact Officer:</b> | <b>Alan Puckrin</b>                     | <b>Contact No:</b> | <b>01475 712223</b>    |
| <b>Subject:</b>         | <b>Welfare Reforms Update</b>           |                    |                        |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to provide the Committee with an update on the impact on the Council of the ongoing Welfare Reform changes.

## 2.0 SUMMARY

- 2.1 Universal Credit Full Service was implemented within Inverclyde on 23 November 2016. A delivery Partnership Agreement (SLA) has been agreed with the DWP and the Council will receive payment for services provided. Whilst it is early days, many of the concerns and impacts previously reported to Members are manifesting themselves. More details are included in the body of the report.
- 2.2 As agreed at last Committee, a letter was sent by the Convener to Lord Freud regarding specific concerns around Universal Credit and the refusal by ATOS/DWP to use a local office for PIP assessments. A copy of the letter and response are attached as Appendix 1.
- 2.3 The latest position in respect of the Scottish Welfare Fund (SWF) is that whilst the Council is currently projected to contain costs within available budgets this is only after extra funding has been allocated directly from the Council's own resources to supplement Scottish Government Funding. As expected, demand for both sources of funding is growing as Universal Credit it rolled out and, following notification of a further small reduction in Government funding in 2017/18, there is the prospect of the Committee being asked to review the Eligibility Criteria at some point in 2017.
- 2.4 Discretionary Housing Payments are projected to overspend budget in 2016/17 largely due to the impact of increases in payments relating to Benefit Cap and Temporary Accommodation. All DHP funding will be devolved to the Scottish Government from 2017/18 but Inverclyde's share of this is yet to be agreed.
- 2.5 The Council submitted a bid on behalf of Inverclyde Financial Inclusion Partnership for approximately £2.35 million over 2017/20 funding from the Big Lottery and ESF. On 12 January the Council was advised that subject to the 10 day standstill period it had been successful. The contract is due to start in February 2017.

## 3.0 RECOMMENDATIONS

- 3.1 That the Committee welcome the successful bid by the HSCP team on behalf of the Financial Inclusion Partnership and note the contract start date of February 2017.
- 3.2 It is recommended that the Committee agree that any DHP overspend in 2016/17 be met from the Welfare Reform Earmarked Reserve.

- 3.3 It is recommended that the Committee endorse the contents of the letter sent by the Convener to Lord Freud.
- 3.4 It is recommended that the Committee otherwise note the contents of the report.

**Alan Puckrin**  
**Chief Financial Officer**

**Brian Moore**  
**Chief Officer (HSCP)**

## **4.0 BACKGROUND**

- 4.1 The Committee receives a report each cycle providing updates on the Council's response to the major Welfare Reform changes being rolled out across the UK. The Council has set aside in excess of £1.2 million on a recurring basis from 2016/17 to meet the significant financial challenges generated by these changes.
- 4.2 Members have previously received a briefing in respect of Universal Credit and whilst numbers moving to Universal Credit have been relatively low this will significantly change in coming months with the roll out of Full Service to Inverclyde from late November, 2016.
- 4.3 As agreed at last Committee, a letter was sent by the Convener to Lord Freud regarding specific concerns around Universal Credit and the refusal by ATOS/DWP to use a local office for PIP assessments. A copy of the letter and response are attached as Appendix 1.

## **5.0 UNIVERSAL CREDIT**

- 5.1 Universal Credit Full Service (UCFS) launched in Inverclyde on 23 November 2016. The removal of eligibility criteria means that all working age welfare benefit claimants who make a new claim or have a relevant change in their circumstances will claim Universal Credit (UC) for themselves and their family instead of claiming Job Seekers Allowance, Employment and Support Allowance, Housing Benefit, Income Support and Tax Credits. As noted in the previous report UCFS is almost entirely online with claimants being required to apply; maintain their claim; record work search activity; receive correspondence from the DWP; stay in touch and reply to messages sent by their work coach.
- 5.2 As of 30 December 2016, 401 UC Full Service claims had been made in Inverclyde; 261 at the Greenock Jobcentre and 140 at the Port Glasgow Jobcentre and a further 567 claims were in the process of being made. 561 claims continue under the original UC rules however these customers will be in scope to move onto the digital UCFS between March 2017 and May 2017 and will be required to make a new online claim.
- 5.3 As reported previously, there is a built in 7 day waiting period for which there is no entitlement to UC for the majority of new UC claims followed by an extended processing time of a minimum of 32 days until the first payment is released by the DWP. Experience to date is that claimants are not prepared for this and demand for Scottish Welfare Fund Crisis Grants has increased. As expected the average level of grants awarded has increased to cover the extended duration awards are required to cover until UC payments begin.
- 5.4 The DWP increased funding to the Council for the delivery of local services to support UCFS and a revised Delivery Partnership was signed and new service level agreements are in place with River Clyde Homes (Supporting Inverclyde Future Skills) to deliver Digital Access and Personal Budgeting Support. As of 5 January 4 referrals for personal budgeting support and 38 referrals for digital access had been made to Future Skills. A common request in addition to assistance with digital skills to make and maintain a UC claim is for assistance setting up an email account. Demand for these services is currently below the DWP's projections however this will be monitored.
- 5.5 Front line staff across Council services and partner organisations completed UCFS training over a 7 week period in the lead up to the launch and a Universal Credit Guide has been produced and is widely available. The guide includes advice about how to apply for and manage on UC, the addresses of libraries and community hubs where IT facilities can be found and how to get help from Future Skills.
- 5.6 Welfare benefit advice services have had mixed experiences with UCFS. Support services have reported that clients have been delayed getting through on the phone to a DWP service centre to make an appointment to visit the jobcentre and occasional technical difficulties with the UC claim system. There have been issues with the need for claimants to make a joint claim with their partner especially those whose partners are employed and are required to be available to phone

to make an appointment and to attend the Jobcentre. Some older clients who have not previously been required to use a pc have been very concerned about digital access however referrals have been made to Future Skills. While claimants in certain circumstances are worse off on UC, positive outcomes have been identified including the simpler claim process for carers; improved award levels due to the removal of specific work eligibility criteria; and the reduced level of nondependent deductions from the housing element of UC. The local DWP Welfare Reform Team and HSCP Advice Services are tracking claims made by vulnerable customers.

- 5.7 All 4 of Inverclyde's mainstream housing associations have tenants on UC and at 5 December, 16 tenants were on UC Full Service and 134 on the original UC rules. The impact on rent arrears is being monitored and information will be reported to Committee once the process had time to bed in. The Homeless Service reports that private rented sector landlords have refused to take UC claimants, limiting the housing options available to service users.
- 5.8 Customer Services are directing customers who would normally claim Housing Benefit to claim UC where appropriate and referrals have been made to HSCP Advice First to obtain more specialist assistance.
- 5.9 Appendix 2 shows the number of UC claimants the Council has been made aware of with housing costs at the time of UC claim. The DWP does not report this data so local methods are used instead. The statistics reported however are becoming unreliable and do not reflect the current caseload because a number of claimants may have found work for a short period, stopped claiming UC then counted again when they reclaimed; others may not have qualified for housing costs and are incorrectly included. Alternative data sources will be considered for future reports given this inaccuracy.
- 5.10 Concerns have previously been expressed about the number of UC claimants who have not applied for Council Tax Reduction (CTR). Measures have been put in place with Jobcentre Plus, Housing Associations and Council services to encourage take up. Additionally, a simplified application procedure has been introduced replicating an approach in place in Highland Council which went live with UCFS in June 2016. A check has been carried out to ensure anyone who has qualified for UC who could have received CTR and did not complete the full application process is awarded. The numbers in this category are expected to be low.
- 5.11 Assessing CTR, Discretionary Housing Payment (DHP) and Scottish Welfare Fund (SWF) applications has become more bureaucratic and more time consuming because of a combination of the built in delay in UC processing timescales and the non-automated transfer of data from the DWP to the Council. Furthermore, advice services are being required to review the support they can offer because of the structured digital delivery of UC whereby access to information about customers' UC claims is available only by the customer logging into a pc or by them being present with an advice worker to give their consent to information being released over the phone. This is problematic when the telephony advisor is unable to answer an enquiry and makes a return call to the advisor up to 4 hours later and on occasions the following day when the customer is no longer there to consent to the information being released.
- 5.12 All services are anticipating an increase in the demand for their services when seasonal employment ends in January 2017 and UC claims increase.

## **6.0 REDUCED BENEFIT CAP**

- 6.1 The reduced Benefits Cap was introduced in Inverclyde from 7 November 2016 and limits the amount of benefit most working age couples and families can get to £20,000 with £13,400 being the upper limit for single people.
- 6.2 37 households in Inverclyde where neither the householder nor their partner are employed have had their housing benefit award reduced as a result of the cap. The Benefits Team continues to work with other Council services and partner organisations to minimise exposure to the benefits cap and a Discretionary Housing Payment application form is sent immediately after the service is instructed by the DWP to make the reduction.

## **7.0 SCOTTISH WELFARE FUND AND DISCRETIONARY HOUSING PAYMENTS**

- 7.1 Appendix 3 shows that the total projected expenditure for DHP for those affected by the SSSC is £930,000 against an upper limit of £974,000. This position will move over the coming months as new applications arrive and current awards projected to run to the end of the year stop as claimants' circumstances change.
- 7.2 The projected cost of DHP for reasons other than the size criteria has been adversely affected by the launch of UCFS. All new Homelessness service users are required to claim Universal Credit to enable them to claim housing costs. The current DHP policy allows 100% of the shortfall between UC housing costs and the rent charge. The shortfall for each service user is in the region of £720 per month. Based on the same number of service users housed by the service in 2015/16 and they are eligible for DHP. Up to an additional £76,500 of DHP would be required to meet the policy. This exceeds the 2016/17 budget by £35,500 and will be met by Welfare Reform earmarked reserves.
- 7.3 Responsibility for DHP is devolved to the Scottish Government from 1 April 2017 as well as the distribution of £23 million from the DWP to fund temporary accommodation. Inverclyde's 2017/18 allocation is still to be announced. When this is known an adjustment to the DHP policy may be required and will be presented within the next report.

## **8.0 SCOTTISH WELFARE FUND**

- 8.1 It can be seen from Appendix 4 Scottish Welfare Fund (SWF) payments up to 31 December 2016 are in line with the Scottish Government programme funding however this position will deteriorate as more people go on to Universal Credit Full Service and the full impact of the time lag in claimants receiving payments takes effect.
- 8.2 Since the last update report the Scottish Public Services Ombudsman has reviewed two Scottish Welfare Fund decisions upholding the Council's decisions in respect of both cases.

## **9.0 PERSONAL INDEPENDENCE PAYMENTS**

- 9.1 Statistics gained from DWP show that since the introduction of PIP to October 2016 there have been 3,715 claims for PIP within Inverclyde. 3,097 have known outcomes with 1,615 awards being made (51%). In Inverclyde, the two conditions of psychiatric disorders and musculoskeletal disease account for 71% of all PIP claims.
- 9.2 Nationally, 48% of DLA to PIP reassessments have resulted in benefit being disallowed or reduced. In addition 80% of mandatory reconsideration requests are rejected (new PIP claims the figure is 85% and for DLA to PIP reassessments the figure is 78%). However for those that go on to appeal these mandatory reconsideration decisions, there is a 65% success rate.
- 9.3 Advice Services are continuing to support clients and monitor the impact of PIP locally. For the period 1 June to 30 November 2016, Advice Services provided advice/assistance in relation to 276 PIP entitlement matters securing a recorded £110,270 gain in the process. In addition, support was given to 222 clients undergoing PIP disputes; and finally tribunal representation was provided at 151 PIP Appeal Hearings, generating a further entitlement of £188, 270.

## **10.0 OTHER ISSUES**

- 10.1 The Deputy Director, DWP Business Finance and Housing Delivery Directorate wrote to councils in September emphasising local authorities' continuing role in the delivery of Housing Benefit for working age claimants until 2022 and beyond for pension age claimants. Responsibility for a small number of Supported Exempt Accommodation claims will remain with the Council with the maintenance of the "stock" working age Housing Benefit claims until claimants migrate to Universal Credit, expected to take place between July 2019 and March 2022.



## 11.0 IMPLICATIONS

### 11.1 Finance

As detailed in the report.

#### Financial Implications:

One off Costs

| Cost Centre     | Budget Heading     | Budget Years | Proposed Spend this Report £000 | Virement From | Other Comments                                       |
|-----------------|--------------------|--------------|---------------------------------|---------------|--|
| Welfare Reforms | Earmarked Reserves | 2016/17      | Up to 36                        |               | Funding any overspend in DHP funding from the DWP/SG |

Annually Recurring Costs/ (Savings)

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

### 11.2 Legal

There are no legal implications arising from this report.

### 11.3 Human Resources

There are no HR implications arising from this report.

### 11.4 Equalities

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.

### 11.5 Repopulation

There are no repopulation implications arising from this report.

## 12.0 LIST OF BACKGROUND PAPERS

12.1 None

**Councillor Stephen McCabe**  
**Ward 1 – Inverclyde East**  
Municipal Buildings  
Greenock  
PA15 1LX

Appendix 1

**Leader of the Council**

The Rt. Hon. Lord Freud  
Minister of State for Welfare Reform  
House of Lords  
LONDON  
SW1A 0PW

Direct Line: 01475 712727  
Email: stephen.mccabe@inverclyde.gov.uk  
Our Ref: SMcC/sc  
Your Ref:  
Date: 29 November 2016

Dear Minister

### **Ongoing Issues with the Implementation of Welfare Reform in Inverclyde**

Councillors receive regular updates from Senior Officers detailing the ongoing changes arising from Welfare Reform and the impact on the residents of Inverclyde.

At the most recent meeting of the Policy & Resources Committee it was unanimously agreed that I write to you raising concerns over the impact aspects of Welfare Reform are having on claimants. The comments contained in this letter are out with the financial impact which, in some cases, is clearly significant and is putting extra pressure on Council Services at a time of significant funding reductions.

The first concern which I would raise relates to the difficulty in contacting DWP Offices outwith Inverclyde. I understand that those wishing to contact the DWP in many cases are having to wait half an hour to get access to someone who can provide support and advice. Even after achieving this calls can be dropped or individual's queries cannot be answered due to the complexity of individual circumstances. Not only is this extremely stressful for the claimant, but it builds in delays to the claim process and potentially the award leading to increased financial hardship and unnecessary worry.

Related to this are the difficulties which I understand officers from the Council have in getting through to the Service Centre operated by DWP. Given that Inverclyde has moved to Full Service from Universal Credit with effect from 23 November, then the need to contact the DWP Service Centre will increase exponentially and this problem will put increased pressure on officers and lead to delays, increased cost of service delivery and increased indebtedness for claimants.

Whilst recognising that the implementation of Universal Credit is a major undertaking, the problems being experienced by early adopters will be magnified in areas such as Inverclyde with its high level of deprivation and require to be addressed as a matter of urgency. I would seek your support in achieving this at the earliest possible juncture.

A further issue raised is the recent move related to Universal Credit from implicit to explicit consent in respect of officers being able to advocate and act on behalf of claimants, many of whom are amongst the most vulnerable in the welfare system. Whilst accepting that care is required in the use of personal information, the move to explicit consent does not align with the Service Delivery Model which has been operating successfully in Inverclyde around a telephone triage system.

/...

2.

29 November 2016

The Rt. Hon. Lord Freud

Given the aforementioned delays in getting through to the DWP separate appointments are having to be organised for the claimant and the officer before contact can be made with the DWP. As our Advice Triage service took in excess of 12,000 calls last year you can appreciate the massive impact this has on both cost and operational delivery of this vital function. I understand that this issue is being discussed at a national level and, again, I would ask that all efforts are made to resolve this issue as soon as possible.

Finally, a specific issue within Inverclyde is in respect of the carrying out of PIP assessments. The Council had requested that a DWP office in Greenock be used but this has been rejected by ATOS on two points: firstly they are required to utilise their own estate rather than DWP's and secondly their office from which they operate from in Glasgow is within their operating procedures i.e. 90 minutes travel by public transport or 60 minutes by car. This arrangement appears to be meeting the needs of DWP and ATOS rather than delivering a service with the client at the centre. The very nature of the characteristics of many of the individuals who are attending the assessment centres is such that a 90 minute journey on public transport can be extremely stressful and uncomfortable, and can lead to non-attendance with the resultant significant impact on the finances of the individuals concerned.

The Council will promote the availability of home visits but this is not suitable to everyone and a local assessment centre would be far more preferable than the current arrangements. Finally, whilst it is appreciated that individuals are reimbursed for their travel costs the upfront costs of travelling to Glasgow from Inverclyde is a significant drain on individual's resources.

I look forward to receiving your reply on the above points and am more than happy to provide further information and examples if this would assist.

Yours sincerely

Councillor Stephen McCabe  
Leader of Inverclyde Council  
Welfare & Inclusion Champion

c.c. The Rt. Hon. D Mundell, MP  
Alan Puckrin, Chief Financial Officer  
Brian Moore, Chief Officer, Inverclyde Health & Social Care Partnership



Department  
for Work &  
Pensions

Ministerial  
Correspondence  
Caxton House  
Tothill Street  
LONDON  
SW1H 9DA

0207 340 4000

[www.gov.uk](http://www.gov.uk)

[ministers@dwp.gsi.gov.uk](mailto:ministers@dwp.gsi.gov.uk)

Councillor Stephen McCabe  
Ward1-Inverclyde East  
Municipal Buildings  
Greenock  
PA15 1LX

Your ref: SMcC/sc

Our ref: POS(2)4070/566

09 JAN 2017

*Dear Cllr McCabe,*

Thank you for your letter of 29 November 2016 to the former Minister for Welfare Reform regarding ongoing issues with the implementation of Welfare Reform in Inverclyde. I am replying as the Minister with responsibility for this area of the Department's work and I apologise for the delay.

I was sorry to read of the difficulties that residents in Inverclyde have been experiencing.

I can assure you that the Department for Work and Pensions (DWP) is committed to providing the best service possible and makes continuous efforts to improve. Our telephone infrastructure supports contact centres nationwide, handling 60 million calls a year. Given the nature and size of the organisation, it is inevitable that occasionally we experience technical problems. Universal Credit services are accessed primarily online and any Universal Credit telephony enquiries are via an 0345 number. There is also an option to ask for a call back if the claimant requests it.

The Universal Credit online application form is designed around user needs and the full service system generally works well for both claimants and agents. The online account, which is a fundamental part of the digital full service, provides claimants with all the information about their claim. The claimant is required to pass security tests or challenges to use the service.

Where claimants are confident and capable, they have the ability to access their online account and advise their representative or landlord of relevant claim information without intervention by the Department.

It follows that operating on an implied consent basis would undermine the cyber security measures put in place to protect claimants personal and financial information. This is why implied consent cannot be given in the same way as for other benefits and services. A claimant can give explicit consent at any time via their account or on the phone.

I can confirm that more sites have moved to the Universal Credit full service over the last couple of months which has increased the claimant caseload, this has resulted in an increase in telephone calls. Plans are in place to respond to this and there has been a significant reduction in the average time for calls to be answered. This is expected to reduce further over the coming weeks.

Regarding the Council's request for a DWP office in Greenock to be used for Personal Independence Payment (PIP) assessments, unfortunately this has been rejected by Atos.

The DWP offices in Greenock have not been specifically set up or designated for PIP assessments. However, Atos will review on a case by case basis and if it is the right course of action they can arrange (with the DWP's co-operation) to conduct some assessments at the Greenock site. The Atos sites in Glasgow are fully catered to deliver PIP assessments and are within the travelling distance as advised by DWP.

With regard to reimbursed travel costs for travel to Glasgow from Inverclyde, I can confirm that when a claimant travels to a face-to-face consultation they are able to claim travel expenses for themselves and a companion, carer or young children who would otherwise be left unattended.

Payments can be made for public transport fares, travel by private motor vehicle and other costs that relate to the journey. There are circumstances in which taxi fares can be reimbursed however, this should be discussed with the Assessment Provider before attending the consultation. Payments relating to other costs of the journey such as parking, tolls or congestion charges can also be met. Travel expenses will be reimbursed within 14 days of the claim but cannot be paid in advance or at the Assessment Centre.



Should a claimant have any difficulties attending a consultation they should discuss it with the Assessment Provider as soon as possible. If a claimant contacts the Assessment Provider in advance to advise they are unable to attend their consultation, they will be offered a second appointment. This may enable them to arrange for a companion to assist with their travel arrangements.

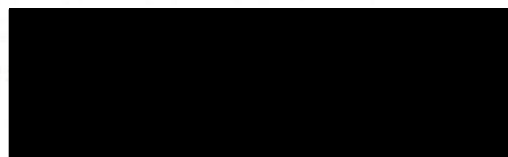
Regarding the Assessment Centres, as part of the specification for the PIP assessment service, Assessment Providers must provide sufficient suitable accommodation for face-to-face consultations. The Department has set clear requirements in terms of geography/travel, security and claimant experience in relation to the sites used for PIP consultations.

Based on the Department's forecast volumes of PIP assessments the providers have demonstrated that they have the capacity and geographic coverage to meet current demand. More centres will be made available as the number of PIP claims increase.

The Department has specified circumstances where a home consultation will be offered, in particular where the claimant is unable to travel to a consultation as a result of their health conditions or impairments. More specifically home consultations could be offered when the claimant provides confirmation from their health professional that indicates they are unable to travel on health grounds.

PIP consultation appointments are booked via an automated booking tool that schedules claimants into the next available appointment slot that is closest to their home. This ensures their appointment takes place sooner than it might at another assessment centre. The Atos delivery model utilises the staff and premises of supply chain partners already established in the healthcare sector and as such, have access to a large flexible network of sites - locations such as private medical centres, physiotherapy practices and hospitals which are usually at the centre of established transport links, minimising the travel needs for many claimants.

If I can be of further assistance please do not hesitate to contact me.



**Damian Hinds MP**  
**Minister for Employment**

Universal Credit - Inverclyde - cumulative stats

| UC meeting | Inverclyde UC Caseload |                  |       | Evidence of Earnings after 3 months | No. of UC claimants with Housing Costs (approx.). | Council Tax Reduction - number of applicants on UC | No. of SWF Crisis Grants |
|------------|------------------------|------------------|-------|-------------------------------------|---|--|--------------------------|
|            | Greenock JCP           | Port Glasgow JCP | Total |                                     |   |  |                          |
| 1.12.15    | 61                     | 35               | 96    | not applicable                      | 19  | 10   | 12                       |
| 12.1.16    | 127                    | 57               | 184   | not applicable                      | 47  | 32   | 33                       |
| 23.2.16    | 229                    | 115              | 344   | 32%                                 | 58  | 53   | 52                       |
| 30.3.16    | 342                    | 156              | 498   | 39%                                 | 100   | 84   | 62                       |
| 24.5.16    | 418                    | 192              | 610   | 34%                                 | 206   | 107  | 67                       |
| 27.7.16    | 563                    | 255              | 818   | 35%                                 | 244   | 117  | 72                       |
| 31.8.16    | 593                    | 268              | 861   | 35%                                 | 264   | 136  | 81                       |
| 11.10.16   | 608                    | 277              | 885   | 27%                                 | 279   | 111  | 94                       |
| 27.10.16   | 576                    | 259              | 835   | 35%                                 | 305   | 102  | 102                      |
| 5.1.17     | 644                    | 318              | 962   | tbc                                 | 383   | 170  | 179                      |

Notes

1. Caseload is the number of individuals in receipt of Universal Credit either individually or as part of a couple
2. "Evidence of Earnings after 3 months" is the percentage of customers with earnings included in the assessment of their UC award 3 months after the date they first claimed UC

**Discretionary Housing Payments**  
**Positives 31.12.16**

|                                   |             |        |
|-----------------------------------|-------------|--------|
| <u>1/ SSSC (Bedroom Tax)</u>      |             |        |
| Applications Approved             | 1536        | 97.40% |
| Applications Not Eligible/Refused | 15          | 0.95%  |
| Applications Being Assessed       | 26          | 1.65%  |
|                                   | <u>1577</u> |        |
|                                   | <u>£000</u> |        |
| Paid to Date                      | 916         |        |
| Estimated Payments to 31.3.17     | <u>14</u>   |        |
| 2016/17 Budget                    | 974         |        |
| (Under)/Overspend                 | <u>(44)</u> | Note 2 |
| <br>                              |             |        |
| <u>2/ Other DHP Cases</u>         |             |        |
|                                   | <u>£000</u> |        |
| 2016/17 Budget                    | 119         |        |
| less : Paid to Date               | 67          |        |
| : Estimated Payments to 31/3/17   | <u>88</u>   | Note 1 |
| (Under)/Overspend                 | <u>36</u>   |        |

Notes

- 1/ Includes £11k Benefit Cap and £76.5k Temporary Accommodation.  
2/ Represents 97% of those households affected by SSSC.

Finance Services  
5/1/17



**Scottish Welfare Fund**  
**31<sup>st</sup> December 2016**

|  |              |               |              |
|--|--------------|---------------|--------------|
| Calls Answered   | 7006         |               |              |
| Applications   | 3333         |               |              |
| Applications Granted   | 2345         | 70.36%        |              |
| Applications Refused   | 522          | 15.66%        | Note 3       |
| Applications Withdrawn   | 420          | 12.60%        |              |
| In Progress  | 46           | 1.38%         |              |
| Referrals to DWP   | 185          |               | Note 2       |
|  | <u>Spend</u> | <u>Budget</u> | <u>Spend</u> |
|  | <u>£000</u>  | <u>£000</u>   | <u>%</u>     |
| Crisis Grant paid (1598)   | 123.1        | 195.8         | 62.87%       |
| Community Care Grants paid (771)<br>(includes 24 applications paying both CCG<br>& CG) | 385.3        | 655.5         | 58.78%       |
|  | <u>508.4</u> | <u>851.3</u>  | 59.72%       |

**Note 1** 1<sup>st</sup> Tier Reviews = 38 (1.16%)  
1<sup>st</sup> Tier Reviews Upheld in Customer Favour = 17 (44.74%)  
2nd Tier Reviews = 4 out of 36 1<sup>st</sup> tier review decisions (11.11%)  
2nd Tier Reviews Upheld in Customers Favour = 0 – 2 awaiting SPSO response (0%)

**Note 2** Referrals to DWP relates to customers who are awaiting payment of a new claim for Universal Credit JSA / ESA from DWP. In these circumstances an application for an advance payment of benefit, repayable to the DWP can be made.

**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** Core Budget is £681,000 to which is added a residual underspend from 2014/15 of £70,000 plus £100,000 from the Welfare Reforms Budget

**Report To:** Policy and Resources Committee      **Date:** 31 January 2017

**Report By:** Grant McGovern, Head of Inclusive Education, Culture and Corporate Policy      **Report No:** PR/01/17/KB

**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 the 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 (CDIP) 2016/19 and the Environment, Regeneration and Resources CDIP 2016/19.
- 1.2 The report focuses on improvement actions that sit within the following Services: Finance and ICT; Legal and Property; Procurement; Corporate Policy; and Organisational Development, Human Resources and Communications.

**2.0 SUMMARY**

- 2.1 This is the second report on the performance of the Corporate Services improvement actions. 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 -<br>complete | red -<br>significant<br>slippage | amber -<br>slight slippage | green -<br>on track |
|----------------|--------------------|----------------------------------|----------------------------|---------------------|
| Current        | 8                  | 0                                | 1                          | 20                  |
| September 2016 | 0                  | 0                                | 0                          | 29.                 |

**3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee:
  - a. notes the progress made by Corporate Services in delivering the improvement actions outlined in their respective CDIPs 2016/19; and
  - b. agrees to consider the third progress report at its meeting on 20 June 2017.

**Wilma Bain**  
Corporate Director  
Education, Communities and  
Organisational Development

**Scott Allan**  
Corporate Director  
Environment, Regeneration and  
Resources

## 4.0 BACKGROUND

4.1 Improving corporate and service performance is a key priority for Inverclyde Council. Information is regularly given to key stakeholders to allow them to evaluate and make informed judgements about performance and the achievement of key objectives.

4.2 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 2013/18, as well as the well-being outcomes which are Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included (SHANARRI).

4.3 The Environment, Regeneration and Resources CDIP 2016/19 was approved by the Environment and Regeneration Committee on 28 April 2016.

Min. Ref.  
E&R  
Cttee  
28.4.16  
Para 270

4.4 The Education, Communities and Organisational Development CDIP 2016/19 was approved by the Education and Communities Committee on 3 May 2016.

Min. Ref.  
E&C  
Cttee  
3.5.16  
Para 303

4.5 Progress regarding delivery of these two CDIPs is reported to every second meeting of the relevant Service Committee. These progress reports provide Members with a summary of progress with the CDIPs' implementation and aim to give Committee and officers the opportunity to make appropriate judgements on where performance across the Council is improving, good or starting to decline. Additionally, because the CDIPs include improvement actions that are of a corporate nature, a separate Corporate Services Performance Report is submitted to every second meeting of the Policy and Resources Committee.

4.6 This report focuses on improvement actions that sit within the following Services: Finance and ICT; Legal and Property; Procurement; Corporate Policy; and Organisational Development, Human Resources and Communications.

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

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

4.8 The CDIPs also contain key performance indicators, comprising statutory performance indicators and local performance indicators. These indicators provide an important measure of how our Corporate Services contribute to the Council's strategic aims. Information on indicators is gathered either quarterly or annually and performance reported to Committee at the appropriate time; the most recent position on the indicators is attached as Appendix 2. Additionally, an ICT Services Performance Update Report is prepared for every second meeting of this Committee, the most recent of which was considered in September 2016; these reports include details of ICT performance indicators.

Min. Ref.  
P&R  
Cttee  
20.9.16  
Para 522

## 5.0 PROGRESS

5.1 This is the second progress report on delivery of the CDIPs' Corporate Services improvement actions. The last report was approved by the Policy and Resources Committee in September 2016. The current status of the improvement actions, together with the status at the last report, is:

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| Status         | blue - complete | red – significant slippage | amber - slight slippage | green - on track |
|----------------|-----------------|----------------------------|-------------------------|------------------|
| Current        | 8               | 0                          | 1                       | 20               |
| September 2016 | 0               | 0                          | 0                       | 29.              |

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

5.2 Since the last report, good progress has been made in delivering the vast majority of the improvement actions; more than a quarter (28%) are complete while 69% are on track. Examples of progress made include:

- Procurement Strategy: The first audit of the Council's procurement service under the Procurement and Commercial Improvement Programme was carried out on 3 November 2016 and a score of 66% was achieved, against a target of 55%.
- Revenues and Customer Services - communication channels: Eleven additional services can now be paid for on-line. A citizens' mobile App went live on 12 December 2016; it allows members of the public to report a range of issues such as potholes and dog fouling directly from their mobile 'phones to Council Services, by-passing the Customer Service Centre.
- Revenues and Customer Services - Council Tax: The ICT supplier is working with the Scottish Government on the legislation for the changes, following which the software upgrade will be rolled out to councils. Work has started on preparing guidance and identifying who will need what training about the changes. Discussions are ongoing between the Council and the Scottish Government about how the changes will be communicated.
- Refresh of the Asset Management Plan: The Corporate Asset Management Strategy 2016/18 was approved by the Environment and Regeneration Committee on 1 September 2016.
- Corporate Communications Strategy: The Strategy will be considered by the Workforce Planning and Development Group in early 2017 prior to being submitted to the Policy and Resources Committee.

5.3 There has been slight slippage with only one improvement action:

- ICT Strategy Refresh: Due to staff sickness, limited progress has been made on this action since October 2016. However, it is planned to resume work on this again in the New Year which will result in the Strategy being presented to the Policy and Resources Committee on 20 June 2017.

## 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 | 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 Corporate Services improvement actions included in the CDIPs have been provided by the respective lead officers.

## **8.0 BACKGROUND PAPERS**

8.1 Environment, Regeneration and Resources CDIP 2016/19.

Education, Communities and Organisational Development CDIP 2016/19.

## **9.0 CONCLUSION**

9.1 The second progress report on improvement actions that sit within the Finance and ICT; Legal and Property; Procurement; Corporate Policy; and Organisational Development, Human Resources and Communications Services sections of the Environment, Regeneration and Resources CDIP 2016/19 and the Education, Communities and Organisational Development CDIP 2016/19 is presented for Members' consideration and approval with the recommendation that the third report is submitted to the Policy and Resources Committee's meeting on 20 June 2017.

**CORPORATE SERVICES PERFORMANCE REPORT**

**Corporate Improvement Actions 2016/17**

These improvement actions have implications for the whole Council or more than one Directorate

| Corporate Improvement Actions 2016/17 |  |   |                      |                  |  |                           |
|---------------------------------------|--|---|----------------------|------------------|--|---------------------------|
|                                       | Where do we want to be?  | How will we get there?  | Status December 2016 |                  | Commentary December 2016   | SOA and Wellbeing Outcome |
| 1.                                    | <p><u>The Community Empowerment (Scotland) Act 2015</u></p> <p>The Council and the Community Planning Partnership (CPP) are ready for the implementation of The Community Empowerment (Scotland) Act 2015, working with partners to deliver on the statutory requirements. Each element is in place across all Services.</p> <p>There are locality profiles and plans for the agreed localities across Inverclyde, mapping assets and issues, agreed with and led on by communities.</p> <p>Services/CPP partners and communities use these profiles to plan service delivery, targeting</p> | <p>Respond to Scottish Government guidance</p> <p>Bring the Improving Data Analysis Group together to gather information around the agreed localities</p> <p>Facilitate improved community engagement in the development of Locality Plans and community planning through Wellbeing Clusters and the development of more robust community engagement methods, including the Place Standard</p> <p>Set up working groups to cover each element, for example, legal, environmental,</p> | ●                    | green – on track | <p>Draft final guidance has now been received from the Scottish Government on the Community Planning and Asset Transfer elements of the Act. Officers are reviewing these parts of the Guidance to identify improvement activity.</p> <p>Discussions and questionnaires are being used with the Alliance Board to develop the new Local Outcomes Improvement Plan 2017/22. The Environment Outcome Delivery Group is investigating community food growing. The Community Engagement and Capacity Building Network has been</p> | Responsible Included      |

**Corporate Improvement Actions 2016/17**

|    | <b>Where do we want to be?</b>  | <b>How will we get there?</b>  | <b>Status<br/>December 2016</b> |                  | <b>Commentary<br/>December 2016</b>   | <b>SOA and<br/>Wellbeing<br/>Outcome</b> |
|----|---|--|---------------------------------|------------------|---|--|
|    | inequalities and work to reduce them.   | community learning and development, property etc<br><br>Create a community food growing strategy   |                                 |                  | tasked with engaging using the Place Standard for locality planning.  |  |
| 2. | <u>Single Outcome Agreement (SOA) 2016/17</u><br><br>Community engagement has taken place to help develop the new SOA and to assess whether the current outcomes are appropriate<br><br>A new Local Outcomes Improvement Plan (LOIP)/SOA is agreed and is being delivered | Carry out a strategic assessment to inform the new SOA, including engagement with communities<br><br>Use locality profiles to inform development of the SOA  | ●                               | green – on track | The existing SOA has been extended to October 2017 to allow for development of the new LOIP. The timescale for this action has also been amended. Questions about the LOIP 2017/22 have been included in the Autumn 2016 Citizens' Panel questionnaire. Engagement is also being planned, using the Place Standard. | All SOA and Wellbeing Outcomes           |
| 3. | <u>Best Value Audit Regime</u><br><br>More robust performance information that meets the requirements of the new Audit Scotland Statutory Performance Indicator Direction 2015<br><br>The performance indicators (PIs) that are reported to committee                     | Work with Services to review current PIs and develop new indicators/delete indicators, where appropriate<br><br>Develop PIs that are captured on Inverclyde Performs and create monthly/quarterly indicators | ●                               | green – on track | Meetings have taken place with Finance; Education; Inclusive Education, Culture and Corporate Policy; HR and OD; and the HSCP to review their performance indicators which have since been amended. Targets and target setting have also been reviewed.   | Responsible                              |

**Corporate Improvement Actions 2016/17**

|    | <b>Where do we want to be?</b>   | <b>How will we get there?</b>  | <b>Status<br/>December 2016</b> |                  | <b>Commentary<br/>December 2016</b>   | <b>SOA and<br/>Wellbeing<br/>Outcome</b> |
|----|--|--|---------------------------------|------------------|---|--|
|    | <p>complement our PIs for Public Performance Reporting (PPR); we need a more joined up approach</p> <p>Services are in the habit of updating PIs on a monthly/quarterly basis using Inverclyde Performs</p> <p>Inverclyde Council can evidence how it promotes and works to achieve best value</p> |  |                                 |                  | The Environment, Regeneration and Resources Services which measure performance on a monthly and/or quarterly basis have set up their indicators on the performance management system.   |  |
| 4. | <p><u>Corporate Workforce Planning and Development</u></p> <p>Ensure workforce planning and development is integrated into CDIPs, risk registers and associated strategies to address the key workforce challenges over the next 3 years</p>   | <p>Analysis of workforce data and learning needs with a co-ordinated approach to workforce planning and learning and development solutions</p> | ●                               | green – on track | <p>Workforce planning data is recorded on the Workforce Information and Activity Reports which are issued quarterly to Services to aid their development of workforce planning strategies. We are continuing to look to expand the information included and for ICT solutions to further develop workforce planning approaches.</p> | Achieving Respected Included             |
| 5. | <p><u>Digital Access Group</u></p> <p>Developing a fully joined-up plan to</p>   | <p>Ongoing investment over the next budget period and review thereafter</p>  | ●                               | green – on track | <p>The citizens' mobile App was launched on 12 December 2016. Work is about to</p>  | Included                                 |



**Corporate Improvement Actions 2016/17**

|    | <b>Where do we want to be?</b>   | <b>How will we get there?</b>   | <b>Status<br/>December 2016</b> |                  | <b>Commentary<br/>December 2016</b>  | <b>SOA and<br/>Wellbeing<br/>Outcome</b> |
|----|--|---|---------------------------------|------------------|--|--|
|    | improve ease of access to Council Services   |   |                                 |                  | commence on the preparation of a new 3 year Digital Access Strategy.   |  |
| 6. | <u>Review of Publication Scheme</u><br><br>The Publication Scheme is updated and includes signposts for information which is routinely collected for Freedom of Information requests                               | Co-ordinated approach via Services to ensure the Publication Scheme is reviewed and updated by May 2017   | ●                               | blue - complete  | The Council's Publication Scheme has been updated. Draft Publication Schemes have also been developed for the Licensing Board and the Integrated Joint Board.                                | Responsible                              |
| 7. | <u>Service Level Agreement (SLA) – Integrated Joint Board (IJB)</u><br><br>A SLA is in place for the IJB for administration, legal and audit   | Governance documentation is being finalised for approval and the allocation of resources for legal, administration and audit support is being discussed. It is anticipated the SLA will be in place by December 2016. | ●                               | green – on track | The SLA has been drafted and discussed with the Chief Officer and the Chief Financial Officer of the IJB. The document is now being finalised and will be presented to the next IJB meeting. | Achieving                                |
| 8. | <u>Procurement Strategy</u><br><br>The Procurement and Commercial Improvement Programme (PCIP) has replaced the Procurement Capability Assessment. The previous score was 62% which placed the Council on an equal | The Procurement Strategy sets out goals and timescales  | ●                               | blue - complete  | The first audit of the Council's procurement service under the PCIP was carried out on 3 November 2016 and a score of 66% was achieved, against a target of 55%.                             | Achieving                                |

| Corporate Improvement Actions 2016/17 |  |                        |                         |  |                             |                                 |
|---------------------------------------|--|------------------------|-------------------------|--|-----------------------------|---------------------------------|
|                                       | Where do we want to be?  | How will we get there? | Status<br>December 2016 |  | Commentary<br>December 2016 | SOA and<br>Wellbeing<br>Outcome |
|                                       | footing with its peers. A similar or better performance in PCIP would represent success. |                        |                         |  |                             |                                 |

## Cross-Directorate Improvement Actions 2016/17

These improvement actions will be implemented by more than one Council Service

| Cross-Directorate Improvement Actions 2016/17 |   |   |                      |                  |   |                           |
|---|---|---|----------------------|------------------|---|---------------------------|
|   | Where do we want to be?   | How will we get there?  | Status December 2016 |                  | Commentary December 2016  | SOA and Wellbeing Outcome |
| 1.  | <p><u>Revenues and Customer Services: Transition from Housing Benefit to Universal Credit (UC)</u></p> <p>Manage the transition from Housing Benefit to UC and other Welfare Reform Issues, the key areas being:</p> <ul style="list-style-type: none"> <li>• manage the digitalisation and subsequent roll-out of UC</li> <li>• workforce planning</li> <li>• financial implications both in terms of reduction in subsidy and cost of staff resource with reducing caseload and demand for SWF etc</li> </ul> | <p>Strategic planning through effective communications and action plans that clearly outline the changes and impacts ahead and how they will be managed</p>   | ●                    | green – on track | <p>The full service for Universal Credit went live on 23 November 2016. Over 300 staff and partners have been trained. The Chief Financial Officer met Benefits staff to discuss the impact of UC and a medium to long term structure has been drafted which is intended to help facilitate workforce planning issues. The impact of UC continues to be monitored through the Welfare Reform Project Board.</p> | Achieving Nurtured        |
| 2.  | <p><u>Revenues and Customer Services: Communication channels</u></p> <p>Move customers away from traditional costly channels of communication such as face-to-face to digital channels such as self-serve</p>   | <p>By increasing the number of channels and transactions dealt with via digital routes</p> <p>Through effective communication and the meeting of action plan deadlines, facilitated through the Digital</p> | ●                    | green – on track | <p>Eleven additional services can now be paid for on-line. A citizens' mobile App went live on 12 December 2016; it allows members of the public to report a range of issues such as potholes and dog fouling directly from their</p>   | Included                  |

| Cross-Directorate Improvement Actions 2016/17 |                         |                        |                         |  |   |                                 |
|---|-------------------------|------------------------|-------------------------|--|---|---------------------------------|
|   | Where do we want to be? | How will we get there? | Status<br>December 2016 |  | Commentary<br>December 2016   | SOA and<br>Wellbeing<br>Outcome |
|   |                         | Access Group           |                         |  | mobile 'phones to Council Services, by-passing the Customer Service Centre. |                                 |

## Service Improvement Actions 2016/17

These improvement actions will be implemented by individual Council Services

| Service Improvement Actions 2016/17<br>Finance and ICT |   |   |                         |                  |   |                                 |
|--|---|---|-------------------------|------------------|---|---------------------------------|
|  | Where do we want to be?   | How will we get there?  | Status<br>December 2016 |                  | Commentary<br>December 2016   | SOA and<br>Wellbeing<br>Outcome |
| 1.   | <p><u>Revenues and Customer Services:<br/>Council Tax</u></p> <p>Manage the impact of changes to Council Tax anticipated post-April 2017 whilst maintaining collection levels</p> | <p>Ensure a system upgrade is purchased and tested prior to the changes</p> <p>Ensure appropriate training is given to relevant staff including Customer Services</p> <p>Re-assess Council Tax Reduction Awards in line with the new Policy</p> <p>Ensure changes are publicised to the community</p> | ●                       | green – on track | The ICT supplier is working with the Scottish Government on the legislation for the changes, following which the software upgrade will be rolled out to councils. Work has started on preparing guidance and identifying who will need what training about the changes. Discussions are ongoing between the Council and the Scottish Government about how the changes will be communicated. | Achieving<br>Nurtured           |
| 2.   | <p><u>Finance-related systems</u></p> <p>Implementation of the SWIFT finance module</p>   | Several successful modules have been rolled-out in previous years with the remainder to be implemented in September 2016  | ●                       | blue – complete  | This improvement action has been fully implemented.   | Responsible                     |
| 3.   | <u>Service accountancy</u>  | Improve systems and associated management   | ●                       | green – on track | The restructure implementation is on target   | Responsible                     |

**Service Improvement Actions 2016/17  
Finance and ICT**

| Service Improvement Actions 2016/17<br>Finance and ICT |  |   |                         |                         |   |                           |
|--|--|---|-------------------------|-------------------------|---|---------------------------|
|  | Where do we want to be?  | How will we get there?  | Status<br>December 2016 |                         | Commentary<br>December 2016   | SOA and Wellbeing Outcome |
|  | Increase value added professional support to services, improve the budget management by budget holders whilst managing a reduction in Accountancy staff by 2 FTE   | information<br><br>Improve budget holder knowledge and increase self-reliance   |                         |                         | and duties have been reallocated.<br><br>Two Finance Officers are progressing with professional qualifications.<br><br>Work on FMS reports will commence early in 2017. |                           |
| 4.   | <u>Scottish Wide Area Network (SWAN)</u><br><br>The Council wishes to use the opportunities that SWAN generates to encourage joint working and collaboration with other public sector bodies and to develop integrated working with the Health and Social Care Partnership. Provide the ability for NHS and Council staff to utilise network services in each other's accommodation. | We will work with partners to develop data sharing, network availability and wireless connectivity<br><br>Shared Network Services to be available by March 2017 | ●                       | green – on track        | All 70 sites are now live, as planned. Further discussions regarding SWAN Roam or equivalent are ongoing.   | Safe                      |
| 5.   | <u>ICT Strategy Refresh</u><br><br>A refreshed ICT Strategy  | Officers will produce a refreshed Strategy in consultation with other Council   | ●                       | amber – slight slippage | Due to staff sickness, limited progress has been made on this action since October  | Achieving                 |

| Service Improvement Actions 2016/17<br>Finance and ICT |   |                        |                         |  |  |                                 |
|--|---|------------------------|-------------------------|--|--|---------------------------------|
|  | Where do we want to be?                                       | How will we get there? | Status<br>December 2016 |  | Commentary<br>December 2016  | SOA and<br>Wellbeing<br>Outcome |
|  | incorporating digital transformation and development roadmaps | Services               |                         |  | 2016. However, it is planned to resume work on this again in the New Year which will result in the Strategy being presented to the Policy and Resources Committee on 20 June 2017. |                                 |

**Service Improvement Actions 2016/17  
Legal and Property**

|    | <b>Where do we want to be?</b>  | <b>How will we get there?</b>   | <b>Status<br/>December 2016</b> |                  | <b>Commentary<br/>December 2016</b>   | <b>SOA and<br/>Wellbeing<br/>Outcome</b> |
|----|---|---|---------------------------------|------------------|---|--|
| 1. | <p><u>Post-project evaluation</u></p> <p>A fully implemented post-project implementation process for completed projects which allows us to identify benefits realisation and incorporate learning into new projects going forward</p> | <p>The Post-Project Evaluation Team will follow a simple questionnaire-led approach. The response rate will require to be monitored in the early stages of implementation. Officer time will be required in connection with the client/technical lead role when collating the report.</p> | ●                               | green – on track | <p>Two post-project evaluation exercises are currently underway, with final versions of the resultant reports to be drafted.</p>  | Responsible                              |
| 2. | <p><u>Monitoring of capital spend</u></p> <p>The profile of spend is closely monitored to assist early identification of any areas of slippage so that risk is minimised</p>  | <p>A co-ordinated approach to developing management information to assist officers to identify areas of slippage at an early stage</p>  | ●                               | green – on track | <p>The Capital and Asset Management Sub-Group meets at regular intervals to monitor the capital projects and pro-actively manage the slippage position. A red-amber-green (RAG) report is produced from those meetings and confirms the status of the projects and of the various Directorates' capital programmes in terms of the projected expenditure.</p> | Responsible                              |
| 3. | <p><u>Refresh of the Asset Management</u></p>   | <p>A co-ordinated approach will be</p>  | ●                               | blue –           | <p>The Corporate Asset</p>  | Achieving                                |



| Service Improvement Actions 2016/17<br>Legal and Property |  |   |                         |                  |  |                           |
|---|--|---|-------------------------|------------------|--|---------------------------|
|   | Where do we want to be?  | How will we get there?  | Status<br>December 2016 |                  | Commentary<br>December 2016  | SOA and Wellbeing Outcome |
|   | <u>Plan</u><br><br>The Capital Asset Management Plan is updated to fully reflect the current position and links to supporting asset management plans which have been developed   | implemented to update the current Plan by 31 March 2017                                       |                         | complete         | Management Strategy 2016/18 was approved by the Environment and Regeneration Committee on 1 September 2016.  |                           |
| 4.  | <u>Property Asset Management Information System (PAMIS)</u><br><br>Up-to-date and relevant information is available in relation to our properties  | Implementation of the PAMIS modules on a phased approach                                      | ●                       | green – on track | An action plan is in place and is being progressed.  | Responsible               |
| 5.  | <u>REVIT Implementation</u><br><br>After the successful implementation of REVIT (building information modelling software) on a current project, the intention would be to roll-out the process to all subsequent projects from April 2017<br><br>Relevant staff are fully trained in the use of the software | A phased approach will be implemented with a view to a roll-out to all projects by April 2017 | ●                       | green – on track | REVIT is being used as the design platform for a pilot project. The move from AutoCAD to REVIT is continuing transitionally. Training for relevant staff will continue during the Winter months. | Safe                      |

| Service Improvement Actions 2016/17<br>Procurement |  |  |                         |                 |  |                                 |
|--|--|--|-------------------------|-----------------|--|---------------------------------|
|  | Where do we want to be?  | How will we get there?   | Status<br>December 2016 |                 | Commentary<br>December 2016  | SOA and<br>Wellbeing<br>Outcome |
| 1.   | <u>Procurement activity</u><br><br>A policy is required on inviting SME and local suppliers to bid for quotes and which encourages engagement on tendering | Ongoing monitoring of the success in inviting SME and local supplier to bid for quotes and the numbers who seek the assistance of Supplier Development Programme | ●                       | blue - complete | A report entitled <i>Sustainable Procurement Policy – Supporting the Local Economy and Small and Medium Enterprises</i> was submitted to the Environment and Regeneration Committee on 27 October 2016 and the Policy and Resources Committee on 15 November 2016. | Included                        |

**Service Improvement Actions 2016/17  
Organisational Development, Human Resources and Communications**

|    | <b>Where do we want to be?</b>   | <b>How will we get there?</b>   | <b>Status<br/>December 2016</b> |                  | <b>Commentary<br/>December 2016</b>   | <b>SOA and<br/>Wellbeing<br/>Outcome</b> |
|----|--|---|---------------------------------|------------------|---|--|
| 1. | <u>Corporate Communications Strategy (CCS)</u><br><br>To have an agreed CCS  | Development of a CCS, working with Council Services and the Corporate Management Team   | ●                               | green – on track | The Strategy will be considered by the Workforce Planning and Development Group in early 2017 prior to being submitted to the Policy and Resources Committee. | SOA 8<br><br>Achieving Nurtured          |
| 2. | <u>Job Evaluation Scheme (JES)</u><br><br>Implementation of the third edition of the JES is in place for all jobs across the Council<br><br>Relevant procedures are reviewed | Testing, piloting and agreement with the Trades Unions, following a pilot process<br><br>Implementation of the third edition of the JES   | ●                               | green – on track | The third edition of the JES is now in place. All JE is carried out online via the Gage software. Historical information has also been input to the system.   | Responsible Included                     |
| 3. | <u>Refreshed People and Organisational Development (OD) Strategy 2017/20 (1)</u><br><br>A refreshed People and OD Strategy for 2017/20 is agreed and in place                | Review the existing OD Strategy and develop proposal to address the specific challenges and opportunities ahead for Inverclyde Council<br><br>Engage with various stakeholders<br><br>The Employee Survey 2015 results will feed into the | ●                               | green – on track | The Strategy was approved by the Policy and Resources Committee on 20 September 2016 and will be implemented from January 2017.                               | Achieving Respected Included             |

**Service Improvement Actions 2016/17**  
**Organisational Development, Human Resources and Communications**

| <b>Service Improvement Actions 2016/17</b>                            |   |  |                                 |                 |  |  |
|---|---|--|---------------------------------|-----------------|--|--|
| <b>Organisational Development, Human Resources and Communications</b> |   |  |                                 |                 |  |  |
|   | <b>Where do we want to be?</b>  | <b>How will we get there?</b>                          | <b>Status<br/>December 2016</b> |                 | <b>Commentary<br/>December 2016</b>  | <b>SOA and<br/>Wellbeing<br/>Outcome</b> |
|   |   | Strategy   |                                 |                 |  |  |
| 4.  | <u>Health and Safety Plan 2016/19</u><br><br>Health and safety management systems are embedded and being implemented by Services across the Council | Develop and agree a Health and Safety Plan for 2016/19 | ●                               | blue - complete | The Corporate Health and Safety Plan 2016/19 was approved at the Policy and Resources Committee on 15 November 2016. | Safe                                     |

## Capital Projects Improvement Actions 2016/17

| Capital Projects Improvement Actions 2016/17 |   |  |                         |                     |   |                                 |
|--|---|--|-------------------------|---------------------|---|---------------------------------|
|  | Where do we want to be?   | How will we get there?   | Status<br>December 2016 |                     | Commentary<br>December 2016                                     | SOA and<br>Wellbeing<br>Outcome |
| 1.   | <u>School Estates Management Plan (SEMP)</u><br><br>Fully refurbished school estate to high quality, modern standards | SEMP investment is fully approved and capacity will be provided by Legal and Property Services with external hub construction projects, where required | ●                       | green<br>– on track | Regular update reports are provided to the relevant Committees. | Safe                            |

## Corporate Governance Improvement Actions

These improvement actions relate to corporate governance responsibilities

| Corporate Governance Improvement Actions 2016/17 |   |   |                      |                  |  |                           |
|--|---|---|----------------------|------------------|--|---------------------------|
|  | Where do we want to be?   | How will we get there?  | Status December 2016 |                  | Commentary December 2016   | SOA and Wellbeing Outcome |
| 1.   | <p><u>Refreshed People and Organisational Development (OD) Strategy 2017/20 (2)</u></p> <p>All employees undertake corporate induction training</p> <p>An increase in the number of performance appraisals carried out</p> <p>Succession planning becomes an embedded process in Services</p> | Through the delivery of the People and Organisational Development Strategy 2017/20  | ●                    | green – on track | An induction checklist and training programme is being finalised and will be presented to the Extended Corporate Management Team for consideration.  | Responsible               |
| 2.   | <p><u>Review of Financial Regulations</u></p> <p>Updated Regulations taking account of changes with the IJB , changes in technology etc</p>   | By submitting a report to the Policy and Resources Committee via the Audit Committee by September 2016                                  | ●                    | blue – complete  | The Financial Regulations were approved by Council on 29 September 2016 and distributed to all Senior Managers.                                      | Responsible               |
| 3.   | <p><u>Review of Governance Documentation</u></p> <p>The Council's governance documentation fully reflects its structure and officer responsibilities</p>  | A co-ordinated approach via Extended CMT, the CMT and Elected Members to ensure documentation is reviewed and updated by September 2016 | ●                    | blue – complete  | The revised Standing Orders and Scheme of Administration, Standing Orders relating to Contracts, Scheme of Delegation, and the Financial Regulations | Responsible               |

| Corporate Governance Improvement Actions 2016/17 |  |                        |                         |  |  |                                 |
|--|--|------------------------|-------------------------|--|--|---------------------------------|
|  | Where do we want to be?                        | How will we get there? | Status<br>December 2016 |  | Commentary<br>December 2016  | SOA and<br>Wellbeing<br>Outcome |
|  | which supports the Annual Governance Statement |                        |                         |  | were approved at the meeting of Inverclyde Council on 29 September 2016. |                                 |

6 January 2017

### Performance Indicators

The Council's 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 2015/16 are shown below, together with the 2016/17 targets and Quarter 2 information for 2016/17:

| Key performance measure   | Performance 2015/16 | Target 2016/17 | Performance Quarter 2 2016/17 | Commentary  |
|---|---------------------|----------------|-------------------------------|---|
| <b>Finance</b>  |                     |                |                               |   |
| <b>Council Tax: in-year collection level<sup>1</sup></b>  | 95.1%               | 94.8%          | 54.7%                         | The target for this indicator is a year end target. Quarter 2 performance is slightly higher than at the same point in 2015/16. |
| <b>Speed of Benefits processing – average number of days per case to process:</b> <ul style="list-style-type: none"> <li>• new Housing Benefit/<br/>Council Tax reduction claims</li> </ul> | 25.98 days          | 23 days        | 24.7 days                     | Performance is slightly lower than the target   |

<sup>1</sup> 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



| Key performance measure   | Performance 2015/16 | Target 2016/17 | Performance Quarter 2 2016/17 | Commentary                            |
|---|---------------------|----------------|-------------------------------|---------------------------------------|
| <ul style="list-style-type: none"> <li>Housing Benefit/<br/>Council Tax Benefit reduction claim<br/>changes of circumstances</li> </ul> | 4.02 days           | 5 days         | 4.83 days                     | Performance is higher than the target |
| <b>Creditor payments:</b> number of invoices paid within 30 calendar days of receipt as a % of all invoices paid                        | 96.48%              | 96%            | 96.87%                        | Performance is above target           |

An ICT Services Performance Update Report is prepared for every second meeting of the Policy and Resources Committee. These documents include details of ICT performance indicators; to view the most recent report, visit: [ICT Services Performance Update - 20 September 2016](#) (agenda item 6).

16 December 2016

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|                         |  |                    |                        |
|-------------------------|--|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>                | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Head of Legal &amp; Property Services</b>           | <b>Report No:</b>  | <b>LP/006/17</b>       |
| <b>Contact Officer:</b> | <b>Gerard Malone</b>                                   | <b>Contact No:</b> | <b>01475 712710</b>    |
| <b>Subject:</b>         | <b>Membership of the Members' Budget Working Group</b> |                    |                        |

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to note the continuation of the Members' Budget Working Group (MBWG) following the withdrawal of the SNP Group representation.

## **2.0 SUMMARY**

- 2.1 At its September 2014 meeting, the Policy & Resources Committee approved the establishing of the MBWG as an internal, Members' Working Group and informal forum for cross-party scrutiny and consideration of the Council's budget proposals. The MBWG was established in the light of the severe financial pressures faced by local government in the foreseeable future.
- 2.2 The MBWG comprised as far as practicable the political representation of the Council to assist openness, transparency and inclusiveness in the developing of the Council's budgets.
- 2.3 In November 2016, the Chief Executive was advised of the SNP Group withdrawal from the MBWG and also from the Strategic Leadership Forum.
- 2.4 The withdrawals have been noted and this report focuses on the decision of the remaining members of the MBWG at its meeting in December 2016 to continue to meet in order to provide an effective and necessary working group for purposes of budget development.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the terms of this report.

**Gerard Malone**  
**Head of Legal & Property Services**

## 4.0 BACKGROUND

- 4.1 The Policy & Resources Committee at its meeting in September 2014 approved the establishing of an extended Strategic Leadership Forum to form the MBWG. The MBWG is an internal, Members' Working Group which is an informal forum for cross-party scrutiny, consideration and developing of the Council's budget proposals. It was established in the light of the severe financial pressures faced by local government.
- 4.2 The MBWG is comprised of the Members of the Strategic Leadership Forum and is supplemented by additional Members to reflect as far as practical the political representation of the Council to assist in openness, transparency and inclusiveness for purposes of developing the Council's budgets. The meetings of the MBWG enable open and frank discussion amongst the political groups and seek to achieve consensus insofar as possible in the developing of budget proposals. The Group enables the political leadership of the Council to engage in an informal basis but it does not carry out responsibilities on behalf of the Council or its Committees and is entirely separate from the Council's formal Committee structure and Scheme of Administration. Its Members believe that it has a track record in developing consensus to assist the Council's approach to its annual budgeting processes.
- 4.3 On 10 November 2016, the Chief Executive received intimation of the SNP Group withdrawal from the MBWG and the Strategic Leadership Forum. The withdrawal from the MBWG was reported to its meeting on 20 December 2016 and it was the decision of the MBWG to continue to meet for the purposes, set out above, to assist effective engagement for the majority of the political groups within the Council for purposes of budget development.
- 4.4 It is this Council's commitment to ensure that all relevant, impartial advice on budget issues is available to all Groups. The practical effect of the withdrawal from the MBWG means that the SNP Group will have normal, unrestricted access to all relevant budget background information and access to briefing with senior Officers. As non-participants in the MBWG for the future, the SNP representation will not, however, have access to the MBWG reports. The advantage of the MBWG for Officer liaison includes benefits in terms of time and information management in relation to the provision of impartial advice but this is a matter that will now be dealt with separately through the provision to the SNP Group of relevant budget background information and access to briefings with senior Officers on budget issues. In summary, there will be no information deficit caused by the non-availability of MBWG papers to the MBWG's non-participants.
- 4.5 The SNP Group withdrawal from the Strategic Leadership Forum is a separate matter but this is a high-level political working group within the Council and is outwith the formal Committee processes and Scheme of Administration. It is within the discretion of any political group or any Group leader to choose to attend or not to attend the Strategic Leadership Forum: the absence of one political Group has an obvious potential impact on consensus-working for any relevant item that may be on the Forum's agenda. However, this is an issue of political management and individual choice for any Group or group leader.

## 5.0 IMPLICATIONS

### Finance

- 5.1 There are no financial implications.

Financial Implications:

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report | Virement From | Other Comments |
|-------------|----------------|--------------|----------------------------|---------------|----------------|
| n/a         | n/a            | n/a          | n/a                        | n/a           | n/a            |

## Annually Recurring Costs/ (Savings)

| <b>Cost Centre</b> | <b>Budget Heading</b> | <b>With Effect from</b> | <b>Annual Net Impact</b> | <b>Virement From (if Applicable)</b> | <b>Other Comments</b> |
|--------------------|-----------------------|-------------------------|--------------------------|--------------------------------------|-----------------------|
| n/a                | n/a                   | n/a                     | n/a                      | n/a                                  | n/a                   |

### **Legal**

- 5.2 The MBWG and the Strategic Leadership Forum are not comprised within the Council's formal Committee process or Scheme of Administration. Both Groups are informal Working Groups of the Council.

### **Human Resources**

- 5.3 None.

### **Equalities**

- 5.4 None.

### **Repopulation**

- 5.5 There are no direct repopulation implications.

## **6.0 CONSULTATIONS**

- 6.1 The CMT has been consulted in the preparation of this report.

## **7.0 LIST OF BACKGROUND PAPERS**

- 7.1 There are no background papers.

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|                         |   |                    |                         |
|-------------------------|---|--------------------|-------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b> | <b>Date:</b>       | <b>31 January, 2017</b> |
| <b>Report By:</b>       | <b>Chief Financial Officer</b>          | <b>Report No:</b>  | <b>FIN/09/17/AP/CM</b>  |
| <b>Contact Officer:</b> | <b>Alan Puckrin</b>                     | <b>Contact No:</b> | <b>01475 712223</b>     |
| <b>Subject:</b>         | <b>2017/18 Funding Settlement</b>       |                    |                         |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee of the detail of the Council's draft Funding Settlement for 2017/18 and to highlight the implications to be considered at the Council meeting on 16 February, 2017.

## 2.0 SUMMARY

- 2.1 The Scottish Government announced the Draft 2017/18 Budget on 15 December and within this was the Local Government Settlement including individual Council draft funding figures for 2017/18.
- 2.2 Overall core Local Government funding has been reduced and whilst other funding has been announced for Schools, Integrated Joint Boards and Councils are retaining the extra income coming from the national changes to the Council Tax multipliers, it has been acknowledged by external commentators that Local Government received a relatively poor settlement compared to most other Sectors.
- 2.3 There are conditions attached to the settlement around the need to maintain teacher numbers, provide opportunities for teacher probationers and not increasing Council Tax beyond 3%. It is not clear what sanctions would be applied if these conditions were breached. The letter from the Cabinet Secretary for Finance and the Constitution and the initial response from the Council Leader are attached as Appendices 1 and 2.
- 2.4 Based on the figures announced and taking into account subsequent corrections made to the Government's figures, Inverclyde received an estimated £6.812million reduction in General Revenue Grant/NDR Income when compared to 2016/17. This is partially offset by a projected £1.14million increase in Council Tax due to the increase in Band E–H Council Tax levels. This means a like for like reduction in core cash funding of £5.672million as set out in Appendix 3.
- 2.5 The Council has been advised that it will receive £2.464million from the £120million National Attainment Fund. Exact details as to how this will be distributed and what it can be spent on are awaited however the Government has stated that this funding cannot be used to substitute for existing funding. This will therefore increase pressure on remaining areas of the Council budget to absorb the like for like cash funding cut.
- 2.6 Out with the Local Government Settlement, £107million has been allocated to IJBs as part of the Health Budget. The guidance from the Scottish Government is that up to £80million of this can be used to reduce Council contributions to the IJB. Proposals in this regard will be considered as part of the overall Budget on 16 February.
- 2.7 Officers are refining the 2017/18 budget figures and will present the latest 2017/19 Budget position to the Council on 16 February taking into account the approved Strategy of using Reserves to meet any Revenue Budget funding gap in 2017/18.

2.8 The Council received £922,000 more in General Capital Grant in 2017/18 than previously estimated in addition to £960,000 Flooding Grant for previously approved projects. This gives the Council £9.182million Capital Grant in 2017/18. It should be noted that the £1.443million temporarily removed from the Council's 2016/17 allocation by the Government is due to be returned over 2018/20. Proposals for a 2017/20 Capital Programme will be presented to the Council meeting on 16 February.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Council note the Draft Funding settlement received from the Scottish Government for 2017/18 and that the Council will decide at its meeting on 16 February whether to accept the offer from the Scottish Government.
- 3.2 It is recommended that the Committee note that detailed report on the latest position of the Revenue and Capital Budgets will be presented to the Council meeting on 16 February, 2017.

**Alan Puckrin**  
**Chief Financial Officer**

## **4.0 BACKGROUND**

- 4.1 The Scottish Government announced the Draft 2017/18 Budget on 15 December and within this was the Local Government Settlement including individual Council draft funding figures for 2017/18.
- 4.2 The Local Government Finance (Scotland) Order 2017 will be considered by the Scottish Parliament in late February and it is only after this point that final allocations will be confirmed.

## **5.0 SETTLEMENT DETAILS**

- 5.1 The Government circular advises that the overall Revenue Grant Settlement for Local Government reduced by £265 million in cash terms between 2016/17 and 2017/18. Local Government received the largest reduction in funding of all areas of the Scottish Budget with a real terms grant reduction of between 4.5%-5.8% based on analysis carried out by SPICe (Scottish Parliament Information Centre).
- 5.2 The real terms cut is partially offset by Councils being able to retain the extra Council Tax income generated by the increase in Band E-H Council Tax multipliers and by a further £107million funding being allocated to IJBs as part of the Health settlement out of which Councils have been advised they can use £80million to reduce contributions to the IJB.
- 5.3 There are conditions attached to the settlement around the need to maintain teacher numbers, provide opportunities for teacher probationers and not increasing Council Tax beyond 3%. It is not clear what sanctions would be applied if these conditions were breached. The full letter from the Cabinet Secretary for Finance and the Constitution detailing the settlement and the initial response from the Council Leader are attached as Appendices 1 and 2.
- 5.4 Appendix 3 shows the position for Inverclyde Council from which it can be seen that the reduction in General Revenue Grant plus NDR Income between 2016/17 and 2017/18 is £6.812million (4.16%). This is before adding back an estimated £1.14million of increased Council Tax arising from the increase in Band E-H multipliers. Once this has been netted off, the cash funding reduction is £5.672million.
- 5.5 The Council has been advised that it will receive £2.464million from the £120million National Attainment Fund. Exact details as to how this will be distributed and what it can be spent on are awaited however the Government has stated that this funding cannot be used to substitute for existing funding. This will therefore increase pressure on remaining areas of the Council budget to absorb the like for like cut in cash funding.
- 5.6 The net funding reduction is approximately £2.87million greater than had been factored into the Budget Strategy and officers are refining figures and developing proposals to reduce the funding shortfall however, in line with the approved Budget Strategy, a significant level of Reserves will be needed to be used on a one off basis in 2017/18 to deliver a balanced budget.
- 5.7 The Committee is asked to note that this report only deals with the funding part of the Council budget. On the expenditure side there are increased costs associated with Pay Awards, Living Wage, Auto enrolment, Apprenticeship Levy, increases in demand for services and general inflation which require to be funded from a reduced funding settlement.
- 5.8 The Council received £922,000 more in General Capital Grant in 2017/18 than previously estimated in addition to £960,000 Flooding Grant for previously approved projects. This gives the Council £9.182million Capital Grant in 2017/18. It should be noted that the £1.443million temporarily removed from the Council's 2016/17 allocation by the Government is due to be returned over 2018/20. Proposals for a 2017/20 Capital Programme will be presented to the Council meeting on 16 February

## 6.0 IMPLICATIONS

### 6.1 Finance

The 2017/18 Revenue and 2017/20Capital Budgets will be considered by the Council on 16 February, 2017. As part of this meeting, the Council will approve the Band D Council Tax level for 2017/18.

#### 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         |                |                  |                        |                               |                |

### 6.2 Legal

There are no legal issues arising from this report.

### 6.3 Human Resources

There are no direct HR issues arising from this report.

### 6.4 Equalities

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.

### 6.5 Repopulation

One factor impacting on Inverclyde's poorer than average settlement is its continued reduction in population. Whilst more recent figures have shown a slowdown in the rate of reduction this will continue to have a negative impact on the Council's overall grant settlement for the foreseeable future.

## 7.0 CONSULTATIONS

7.1 None

## 8.0 LIST OF BACKGROUND PAPERS

8.1 Local Government Finance Circular No 9/2016





T: 0300 244 4000  
E: scottish.ministers@gov.scot

Appendix 1

Councillor David O'Neill  
COSLA President  
Verity House  
19 Haymarket Yards  
Edinburgh  
EH12 5BH

Copy to: The Leaders of all Scottish local authorities

15 December 2016

Dear David

Thank-you to you, Cllr Cook and the COSLA political leadership for participating in negotiations over recent weeks on the shape of the Local Government settlement for 2017-18. I have sought to engage with you and your team on the basis of openness and mutual respect and with the intention of building relationships around shared ambitions for people and communities.

As a result of these negotiations, I am able to set out the package of proposals below which I believe are a fair and reasonable offer that delivers on our shared ambitions. This letter, therefore, contains proposals for the local government finance settlement for 2017-18 resulting from the 2016 Budget process.

While the terms of the settlement have been negotiated through COSLA on behalf of its member councils, the same proposal is being offered to those councils who are represented by the Scottish Local Government Partnership. I believe this proposal opens the way for a new partnership between the Scottish Government and COSLA and, from that, the wider benefits of partnership working, including joint work on public service reform.

The Scottish Government and local government share the same ambitions for stronger communities, a fairer society and a thriving economy. This funding proposal delivers a fair financial settlement for local government, which will be strengthened by our joint working to improve outcomes for local people by improving educational attainment and through health and social care integration.

Following the work of the joint Settlement and Distribution Group, details of the indicative allocations to individual local authorities for 2017-18 are also being published today as set out in Local Government Finance Circular No. 9/2016.

I have carefully considered the representations made to me by COSLA and this is reflected in the detail of the settlement and the package of measures included in this letter.

My aim throughout our extensive discussions has been to reach an agreement with councils around the implementation of these commitments. I now invite local authorities to agree the terms of the settlement which are set out below.

Under the settlement we will look to all local authorities to work in partnership with the Scottish Government in pursuit of our Joint Priorities, including delivery of the Government's programme as set out in *A Plan For Scotland: The Scottish Government's Programme For Scotland 2016-17* published on 6 September and the *Draft Budget 2017-18*.

Renewing our partnership approach will enable close working on public service reform building on recent joint political and joint officer discussions.

On key priorities and following consideration of specific points you have raised I propose the following:

### **Public Service Reform**

As an essential partner in the delivery of public services, the Cabinet sub-committee on Public Service Reform prioritised early discussion with COSLA to explore how we might work together around our shared priorities of health & social care, education attainment & governance, tackling inequalities & inclusive growth and enterprise, innovation, skills & employability. This political engagement and the productive discussions which followed at official level, including SOLACE, is an example of what we can achieve through a re-setting of partnership working at national level.

The Cabinet sub-committee anticipates further dialogue with COSLA on these emerging themes early in the New Year.

### **Health and Social Care**

In 2017-18 an additional £107 million will be transferred from NHS Boards to Integration Authorities to protect our collective investment in social care. Of which, £100 million will support continued delivery of the Living Wage, sleepovers and sustainability in the care sector, and £7 million to disregarding the value of war pensions from financial assessments for social care and pre-implementation work in respect of the new carers legislation. This is additional to the £250 million added in the 2016-17 budget, bringing the total support available from the NHS through Integration Authorities to protect social care to £357 million. NHS contributions to Integration Authorities for delegated health functions will be maintained at least at 2016-17 cash levels. The provision included for sleepovers (£10 million) will be reviewed in year to consider its adequacy, with a commitment to discuss and agree how any shortfall should be addressed. To reflect this additional support local authorities will be able to adjust their allocations to integration authorities in 2017-18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016-17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). Taken together, these measures will enable Integration Authorities to ensure the collective overall level of funding for social care is maintained at £8 billion. I am sure you would agree that that would be a significant achievement and reflects the shared priorities of local government, the NHS and the Scottish Government.



## **Education (including the Attainment Fund)**

I have considered the representations made on the Scottish Government proposals to adjust the local government settlement to pave the way for an additional £100 million investment per year, generated through reform of council tax, to go directly to schools to close the gap in the educational attainment of young people from Scotland's most and least deprived areas.

I can now confirm that provision for the additional funding to meet our commitments on the Attainment Fund will be met directly from the resources available to the Scottish Government at a national level, rather than from an adjustment to the local government finance settlement.

As the next step towards investing £750 million over the life of this Parliament we will go further than our manifesto commitment and will increase the additional resource to be made available directly to schools through the Attainment Scotland Fund from £100 million to £120 million in 2017-18. This will be paid as a ring fenced grant and distributed on the basis of P1 to S3 pupils known to be eligible for free school meals, as part of the local government settlement.

It is a condition of this agreement that this funding is additional to each council's individual spending on schools rather than substitutional and is to be used at the discretion of schools to close the attainment gap between children from the least and most deprived areas within their communities. This is on top of the existing £50 million Attainment Scotland funding that will continue to provide targeted support for those authorities and schools supporting children and young people in greatest need.

In addition, we will continue to require local authorities to maintain the overall pupil:teacher ratio at 2016-17 levels as reported in the Summary of School Statistics published on 13 December 2016, and secure places for all probationers who require one under the teacher induction scheme. This is supported by a continued funding package of £88 million, made up of £51 million to maintain teacher numbers and £37 million to support the teacher induction scheme.

As previously made clear, all of the additional £111 million of Council Tax income raised by the Council Tax banding reforms we have implemented will be retained by each local authority area and, as a result of these decisions, the allocation of that funding will be for councils themselves to take based on their own local needs and priorities.

## **Local Taxation**

2016-17 was the ninth consecutive year of the Council Tax freeze. As we have made clear this will be lifted from 2017-18, when Councils will have greater flexibility and may choose to increase Council Tax by up to a maximum of 3%. This local discretion will preserve the financial accountability of local government, whilst also potentially generating up to £70 million to support services.

Our reforms of Council Tax are only the first steps, and the Scottish Government is fully committed to further engagement with COSLA as we seek to make local taxation as a whole fair and progressive. We will work with COSLA to consider your objectives for local tax reform as set out in the Local Government Funding Review.

We will also deliver our commitment for local government to retain the net incomes from the Crown Estate for the benefit of island and coastal communities. In addition we will explore with authorities other opportunities for the development of fair and equitable local taxation that supports economic growth and public services.

## Overall Settlement

As a result of the measures above, the total revenue funding for 2017-18 will be £9,496.4 million, which includes non-domestic rates incomes in 2017-18 of £2,605.8 million.

Capital funding is set at £756.5 million and delivers on our agreed commitment to maintain the local government share of the overall Scottish Government capital budget. I can also reaffirm the commitment to repay £150 million of re-profiled 2016-17 capital with an additional allocation in the period 2018-20.

The total funding which the Scottish Government will provide to local government in 2017-18 through the settlement, including the £120 million of additional support for educational attainment, is £10,252.9 million.

This is a fair settlement for Local Government.

With the addition of the real spending power that comes from the opportunity to raise up to an additional £181 million from Council Tax plus an additional £107 million to support the integration of Health and Social Care, the total spending power available to local authorities from the Scottish Government, and through local taxation will be up to £10,541 million, a total of £241 million more than was available in 2016-17, an increase of around 2.3%.

The difference between the figures reported in the Draft Budget in 2016-17 and 2017-18 will be potential spending on local government services of an increase of £266.8 million, or 2.6%.

In return for this settlement and in pursuit of our Joint Priorities, individual local authorities will deliver the specific commitments set out above.

## Engagement

In line with our partnership approach we will work jointly with local government to support delivery of these commitments and undertake a review to monitor progress at an agreed mid-point in the year.

The measures set out in the settlement offer must be viewed as a package to protect our shared priorities and intensify a journey of reform. In order to access all of the benefits involved, including those priorities supported by specific financial benefits, local authorities must agree to deliver all of the measures set out in the package and will not be able to select elements of the package.

Any individual authority not intending to agree the offer and accept the full package of measures and benefits should write to me by no later than **Friday 13 January 2017**. For those authorities not agreeing the offer a revised, and inevitably less favourable, offer will be made.



Local government is essential to the health, wellbeing and prosperity of every community in Scotland. The Scottish Government are committed to work together in partnership with local authorities to do all that we can to support local authorities to ensure that the full package of agreed measures is delivered.



**DEREK MACKAY**

**Councillor Stephen McCabe**  
**Ward 1 – Inverclyde East**  
Municipal Buildings  
Greenock  
PA15 1LX

**Inverclyde**  
council

**Leader of the Council**

**Appendix 2**

Mr Derek MacKay MSP  
Cabinet Secretary for Finance and  
the Constitution  
St Andrew's House  
Regent Road  
EDINBURGH  
EH1 3DG

Direct Line: 01475 712727  
Fax: 01475 712976  
Email: stephen.mccabe@inverclyde.gov.uk  
Our Ref: SMcC/dr  
Your Ref:  
Date: 21 December 2016

Dear Derek

I am writing regarding your local government settlement 'offer'.

I have carefully listened to the 'spin' being applied to the narrative around your draft budget and it is quite frankly smoke and mirrors.

Your 'offer' involves local government receiving a like for like revenue cut of over £350 million despite your own budget increasing. That cut means a reduction in grant of approximately £6.8 million for Inverclyde Council. This comes on the back of a £350 million cut to local government in last year's budget and it is unsustainable for local government to receive year on year cuts on this scale without there being serious implications for public services and jobs.

Attempts to 'double count' health and social care monies by including them in both the health and local government settlements, including the council tax multiplier changes in the settlement figure when the additional income from this comes directly from council tax payers and not from the Scottish Government and making the assumption that councils will increase council tax by 3%, when you have refused to use your own tax powers, and also include that figure in the settlement, does not negate the fact that your draft budget includes a significant cut to councils.

After factoring in provision for a 1% Pay Award, General Inflation, Apprenticeship Levy, Auto-enrolment and unavoidable pressures, the Council needs to find savings of £8.7 million even after factoring in the Council Tax multiplier changes income. This represents the practical reality of your Local Government funding settlement. This will have a serious impact for communities throughout Inverclyde which cannot be masked by 'spin'.

You have sought confirmation that any individual authority not intending to accept your settlement 'offer' should write to you no later than Friday 13 January 2017. As you will appreciate, in the same way that Parliament still requires to approve the Government's draft budget, Inverclyde Council still require to consider the full financial implications of the settlement and approve its 2017/18 budget. I appreciate that I only need to respond to you if Inverclyde Council intends not to accept the offer. However, our current position is that until the facts, figures and impact are finalised, and until Council and Parliament have exercised their democratic mandates to set their budgets, I neither accept nor reject your 'offer'.

I trust that this makes our position clear.

Yours sincerely

  
Councillor Stephen McCabe  
Leader of the Council



**2017/18 Funding Settlement**  
**Like for Like Comparison**

|  | £m             | Notes                       |
|--|----------------|-----------------------------|
| General Revenue Grant                              | 134.586        | Per Circular                |
| Non-Domestic Rates                                 | 20.804         | Per Circular                |
|  | <u>155.390</u> |                             |
| <br><u>Add=Estimated Funding to be Distributed</u> |                |                             |
| Discretionary Housing Payments                     | 0.668          | 2016/17 Sum - Note 1        |
| Council Tax Reduction-Held back                    | 0.683          | Based on 1.9% Share         |
|  | <u>156.741</u> |                             |
| Equivalent Figure for 2016/17                      | 163.553        |                             |
| Reduction in Government Grant                      | (6.812)        | Excludes Ring Fenced Grants |
| Add = Impact of Band E-H Changes                   | 1.140          | Net of CTR                  |
|  | <u>(5.672)</u> | Notes 2/3                   |

Notes

- 1 Excludes Council share of funding previously met by DWP. In 2016/17 this amounted to £232,000. There is also new funding of £22.5 million for Temporary Accommodation transferred from DWP not yet allocated.
- 2 Excludes additional funding of £80 million allocated to IJB which Councils can access. Council share to be confirmed but estimated to be £1.42 million.
- 3 In addition there is £2.464 million for Attainment allocated to schools. This cannot be used to substitute existing spend and therefore does not help offset other pressures.

AP/LA  
10/01/2017

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|                         |  |                    |                        |
|-------------------------|--|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>                          | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Chief Financial Officer</b>                                   | <b>Report No:</b>  | <b>FIN/01/17/AP/LA</b> |
| <b>Contact Officer:</b> | <b>Alan Puckrin</b>  | <b>Contact No:</b> | <b>01475 712223</b>    |
| <b>Subject:</b>         | <b>Local Government in Scotland – Financial Overview 2015/16</b> |                    |                        |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to highlight the Accounts Commission report, Local Government in Scotland – Financial Overview 2015/16 which was issued at the end of November 2016 and to ask the Committee to consider the matters raised in Appendix 2.

## 2.0 SUMMARY

- 2.1 The Accounts Commission has issued a Local Government Overview report for many years however this year has departed from usual practice by issuing the financial aspects of the report at an earlier date to allow Members to take these matters into account when considering future years budgets.
- 2.2 The main messages from the Financial Overview report are that overall Councils are in reasonable financial health and that for the fifth year in a row there are no qualifications to the Annual Accounts submitted by Scotland's Councils. The report recognises the major challenges that lie ahead for Councils and stresses the need for strong budgetary control and medium/longer term financial strategies to be in place.
- 2.3 The document contains various questions for Councillors to consider and these have been consolidated into Appendix 2 of this report with assessments of where Inverclyde Council is having been completed by the Corporate Management Team.
- 2.4 Within the report there are a number of useful exhibits which have been derived from the 2015/16 Annual Accounts and there are a number which are drawn to the Committee's attention namely:
- a) Council Debt - Exhibits 10, 11 and 12 provide useful information in respect of the Council's total debt and the impact this has on the percentage of income used to service debt. It can be seen from exhibit 12 that the Council spends approximately 12.2% of its revenue income on financing debt which is the 9<sup>th</sup> highest ranked percentage in Scotland.
  - b) Reserves – Exhibit 15 shows that Inverclyde has the second highest percentage of reserves when compared to income however as has been extensively reported in the past the vast majority of this is earmarked for specific projects. Members will consider the application of reserves as part of the 2017/18 budget approval in February 2017. It is worth highlighting paragraph 84 of the document which shows that up to 13 Councils in Scotland at the time of the study would not have sufficient reserves to cover the funding gap for the period 2017/19.
- 2.5 Overall the report provides a helpful analysis and presents a number of matters for the Committee to consider.



### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the contents of the Accounts Commission report, Local Government in Scotland – Financial Overview 2015/16.
- 3.2 It is recommended that the Committee approve the assessment contained in Appendix 2 to this report and note that officers will progress any actions identified as part of improving the Council's approach to financial management and financial planning.

**Alan Puckrin**  
**Chief Financial Officer**

## **4.0 BACKGROUND**

- 4.1 The Accounts Commission has issued a Local Government overview report covering financial and other related matters each spring for many years. This year in a departure from past practice the Accounts Commission have issued a separate report prior to Christmas providing a financial overview based on the 2015/16 Annual Accounts. The intention of doing this is to provide up to date financial comparative information to Councillors for consideration prior to setting the next years budget.

## **5.0 MAIN ISSUES HIGHLIGHTED IN THE REPORT**

- 5.1 The report concludes that the overall financial health of Councils is good and that for the fifth year in a row no Council's accounts have been qualified.
- 5.2 The report does however highlight the significant budget challenges faced by Councils both in terms of decreasing resources and increasing demand and stresses the need for Councils to have strong budgetary control and robust medium/longer term financial management strategies in place.
- 5.3 The report brings out a number of significant issues in terms of the makeup of Council budgets which Members require to consider prior to approving future years' budgets. This includes the level of debt held by the Council and the resultant financing costs, the level of reserves (both free and earmarked) and the funding makeup of Council budgets.
- 5.4 Whilst the report recognises that it is less than ideal that Councils have for the last 2 years received single year funding settlements it stresses that this cannot be used as a reason for Councils not preparing medium to longer term financial strategies. Within Inverclyde Council multiyear financial strategies have been prepared since 2008 and multiyear budgets of up to 3 years have also been approved by the Council over this period.
- 5.5 The report contains a number of tables drawn from the 2015/16 Annual Accounts and within these Inverclyde Council's position in comparison to other Councils can be seen.
- 5.6 It can be seen from exhibits 10 to 12 that Inverclyde Council has the highest level of General Fund debt in comparison to its income streams when compared to other Councils. This in itself is not a matter for concern provided the Council's financing costs remain affordable. Based on the 2015/16 Annual Accounts the financing costs make up 12.2% of the overall income stream which ranks Inverclyde 9<sup>th</sup> in Scotland. As has been highlighted in the Financial Strategy it is important that future Capital Programmes are largely, if not fully, funded from either Government Grants or receipts because as Council funding continues to be put under pressure it is not sustainable for an increasing percentage of the Council's budget to be allocated to financing costs.
- 5.7 The other area where the Council features prominently is in reserves where Inverclyde has the second highest percentage of General Fund Reserves compared to its overall income. The level and use of the Council reserves is reported on a regular basis both as part of the budget process and throughout the year. The Council's Reserve Strategy is reviewed on a 3 yearly basis and was last approved in the summer of 2016. The Committee is asked to note that well over 90% of the Council's reserves are earmarked for specific purposes with about £4.3 million at today's date classed as free reserves which is only approximately £0.5 million above the recommended minimum.
- 5.8 The important point made however in the report and which has been reported by the Chief Financial Officer to Members is that the use of reserves to balance the revenue budget is not sustainable and can only be done if supported by an agreed robust plan to implement ongoing revenue savings in future years.

## 6.0 QUESTIONS FOR COUNCILLORS

6.1 Appendix 2 contains questions which Councillors have been asked to consider by the Accounts Commission. The Corporate Management Team has reviewed the questions asked and has drafted a position statement from its perspective. The Committee is asked to consider the contents of Appendix 2 and either make changes or approve the position and associated actions.

## 7.0 IMPLICATIONS

### 7.1 Finance

#### 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         |                |                  |                        |                               |                |

### 7.2 Legal

There are no legal issues arising from this report.

### 7.3 Human Resources

There are no HR issues arising from this report.

### 7.4 Equalities

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.

### 7.5 Repopulation

There are no repopulations issues arising from this report.

## 8.0 CONSULTATIONS

8.1 The Corporate Management Team has reviewed the Accounts Commission report and the associated covering report and has approved the report's contents.

## **9.0 LIST OF BACKGROUND PAPERS**

9.1 None.

Local government in Scotland

# Financial overview 2015/16



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
November 2016


# 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](http://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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## Links

 PDF download

 Web link

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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.

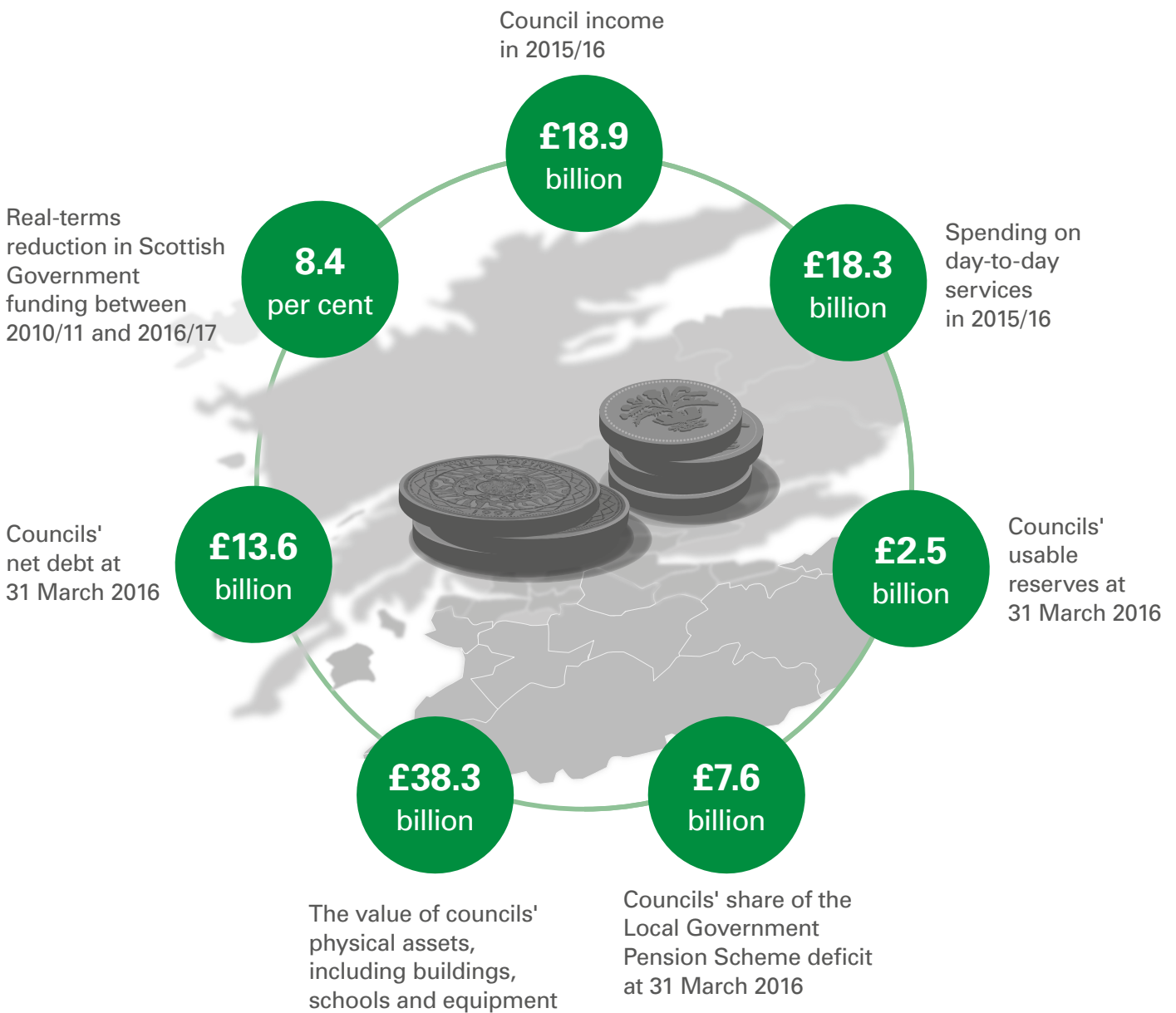
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These question mark icons appear throughout this report and represent questions for councillors.

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# Key facts






# Chair's introduction



This financial report is the first of our new overview outputs. It tells the strategic financial story for local government in Scotland in 2015/16, another challenging year for councils. Overall, councils responded well by controlling their spending and have also increased reserves and reduced debt. Scottish Government funding has fallen in real terms in recent years and, although there was a small annual real-terms increase in 2015/16, it fell again in 2016/17. Councils also continue to face cost pressures, including increasing pension costs and wage inflation. We recognise councils have been making difficult decisions when setting their budgets and that this has required a disciplined approach to delivering savings. This disciplined approach must continue when we move into the 2017 election year, as significant challenges lie ahead and councils need to be well placed to meet them.


In anticipation of reductions in future Scottish Government funding, most councils have continued to increase their reserves. Councils must consider how and when reserves are used to support services, in line with their financial plans and reserves policies, as they can only be used once and relying on them is not sustainable. All councils have identified future funding gaps that will need to be addressed through making savings or using reserves. How well placed individual councils are to address these funding gaps is a combination of the relative size of the funding gap, the reserves they hold, and their ability to identify and make savings and to service debt.

Financial scrutiny and transparency in financial reporting are themes that recur throughout this report. Under the new [Code of Audit Practice 2016](#) , auditors will comment on the financial sustainability of councils. It is important that all councils have long-term financial strategies in place that support their strategic priorities, underpinned by more detailed financial plans and indicative budgets that cover the next three to five years. These will help councillors and officers assess the impact of approved spending on their current and future financial position.

## Our new approach to overview reporting

This year, we have developed our approach to overview reporting for local government into a series of outputs throughout the year. We will examine the performance of council services and the challenges facing councils in our upcoming overview report in March 2017, but hope that the links between good financial and service performance remain clear.

We are publishing this analysis of the 2015/16 accounts and audit findings a few months earlier than usual, so that they can be considered by councils and councillors when setting their 2017/18 budgets. In addition to this report and the accompanying supplements, an interactive exhibit and additional financial

information are available on our [website](#) . These will allow council officers and councillors to look at areas that may be of particular interest to them and to compare their council with others.

I hope this report and the supplementary information prove to be informative and help shed light on the complex nature of local government finances. We welcome feedback and will use this to inform our approach to overview reporting in future years.

**Douglas Sinclair**  
Chair of Accounts Commission

# Summary



## Key messages

- 1** The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's councils and, for the fifth year in a row, issued unqualified opinions on councils' accounts.
- 2** Significant challenges for local government finance lie ahead. Councils' budgets are under increasing pressure from a long-term decline in funding, rising demand for services and increasing costs, such as pensions. There is variation in how these pressures are affecting individual councils, with some overspending their total budgets or budgets for individual services such as social care. It is important that councils have effective budgetary control arrangements in place to minimise unplanned budget variances that can affect their financial position.
- 3** Councils need to change the way they work to deal with the financial challenges they face. All councils face future funding gaps that require further savings or a greater use of their reserves. There is variation in how well placed councils are to address these gaps.
- 4** Long-term financial strategies must be in place to ensure council spending is aligned with priorities, and supported by medium-term financial plans and budget forecasts. Even where the Scottish Government only provides councils with one-year financial settlements, this does not diminish the importance of medium and longer-term financial planning. This is necessary to allow councillors and officers to assess and scrutinise the impact of approved spending on future budgets and the sustainability of their council's financial position.

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**councils have managed their finances well but significant challenges lie ahead**

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## About this report


**1.** This report provides a high-level, independent view of councils' financial performance and position in 2015/16. It is aimed primarily at councillors and senior council officers as a source of information and to support them in their complex and demanding roles. It is in two parts:

- **Part 1 (page 9)** focuses on the councils' income and expenditure in 2015/16 and trends over time.
- **Part 2 (page 19)** comments on the financial outlook of councils at the end of 2015/16 and outlines important factors to be considered in assessing future spending plans.

**2.** Throughout this report we present a detailed analysis of councils' finances in 2015/16 and, where appropriate, comparisons over a five-year period (2011/12 to 2015/16). Our primary sources of information are councils' audited accounts and their 2015/16 annual audit reports. We have supplemented this with other information supplied by auditors and councils. This includes budget information collected by auditors shortly after councils approved their 2016/17 budgets and which informed our analysis of councils' projected funding gaps up to 2018/19.

**3.** Where we refer to councils' funding in 2016/17, we use information from the Scottish Government's 2016/17 Local Government financial settlement. Although we do not audit this information, we feel it is important to make appropriate references to funding in the current financial year. Where we have done this, we have analysed trends since 2010/11 when Scottish Government funding peaked.

**4.** We refer to real-terms changes in this report where we are showing financial information from past and future years in 2015/16 prices, adjusted for inflation, so that they are comparable to information from councils' 2015/16 accounts. In general we compare income and expenditure items in **Part 1** in real-terms but do not adjust items in **Part 2** as they are adjusted in their preparation.

**5.** Throughout the report, we identify questions that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The questions are also available in **Supplement 1: Self-assessment tool for councillors**  on our website.

**6.** We recognise that complex financial information is often presented differently for different purposes. For example, local finance returns (LFRs), which councils submit to the Scottish Government, present spending information for councils on a different basis from the spending information that councils record in their annual accounts. There are also differences in how funding is recorded in different sources. Alongside this report, we have published a short supplement to explain the main differences in the way financial information is reported. This is included in the self-assessment tool for councillors.

**7.** Accompanying this report, and to facilitate insight and comparisons across the sector, we have provided additional financial information on our website. The information is based on councils' audited accounts. We hope this will be useful for senior council finance officers, their staff and other interested stakeholders.

# Part 1

## Income and spending



### Key messages

- 1** The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's councils and, for the fifth year in a row, issued unqualified opinions on councils' accounts.
- 2** More than half of councils' income comes from the Scottish Government. Councils have experienced a long-term decline in their grant funding from the Scottish Government. This is expected to continue to fall in future, putting greater pressure on budgets.
- 3** Councils have managed their finances well so far in responding to the pressures they face. In 2015/16, 15 councils planned to use some of their reserves to support spending and, across local government, revenue reserves were forecast to decrease. However, only seven councils drew on their reserves and, overall, revenue reserves increased in 2015/16.
- 4** Councils spent £19.5 billion in 2015/16. Spending on providing services remains lower than in 2011/12, but is increasing in key services, most noticeably in social care because of rising demand from an ageing population. Many councils overspent their social care budgets and this poses a risk to their longer-term financial position. Councils need to ensure budgets reflect true spending patterns so that the impact of current spending on their financial position is clearly understood.
- 5** Over and above growing demands on services, councils need to manage other financial pressures such as increasing pension costs and wage inflation. It is essential that councils have long-term financial strategies and plans in place that align with their priorities and are supported by medium-term financial plans and budget forecasts.

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there has been a long-term decline in grant funding to councils, this is to continue

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### All councils received an unqualified audit opinion on their 2015/16 accounts but they can better use their accounts to explain financial performance

- 8.** The overall financial health of local government was generally good in 2015/16. All accounts were received on time and, for the fifth consecutive year, auditors issued all of Scotland's 32 councils with a true and fair unqualified audit opinion on their 2015/16 accounts.

**9.** Over two-thirds of councils operated within their budgets and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the short-term financial position of Scotland's councils, but raised a number of concerns about individual councils facing significant funding gaps over the next two to three years.

**10.** For the last two years, councils have produced a management commentary to accompany their annual accounts. These commentaries play an important role in helping readers to better understand the accounts and a council's financial performance. As such, they should include explanations of amounts included in the accounts as well as:

- a description of the council's strategy and business model
- a review of the council's business
- a review of principal risks and uncertainties facing the council
- an outline of the main trends and factors likely to affect the future development, financial performance and financial position of the council.

**11.** The management commentary should concisely present the financial 'story' of a council in an understandable format for a wide audience. Auditors express an opinion on whether the management commentary is consistent with the audited financial statements.

**12.** Analysis of the management commentaries shows variation in how clearly councils explain their financial and general performance. However, there is a general improvement from last year. It is the Commission's view that councillors have an important role in ensuring that the management commentary effectively tells the story of the council's financial performance and can be understood and scrutinised by a wide audience.

### **Scottish Government funding increased in 2015/16 but has reduced significantly over the longer term**

**13.** In 2015/16, councils' total revenue and capital income was £18.9 billion, a real-terms increase of 2.9 per cent since 2014/15. £10.9 billion (57 per cent) of this came from the Scottish Government ([Exhibit 1, page 11](#)). The share of council income coming from the Scottish Government has reduced slightly from 2014/15 (58 per cent), mainly because of a large increase in income from service fees and charges.<sup>1</sup>

**14.** Scottish Government grants are councils' major source of income. Between 2010/11 and 2015/16, Scottish Government funding (combined revenue and capital) for councils reduced in real terms by around £186 million (1.7 per cent) to £10.9 billion.<sup>2</sup> Taking into account 2016/17 funding, councils have experienced a real-terms reduction in funding of 8.4 per cent since 2010/11. This is approximately the same as the reduction in the Scottish Government's total budget over the same period.




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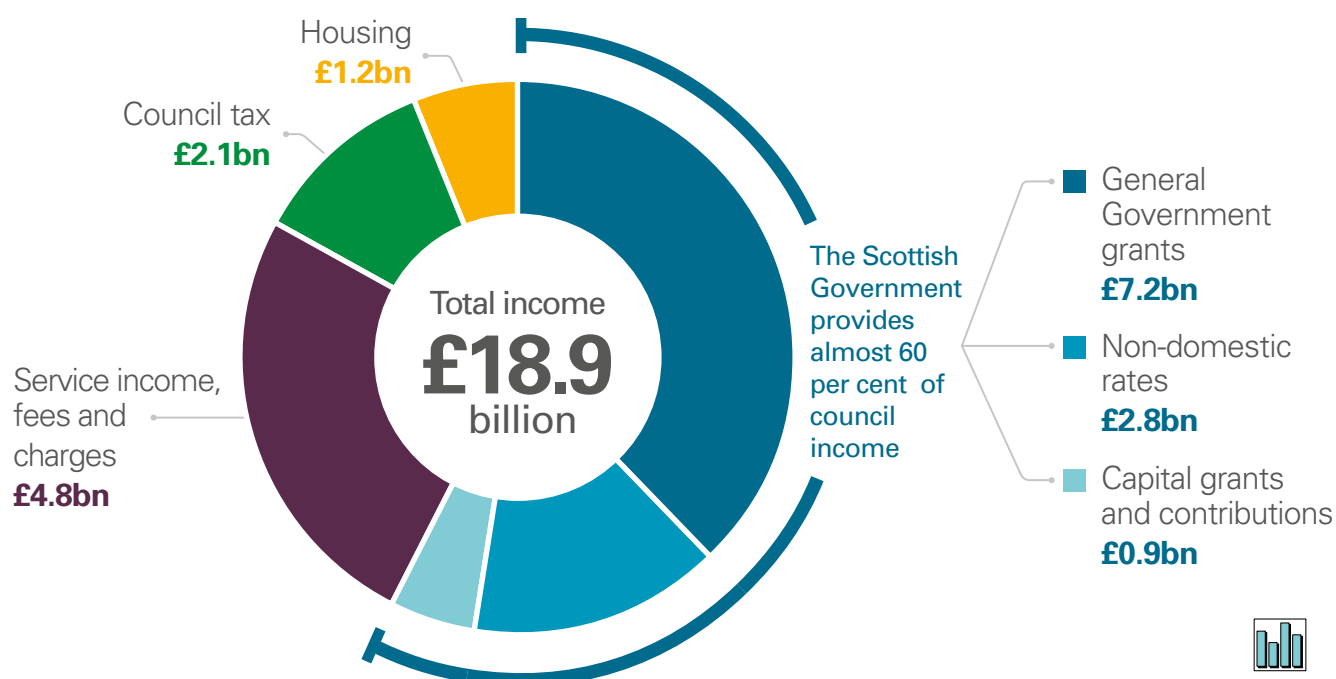
**Does the management commentary section of the annual accounts provide a clear and easily understandable account of the council's finances?**

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## Exhibit 1

### Sources of councils' income in 2015/16

Councils' total income in 2015/16 was £18.9 billion and almost 60 per cent (£10.9 billion) of this came from the Scottish Government.



Notes: 1. Figures have been rounded to one decimal place so the sum of the categories does not exactly match total income. 2. Service income, fees and charges may include specific service-related grants and income such as payments from the Scottish Government, NHS or other councils. It also includes funds returned to councils from Integration Joint Boards. 3. Capital grants and contributions include income from the Scottish Government and others such as central government bodies, National Lottery and the European Union. As the majority is in the form of Scottish Government capital grants, we have included this within income provided by the Scottish Government.

Source: Councils' audited annual accounts, 2015/16

### In 2015/16, councils received a slight increase in revenue funding from the Scottish Government to support the implementation of national policies

**15.** The Scottish Government allocates councils a set amount of revenue funding from both grants and non-domestic rates (NDR). In 2015/16, this amounted to £10.0 billion. This represents a real-terms annual increase of 1.1 per cent but a 2.1 per cent reduction since 2010/11.

**16.** Revenue grants totalled £7.25 billion in 2015/16 and included: £560 million for continuing to freeze council tax at 2007/08 levels; around £350 million to replace council tax benefit previously provided by the UK Government; and additional funding for implementing other Scottish Government policies, such as maintaining teacher numbers and pupil to teacher ratios. In their accounts, councils record income from Scottish Government funding differently from how it is allocated ([Supplement 1: Self-assessment tool for councillors](#)). As a result, councils' accounts show income from Scottish Government general revenue grants of £7.2 billion in 2015/16. This represents a real-terms reduction in councils' income of £38.0 million since 2014/15.

**17.** An increasing proportion of revenue funding is coming from NDR (29 per cent in 2015/16 compared to 22 per cent in 2010/11). The increase in NDR income in recent years has not fully offset reductions in revenue grant funding.

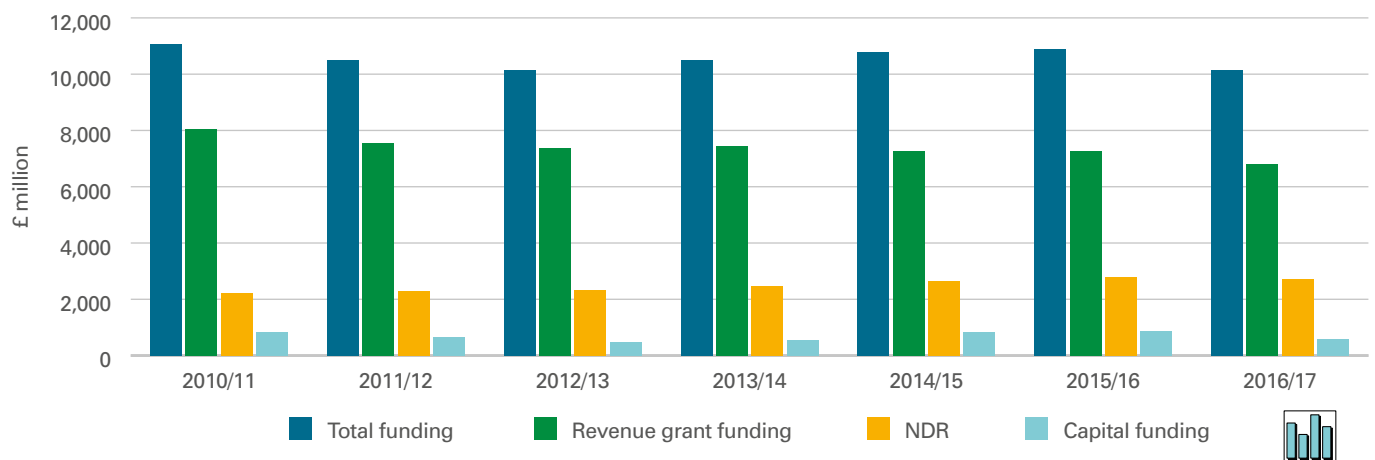
### Scottish Government revenue funding fell by almost seven per cent between 2010/11 and 2016/17, and further reductions are expected

**18.** In 2016/17, Scottish Government grant funding has fallen by £489 million to £9.6 billion. This is a greater reduction than in previous years and represents a real-terms annual reduction in revenue grant of 5.9 per cent and NDR of 2.2 per cent. Since 2010/11, combined revenue funding has fallen by 6.8 per cent ([Exhibit 2](#)).

## Exhibit 2

### Scottish Government funding to councils from 2010/11 to 2016/17, at 2015/16 prices

Councils are experiencing a long-term reduction in revenue funding.



#### Notes:

1. Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013. From 2013/14, revenue funding includes payments for council tax reduction, replacing council tax benefit previously coming from the UK Government. We have also adjusted these figures for specific elements of the local government settlement relating to adjustments for police and fire pensions.
2. Since 2013/14, Scottish Government revenue funding has included payments of around £350 million per year to fund council tax reductions, replacing council tax benefit which previously came from the UK Government.
3. The 2016/17 figures do not include £250 million the Scottish Government allocated to health and social care integration authorities specifically for social care. This is an allocation from the Scottish Government health budget to NHS boards, rather than councils. The NHS boards will allocate this funding to the integration authorities.

Source: Local Government Finance Circulars 2011-16, Scottish Government

**19.** Councils expect revenue funding to decrease in future years, although the extent of this is not clear as, the Scottish Government has provided councils with one-year funding settlements in 2015/16 and 2016/17. Councils contend that this constrains their ability to develop meaningful long-term financial strategies and medium-term financial plans. However, the challenging financial environment further strengthens the case for councils taking a long-term view of their finances [Part 2 \(page 19\)](#). There should be clear links between financial strategies and plans and councils' strategic priorities to provide a basis for decision-making.

### Income from NDR and council tax increased in some councils in 2015/16

**20.** In 2015/16, councils received £2.79 billion in NDR income, a real-terms annual increase of £134.3 million (5.1 per cent). Twenty-six councils saw an increase in their NDR income in 2015/16. This ranged from a £12.1 million (16.0 per cent) reduction in Falkirk Council to an increase of £26.5 million (7.3 per cent) in City of Edinburgh Council.



**How do you consider potential changes to income streams and their impact on spending and services as part of medium and long-term planning?**



**21.** Council tax income was £2.1 billion in 2015/16, a real-terms annual increase of £32.3 million (1.6 per cent). With council tax levels being frozen nationally ([paragraph 16](#)), real terms increases and decreases will come about through changes in council tax relief and collection rates, as well as changes in the number of households paying council tax through new housebuilding, empty homes and/or depopulation. Council tax income increased in 29 councils but decreased in real terms in three (Aberdeenshire 1.4 per cent, Argyll and Bute 0.1 per cent and East Lothian 1.7 per cent.)

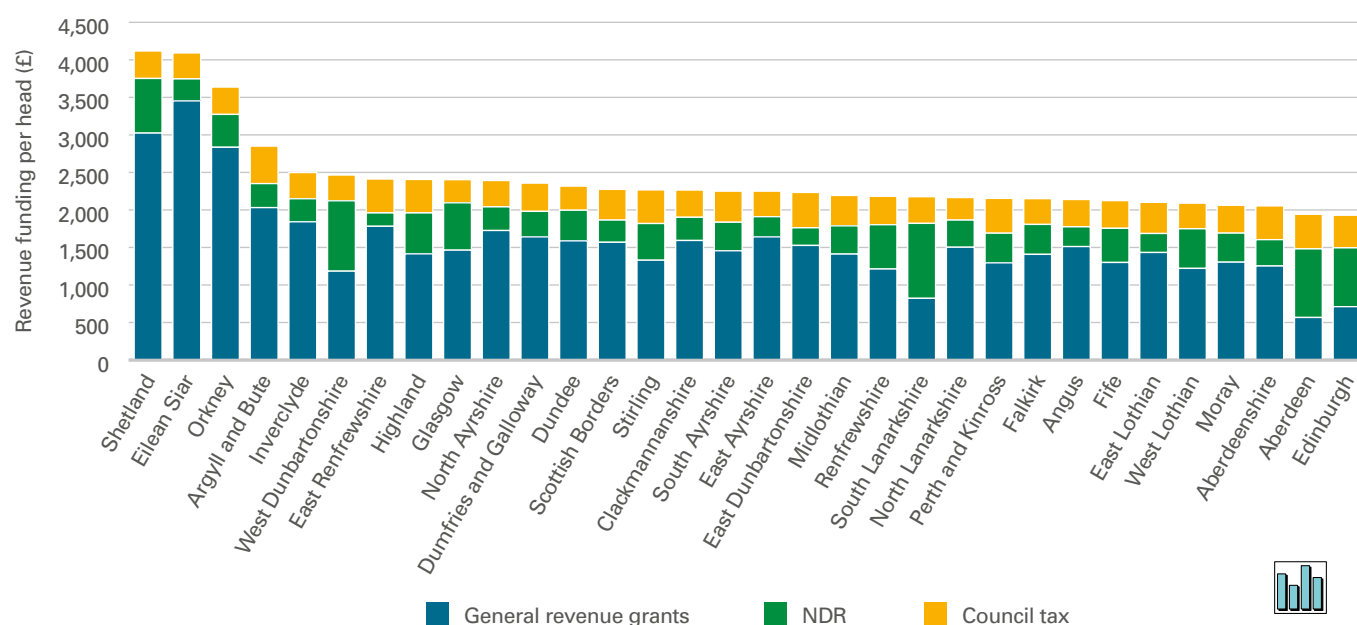
**22.** Councils collected 95.7 per cent of council tax in 2015/16. This was up from 95.3 per cent in 2014/15. Collection rates ranged from 93.6 per cent in Dundee City Council to 98.5 per cent in Perth and Kinross Council. We will look in more detail at councils' performance in collecting council tax and the associated costs in our March 2017 report.

**23.** The funding available to councils from Scottish Government general revenue grants, NDR and council tax varies widely. For Scotland, this equated to £2,232 per person in 2015/16. This is around £14 (0.6 per cent) higher in real terms than in 2014/15 and around £214 (8.8 per cent) lower than in 2011/12. The highest revenue funding per person was in Shetland Islands Council, around £4,118; and the lowest was around £1,928 in City of Edinburgh Council ([Exhibit 3](#)). The variation in funding per head between councils can impact upon both their financial performance and financial position.

### Exhibit 3

#### Revenue funding from general grants and taxation, 2015/16

Revenue funding per head varies significantly by council.



Note: General revenue grant funding allocations for individual councils are decided by a needs-based formula that takes into account a variety of factors including rurality (including an allowance for island authorities) and levels of deprivation.

Source: Councils' audited accounts for 2015/16; and General Registrar of Scotland mid-year population estimate for 2015

### Councils are raising an increasing proportion of their income through fees, charges and specific grants

**24.** Councils' 2015/16 accounts show income from fees and charges and other specific grants income totalled £4.8 billion. In real terms, this was £324.0 million (7.2 per cent) more than in 2014/15 and represents the largest growth area in council income. Service income increased in a number of areas, including education, roads and transport. The most significant increase was within social work and social care services, reflecting how councils have accounted for funds provided by Integration Authorities for delivering services.<sup>3</sup> Service income from other areas, including environmental and planning and development services, fell in real terms.

**25.** Councils' accounts do not show how much of their income is specifically from service charges. In 2013, the Accounts Commission highlighted that councils need to be clear about how their charging policies affect local citizens.<sup>4</sup> Charges should not be set in isolation. Any decision to vary or introduce charges to generate income should take account of the council's priorities. We will be looking at this again in our future work programme.

### Capital income increased in 2015/16, reflecting earlier Scottish Government decisions about capital funding

**26.** In 2015/16, councils' total capital income was £0.9 billion. This represented a real-terms annual increase of £50.4 million (5.8 per cent). £856.3 million of this capital income came from Scottish Government grant funding. Between 2010/11 and 2015/16, capital funding from the Scottish Government increased by three per cent in real terms.

**27.** As part of its 2011/12 Spending Review, the Scottish Government rescheduled some of councils' planned capital grant funding for 2012/13 and 2013/14 by two years. As a result, capital allocations in 2014/15 and 2015/16 were around 50 per cent more than originally planned. Scottish Government capital funding in 2016/17 has fallen to £597.9 million owing to the Scottish Government again rescheduling capital funding (£150 million) to later years.

**28.** When councils borrow, it is mainly to finance assets such as buildings, schools and houses. Councils' current and planned capital expenditure therefore impacts upon what they borrow, their total levels of debt and the level of reserves they hold. In [Part 2 \(page 19\)](#), we examine the financial position of councils and how debt and reserves directly affect this.

### Councils' spending on services increased in 2015/16 but is lower than five years ago

**29.** In 2015/16, councils spent £19.5 billion (revenue and capital). This real-terms increase of £708.9 million on 2014/15 was driven by increased spending in 22 councils. Although councils spent £0.6 billion more than their income, this can be attributed in part to accounting adjustments that councils must make in their annual accounts.

**30.** Councils' spending included pensions and interest on borrowing, but the vast majority (94.2 per cent) was spent on providing services to their communities. At £18.3 billion, this was a real-terms increase of £756.6 million (4.3 per cent) on 2014/15.




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**Is income from fees and charges clearly reported?**

**What increases in fees and charges are planned and how will these affect your citizens? Do you consider local economic impacts?**

**How do your fees and charges compare to other councils?**

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**Is your capital investment programme appropriately funded?**

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**31.** Twenty-six councils own council houses. In 2015/16, these 26 councils spent £1.3 billion on council housing, around 6.5 per cent of total local government spending. This ranged from three per cent of total spending in Shetland Islands Council to 19.2 per cent of spending in Aberdeen City Council.

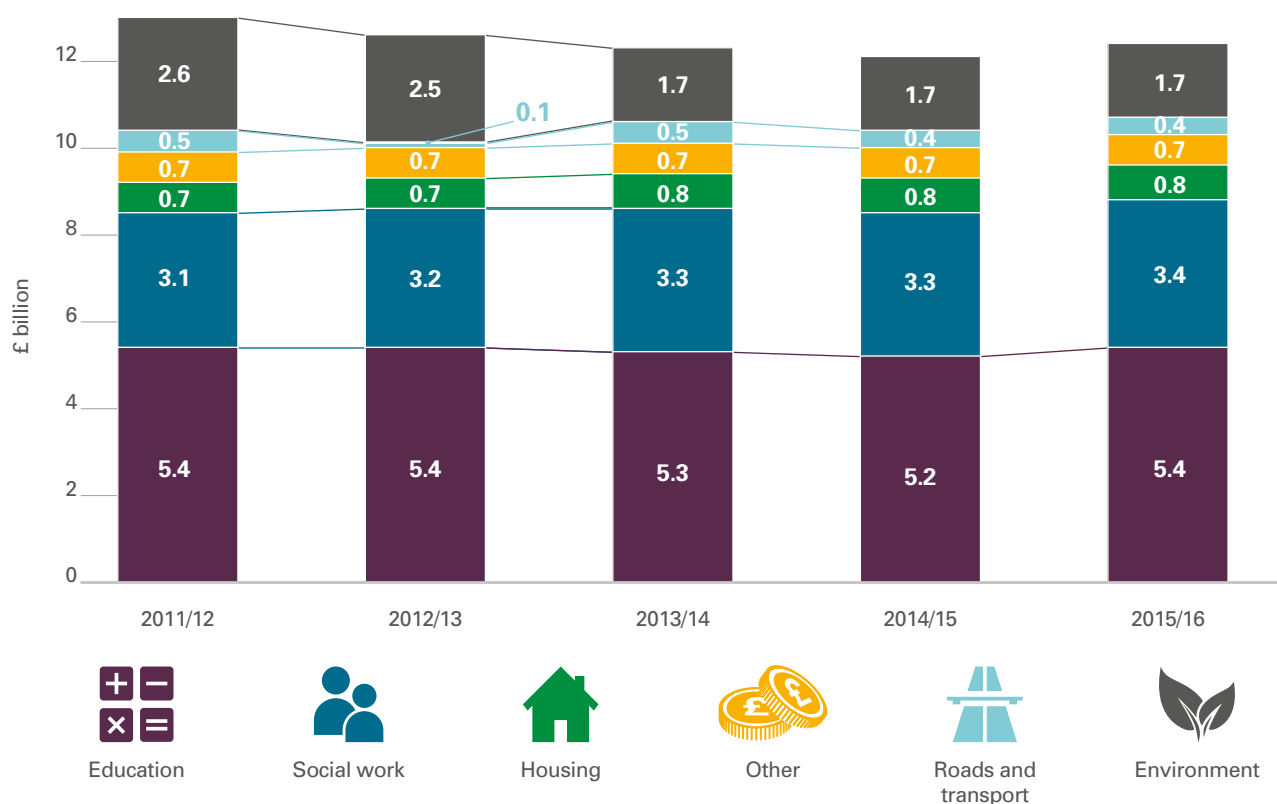
**32.** Overall, council expenditure remains 1.4 per cent lower than in 2011/12. Councils have managed financial pressures by controlling net spending (spending minus service income) over time. However, net service spending in 2015/16 was higher than in 2014/15, at £12.4 billion. The increase in 2015/16 included a real-terms increase of £217.3 million in net spending on education, driven by additional funding from the Scottish Government to support national educational priorities.

**33.** Real-terms spending on other services, such as roads and housing, has been maintained or reduced over time. The exception to this is social work and social care, where net spending has increased by £268 million (8.6 per cent) since 2011/12 ([Exhibit 4](#)). This reflects the increasing demand from a growing elderly population, which presents a huge challenge for both health and social care.<sup>5</sup>

## Exhibit 4

### Council spending on main services, 2011/12 to 2015/16 (at 2015/16 prices)

Councils have reduced or maintained real-terms net spending in a number of service areas, but there have been annual increases within social work.



#### Notes:

1. The figures show net spending, which is the total amount spent less any income from fees, charges or other service income.  
 2. Housing figures include spending from the General Fund (GF) and Housing Revenue Account (HRA).

Source: Councils' audited annual accounts, 2011/12-2015/16




### Councils spent around £2.4 billion on capital projects in 2015/16, with around a quarter of this spent on council housing projects

**34.** Of the £19.5 billion that councils spent in 2015/16, £2.4 billion (12 per cent) was on investing in capital projects such as buildings, roads and equipment. Just over a quarter of this capital spending (£632 million, 27 per cent) was on council housing projects. Capital spending ranged from £13.8 million in Shetland Islands Council to £191.9 million in City of Edinburgh Council.

**35.** There is a wide range in the scale of councils' capital investment programmes relative to their other expenditure. For example, less than seven per cent of total spending in East Ayrshire Council was on capital projects, while it was over 20 per cent of total spending in Highland Council. Capital investment will be driven largely by the condition of councils' current estate and their local priorities. Capital investment can reduce ongoing revenue expenditure and generate income, but it also incurs long-term costs that impact on councils' revenue budgets.

**36.** The majority of councils (28) underspent significantly against their combined General Fund and Housing Revenue Accounts (HRA) capital budgets in 2015/16. Common reasons for this were project delays and project slippage where spending did not progress as expected. Where possible, councils attempted to offset this by bringing projects scheduled for later years forward into 2015/16. For example, Angus Council spent £48.3 million on its General Fund capital programme in 2015/16, £4.0 million (eight per cent) less than budgeted. This was after the council offset some of the forecast shortfall by bringing forward two education projects and beginning them in 2015/16 rather than in 2016/17.

### Over two-thirds of councils remained within their overall budgets in 2015/16 but there were variations within individual services

**37.** Councils are required to submit their annual budget and expected expenditure (provisional outturn) to the Scottish Government. Like the budgets presented to councillors, these are prepared on a funding basis and this differs from the figures in the annual accounts ([Supplement 1](#)  outlines the differences).

**38.** Throughout the year councils will revise their initial budget estimates to take into account factors such as extra funding. Our analysis of annual accounts and the information councils provide to the Scottish Government indicates that provisional outturns were relatively accurate when compared to actual spending, with actual expenditure being within two per cent in most cases. ([Exhibit 5, page 17](#)).

**39.** While over two-thirds of councils have remained in line with their overall budgets in 2015/16, there are significant variations in how different services have performed within councils. Where some services are significantly overspending, this may be offset by underspends elsewhere and result in a council remaining within their overall budget.

**40.** Our review of councils' annual audit reports has highlighted a number of service areas where councils commonly over- or underspent against their budgets. Around a third of the reports highlighted overspending in social work or elements of social work services. Aberdeenshire Council, for example, overspent against its adult social work budget by £2.0 million, with a £2.7 million overspend on care packages being the main contributor to this. A number of councils, including Clackmannanshire, Dundee and Falkirk, reported overspending relating to fostering services and residential school placements.




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**Do you know what slippage there has been in capital projects and why? Are you assured that appropriate action is being taken?**

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**Do service budgets reflect your priorities?**

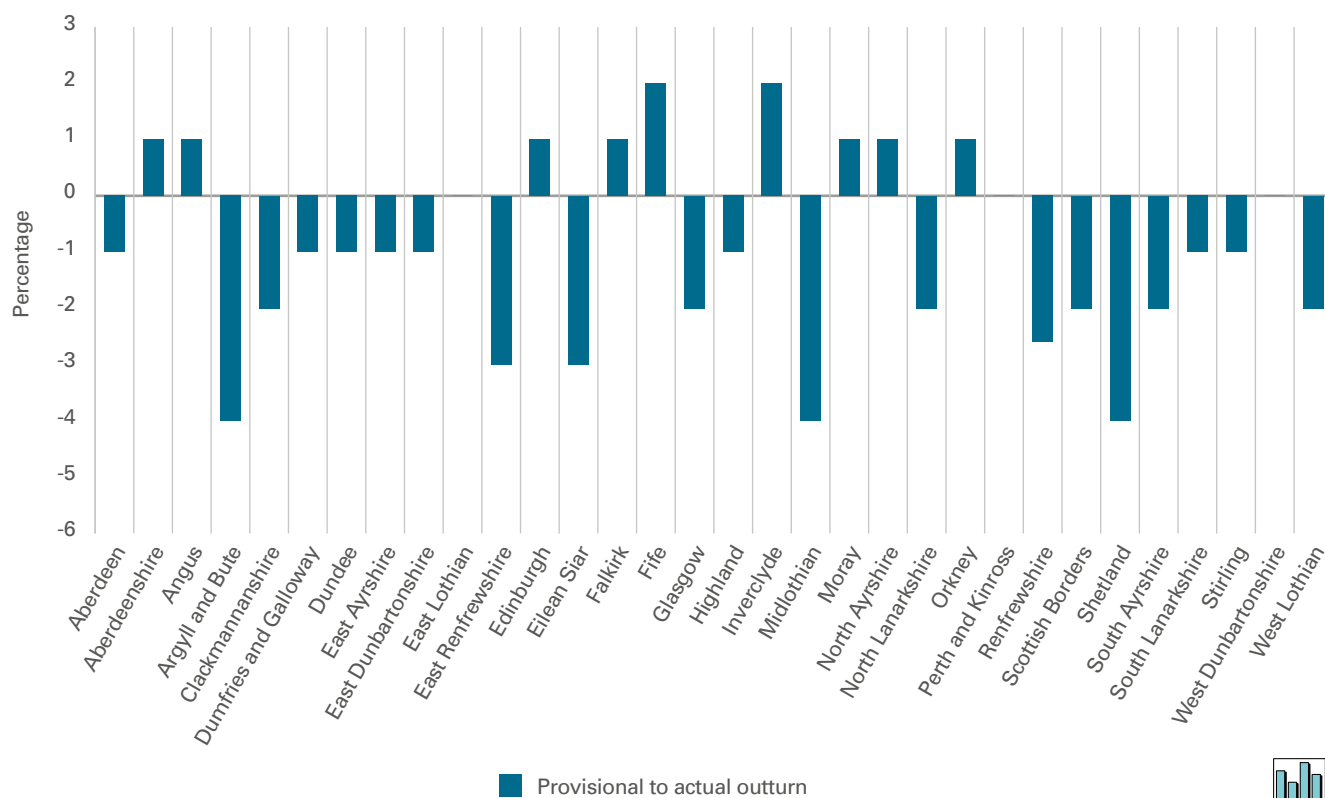
**Are potential overspends highlighted to you as they occur and before year-end?**

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## Exhibit 5

### Councils' provisional and actual net service expenditure, 2015/16

Only a few councils spent significantly more or less than they estimated near the end of the year.



Note: Budget figures that councils submit to the Scottish Government are prepared on a funding basis ([Supplement 2](#)). While there is no corresponding figure in the annual accounts, we are able to adjust the figures from the accounts to allow final service spending from the accounts to be compared to councils' provisional outturns.

Source: Councils' audited accounts 2015/16; and Provisional Outturn and Budget Estimate Statistics 2015/16, Scottish Government

**41.** Conversely, around a third of councils reported underspending against their education budgets or elements of these, and several councils underspent against their social work budgets. Last year, we reported that City of Edinburgh Council overspent its health and social care service budget by £5.9 million owing to demand pressures. In 2015/16, the service received additional funding of £9.8 million to provide additional short-term support and underspent its total budget by £3.4 million.

**42.** The need for budgets and forecasts to reflect actual spending becomes increasingly important for councils with decreasing or low levels of usable reserves to draw on. Councils cannot continue to rely on underspends in certain services offsetting overspending elsewhere. Where services have been found to consistently overspend, budgets should be revised to reflect true spending levels and patterns. This requires good financial management to ensure spending is accurately forecast and monitored within the year. The impact of current spending approved by councillors on the financial position can only be accurately assessed if budgets are robust.



**Are there services where you are consistently over or under spending against your budget? Are such variances adequately explained?**

### Councils continue to generate savings through reducing their workforce

**43.** Councils have continued to reduce their workforces to make recurring savings. In doing so, they incur significant initial costs, typically lump sum payments for redundancy or early retirement, and additional payments to pension schemes if employees are offered enhanced benefits or early access to their pension. Councils' decisions on reducing their workforce numbers through exit packages are supported by business cases which set out the associated costs and potential savings. Councils will typically expect to recoup the costs and start making savings within a few years.<sup>6</sup>

**44.** In 2015/16, 2,246 staff left councils through exit packages at a total cost of £79.7 million. This represents an average cost of around £35,500 per package. In the last five years, just over 13,000 staff have left councils through exit packages at a cost of £518.5 million (at 2015/16 prices) (**Exhibit 6**). We will consider how councils are managing their workforces in more detail in our March 2017 report.






**Are exit packages supported by business cases setting out the total estimated costs and savings?**

## Exhibit 6

### Number and cost of staff exit packages, 2011/12 to 2015/16

Over 13,000 staff have left via exit packages since 2011/12 at a cost of £518.5 million at 2015/16 prices. The average cost per package has been reducing since 2012/13 and is less than £40,000 over the period.

| 2015/16 prices   | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Total          |
|--|---------|---------|---------|---------|---------|----------------|
|  <b>Number of packages</b>    | 4,070   | 2,407   | 2,373   | 1,933   | 2,246   | <b>13,029</b>  |
|  <b>Cost of packages (£m)</b> | 156.9   | 112.7   | 94.2    | 75.0    | 79.7    | <b>518.5</b>   |
|  <b>Cost per package (£)</b>  | £38,555 | £46,818 | £39,681 | £38,798 | £35,504 | <b>£39,797</b> |

Source: Councils' audited accounts 2011/12-2015/16



### Equal pay claims impact on councils' financial position

**45.** Equal pay remains a substantial issue for local government and continues to be of public interest. Settling claims may require councils to use a significant amount of their usable reserves, influencing their financial position. The Accounts Commission is currently carrying out a performance audit on equal pay and will publish our findings in 2017.

# Part 2

## Financial outlook



### Key messages

- 1 By the end of 2015/16, usable reserves had risen by five per cent across local government and net debt decreased slightly for the second year in a row. Some councils are building up reserves and reducing borrowing in anticipation of further funding reductions.
- 2 Councils' net debt currently stands at £13.72 billion. Councils currently spend around £1.5 billion a year on the associated interest and repayments. The proportion of their income that councils spend on servicing debt varies and this has direct implications for the amount available to spend on services.
- 3 Local Government Pension Scheme (LGPS) deficits decreased from £10.0 billion to £7.6 billion in 2015/16. Despite this, councils and pension funds continue to face challenges from below-target or negative returns on investments and increasing administration costs.
- 4 All councils face future funding gaps and there is significant variation in how well placed individual councils are to address them. Councils will need to make further savings and/or generate additional income as relying on reserves is not sustainable. Opportunities to make savings are partly affected by national policy commitments and the costs of servicing debt. Councils' ability to make savings will also be influenced by the level of savings they have already made and the extent of their plans for transforming how services are delivered. It is therefore important that councils' savings plans are achievable within the timescales required.
- 5 Councils face tough decisions around their finances that require strong leadership and sound financial management. Long-term financial strategies must be in place to ensure council spending is aligned with priorities. Decisions need to be informed by well-developed medium-term financial plans and budget forecasts that allow councillors and officers to assess the impact of approved spending on their longer-term financial position.

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**all councils should have long-term financial strategies supported by more detailed financial plans**

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## Councils continued to increase their usable reserves and reduced their net external debt in 2015/16

### Usable reserves reached £2.5 billion in 2015/16

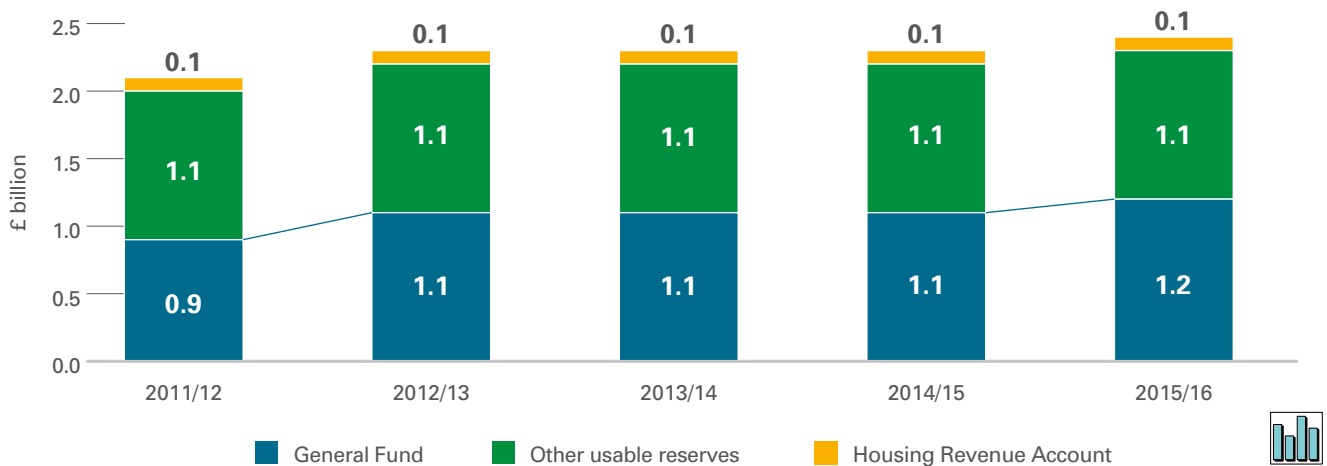
**46.** Councils' reserves at 31 March 2016 were £18.9 billion. Of these, £2.5 billion (13 per cent) were usable reserves that can be used to support services (these are often referred to as cash-backed reserves). The remainder were unusable reserves (£16.4 billion), which represent accounting adjustments to reflect things such as an increase in the value of council-owned buildings. Continuing the trend in recent years, councils increased both their usable and unusable reserves during 2015/16.

**47.** Usable reserves comprised £1.9 billion of revenue and £0.6 billion of capital reserves. The General Fund, which can be used to support a wide variety of services, is the largest usable reserve. Together with the Housing Revenue Account (HRA) reserve, these represent over half of usable reserves ([Exhibit 7](#)).

## Exhibit 7

### Councils' usable reserves, 2011/12 to 2015/16

Usable reserves have increased since 2011/12.



The level of General Fund reserves as a proportion of income from general revenue grants, NDR and council tax income has increased slightly since 2011/12.

| 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---------|---------|---------|---------|---------|
| 7.6%    | 8.8%    | 9.2%    | 9.4%    | 9.8%    |

Note: Other usable reserves are primarily attributable to Orkney and Shetland Islands holding large reserves relating to oil, gas and harbour related activities.

Source: Councils' audited accounts 2011/12-2015/16

**48.** Twenty-three councils increased their General Fund reserves in 2015/16, resulting in an overall increase of £58.0 million (5.2 per cent) to £1.2 billion. This is equivalent to about nine per cent of councils' available revenue income from



Scottish Government grants, NDR, council tax and council house rents. Half of the 26 councils with council houses increased their HRA reserves. This resulted in HRA reserves increasing by £11.9 million (9.2 per cent) overall to £141.8 million.

**49.** While usable reserves can be used to support services, councillors must consider how and when these are used as they can only be used once. Use of reserves must comply with the council's annually reviewed reserves policy. This should be clearly linked to financial plans and consideration must be given to the impact on future financial position. Using reserves to support services in the short term is not sustainable unless they are used to support service transformation and generate future savings. A significant proportion of usable reserves held by councils have already been allocated for specific purposes and so will not be available for other uses.

### Net debt decreased again in 2015/16, but is set to rise as councils use their reserves to fund services

**50.** In 2015/16, Scotland's councils owned physical assets worth £38.3 billion. Councils can borrow from both external and internal sources to fund capital investment in new assets, such as building a school. Councils assess the affordability of borrowing decisions under CIPFA's Prudential Code and it is up to individual councils as to what they borrow to invest in assets. External borrowing involves a council borrowing from another public sector body, from the financial markets or entering into a public-private partnership. Internal borrowing is when a council temporarily borrows from funds it has available, such as its reserves. This can delay it having to borrow externally. By doing this, a council will avoid paying costs to a lender but will also forego interest it could receive by investing its reserves.

**51.** For the second year in a row, councils' net debt (total external debt minus investments) decreased in 2015/16. The fall in net debt is largely a result of councils having higher levels of usable cash reserves that they can either invest or use to finance the capital expenditure for which they would otherwise have to borrow. Councils now have debt of around £15.2 billion and investments of around £1.5 billion. This means net debt is £13.72 billion, a reduction of £69 million (0.5 per cent) since 2014/15 ([Exhibit 8](#)).



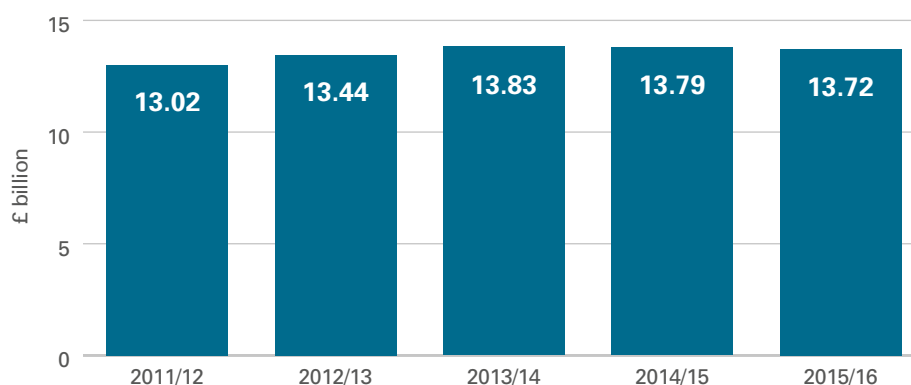
**Do you know what levels of reserves are needed and why?**

**Do you think reserves are being used effectively?**

## Exhibit 8

### Councils' net external debt, 2011/12 to 2015/16

Councils' net external debt has been falling but remains higher than in 2011/12.




Note: Orkney and Shetland Islands councils hold large reserves and investments related to oil, gas and harbour activity so are excluded from this analysis of net debt.

Source: Councils' audited accounts 2011/12-2015/16



**52.** We estimate value of internal borrowing across councils is about £0.9 billion. Interest payable on external debt is higher than the interest a council can receive on investments and so councils are utilising more internal borrowing to save money.

**53.** A key treasury management decision for councils will be when to borrow rather than use their cash reserves to fund projects. This will be influenced by councils' capital investment plans, the extent to which reserves are needed to support service spending as cost pressures increase (which means councils will need to borrow externally to replace the reserves used for internal borrowing) and whether any forecast change in interest rates makes external borrowing more attractive. The link between capital plans and debt is important and councillors must have a clear understanding of how changes in capital programmes will affect their council's debt position. Our report [Borrowing and treasury management in councils](#)  outlines this in more detail.<sup>7</sup>

### Councils spend around £1.5 billion on servicing debt each year

**54.** Councils' external debt comprises borrowing from a variety of sources:

- the Public Works Loan Board (PWLB), which is a UK Government agency
- long-term liabilities from assets acquired under public/private partnerships, including the Public Finance Initiative (PFI), Public/Private Partnerships (PPP) or the Scottish Government's newer Non-Profit Distributing (NPD) model ([paragraphs 58 and 59](#))
- lender option/borrower option loans (LOBOs) ([paragraph 60](#))
- other market loans.

**55.** Within councils' accounts, debt is categorised by when it has to be repaid and not by source. It is also discounted to take into account factors such as when it has to be paid and interest payments. The source and value of councils' external debt in 2015/16 is shown in [Exhibit 9 \(page 23\)](#).

**56.** The presentation of local government accounts mean that it is not always possible to identify whether a council's debt is related to its HRA or its General Fund. This is an important distinction, as the cost of servicing HRA debt will affect council house rents, whereas the cost of servicing General Fund debt will need to be met from general revenue grants, NDR and council tax that are typically used to fund services.

**57.** The capital finance requirement included in councils' accounts, a measure of what council debt still needs to be financed, can be split between the HRA and General Fund. Using this split, we have apportioned debt to both the HRA and General Fund [Exhibit 10 \(page 23\)](#). This shows considerable variation.

**58.** Most council debt takes the form of traditional fixed interest rate loans, providing certainty over future interest payments. The exception to this is PFI/PPP/NPD debt and LOBOs. The cost of PFI/PPP/NPD debt is generally acknowledged to be more expensive than traditional borrowing, as repayments are usually inflation-linked. Councils should have considered this in their value for money assessments. Councils with a high proportion of PFI/PPP/NPD debt will have to make more complex affordability assessments for future borrowing. [Exhibit 11 \(page 24\)](#) shows levels of General Fund debt relative to the size of council, with the debt split between borrowing and other long-term liabilities (PFI/PPP/NPD and finance leases).




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**Are there clear links between the capital programme and treasury management strategy?**

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**Do you know the implications that different types of borrowing options have on future revenue budgets?**

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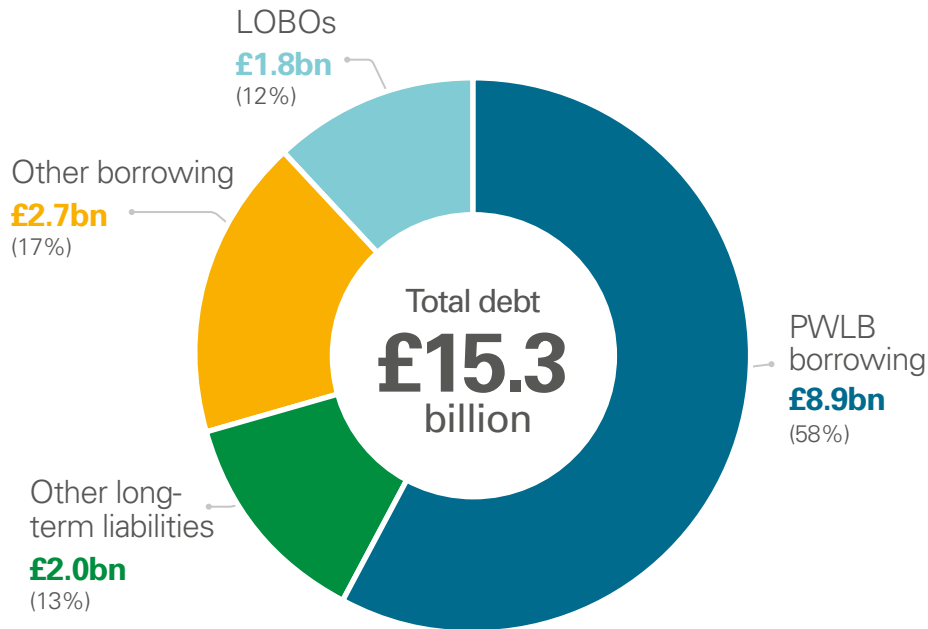
**Do you know the split in debt between General Fund and HRA (where applicable)? Is this reported within your management commentary?**

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### Exhibit 9

#### Sources of councils' debt, 2015/16

Over half of council debt is borrowing from the PWLB.



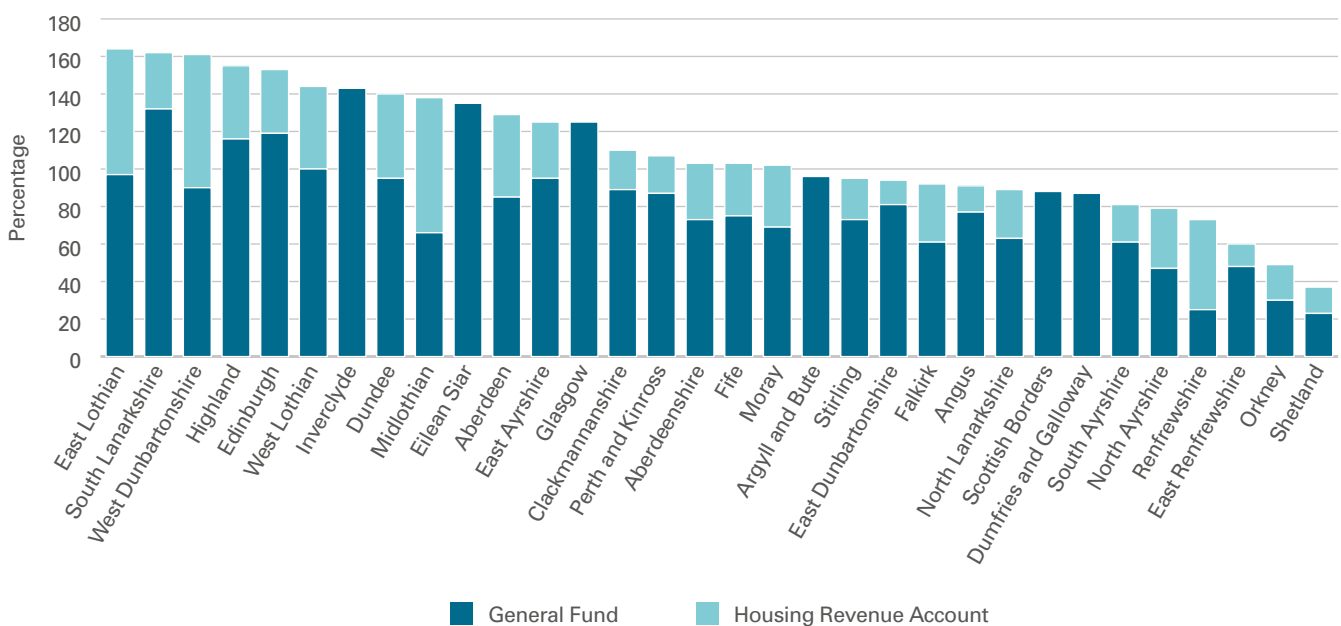
Note: Total figure subjects to rounding.  
Source: Councils' audited accounts 2015/16 and auditor returns



### Exhibit 10

#### Councils' total debt as a proportion of their annual income, 2015/16

Councils' debt varies from less than half to more than one and a half times their annual income.



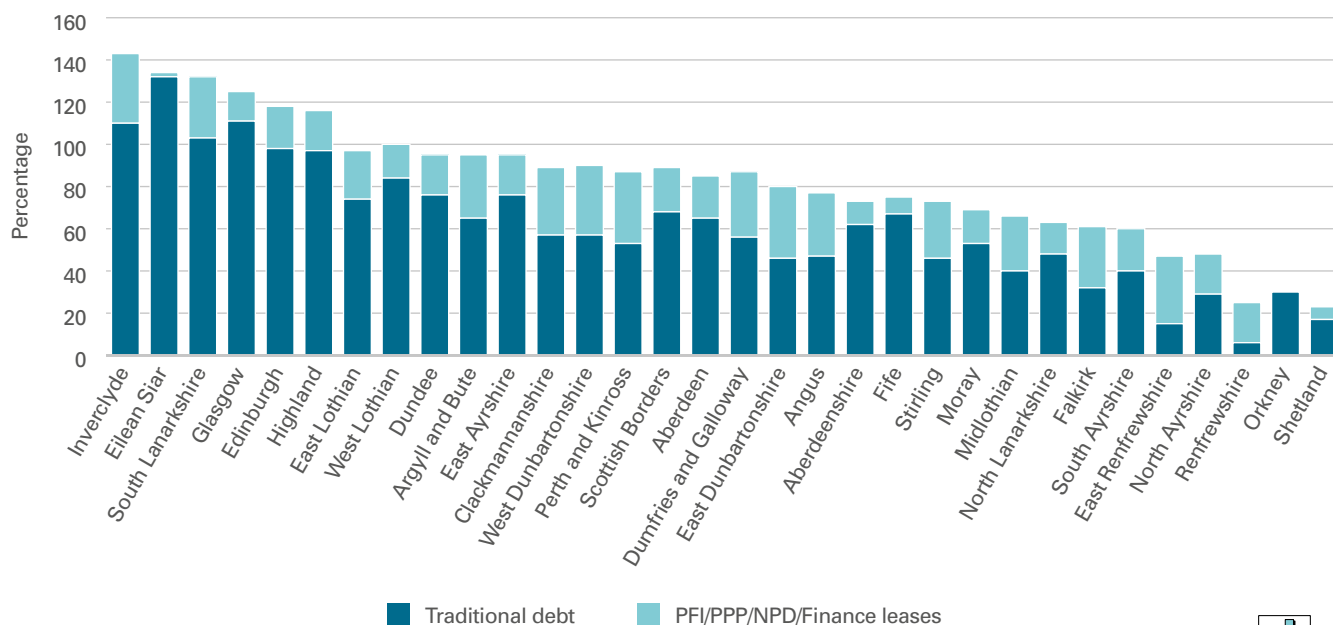
Source: Audit Scotland's analysis of councils' audited accounts 2015/16



## Exhibit 11

### Councils' General Fund debt, 2015/16

Councils with more debt relating to PFI/PPP/NPD projects and finance leases may face higher costs.



Source: Audit Scotland's analysis of councils' audited accounts 2015/16



**59.** As well as the debt and debt repayments associated with public/private partnerships, there are also significant revenue costs associated with these projects. Under the terms of the contracts, councils make annual repayments (unitary charges). Around 90 per cent of annual unitary charges relate to schools projects. The charges are made up of three elements: debt repayment, interest costs (both of which are included in debt servicing costs) and an annual service charge (included within the relevant service revenue spending). Councils' annual unitary charge payments are around £500 million per year. As councils' revenue budgets decrease, and the repayments increase in line with inflation, the proportion of revenue budgets being used to service the revenue elements of these contracts will increase.

**60.** LOBOs offered councils borrowing at lower interest rates than were available for fixed or variable interest loans but, at fixed intervals, a lender can decide to change the interest rate. As such, the long-term cost of servicing LOBOs is uncertain. While councils benefited from lower interest rates offered by LOBOs, their use has attracted public interest owing to the financial risk to which councils are exposed from the potential change in the interest rate.

**61.** The cost of servicing debt (repaying debt and interest costs) will depend on the mix of borrowing a council has, the interest rates secured at the time loans were taken out and the amounts it requires to set aside to repay debt. In 2015/16, this cost councils around £1.5 billion, equivalent to 12 per cent of their available funding from general government revenue grants, NDR, council tax and council housing rents. The percentage of this funding that councils use to service debt varies significantly, from 19.2 per cent in Comhairle nan Eilean Siar to 4.3 per cent in Orkney Islands Council. Aberdeenshire Council, with 7.1 per cent, is the council with the next smallest percentage of income used to service debt ([Exhibit 12, page 25](#)).

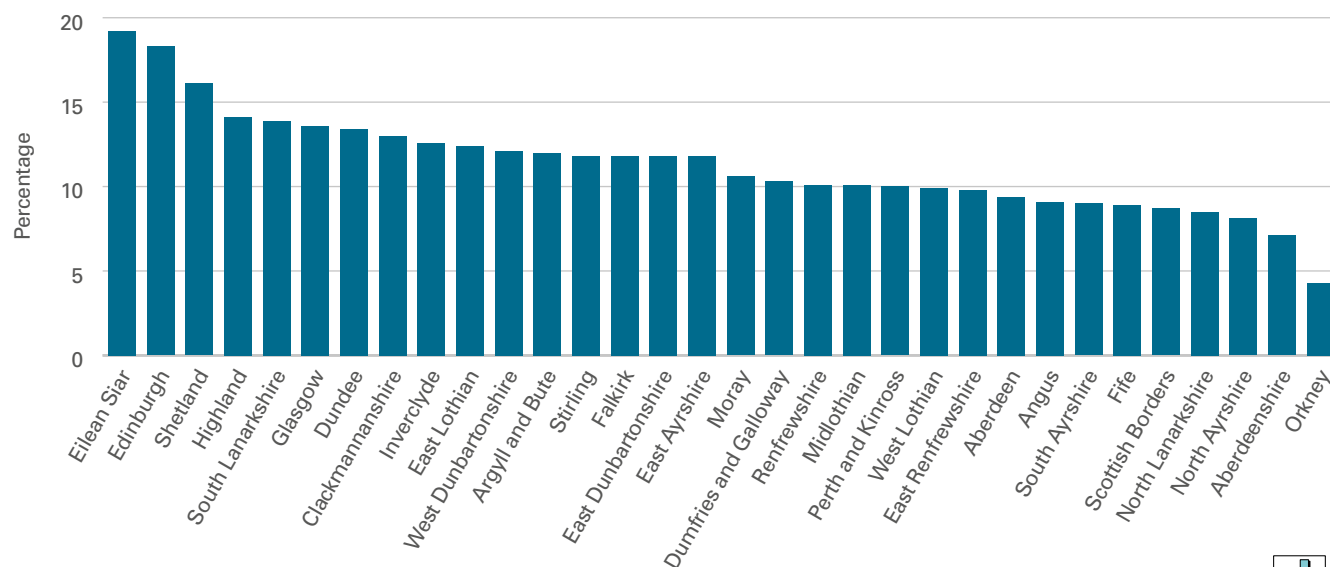


**Do you know how debt repayments affect what money is available to spend on services?**

## Exhibit 12

### The percentage of income used to service debt, 2015/16

Twenty-two councils spend ten per cent or more of their revenue income on servicing their debt.



Source: Councils' audited accounts 2015/16



**62.** The cost of servicing debt directly impacts upon council spending on services. However, councils can elect to reduce their debt by making extra repayments or by repaying loans early. Councillors must satisfy themselves that any accelerated debt repayment represents an appropriate use of funds, balancing the future savings against the current impact on council services.

### Local government pension deficits decreased in 2015/16, mainly owing to estimated changes in long-term liabilities

**63.** Councils have long-term commitments regarding pensions. They are required to include a pension liability on their balance sheets for the Local Government Pension Scheme (LGPS) but not for the Scottish Teachers Superannuation Scheme (STSS).

**64.** The size of council pension liabilities varies significantly and depends on factors including:

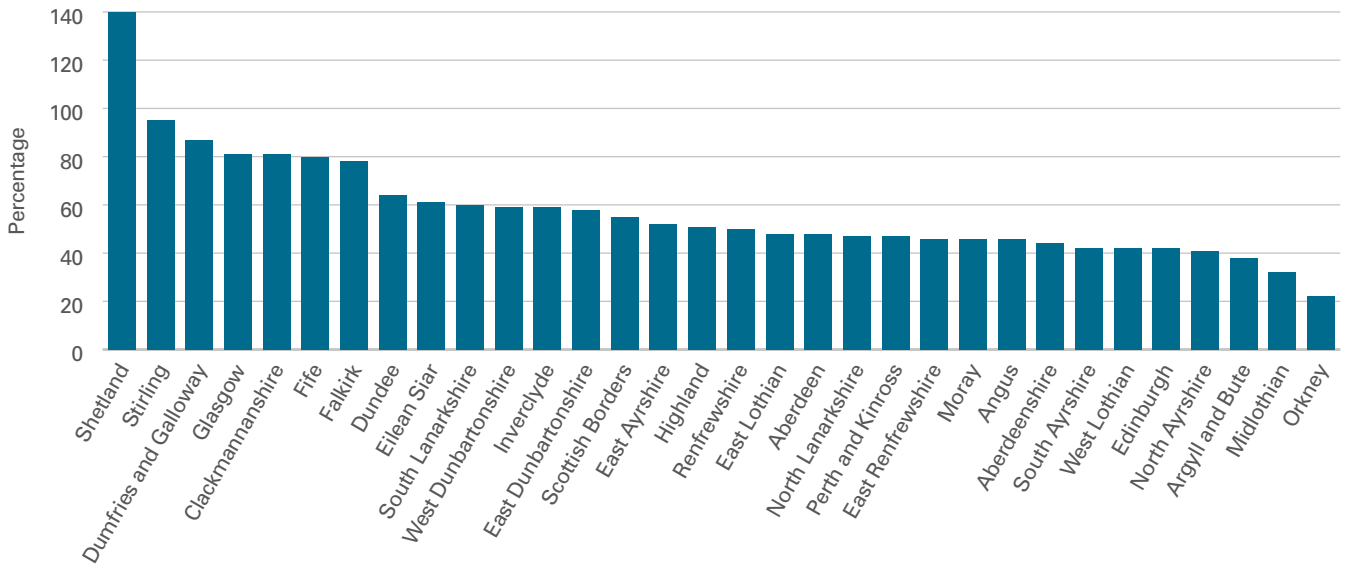
- performance of the pension funds of which they are members
- assumptions made by actuaries of the various funds
- the maturity of the council's membership (average age of pension scheme members)
- decisions made by councils to award discretionary benefits to staff retiring early.

**65.** Councils with larger pension liabilities will tend to have higher annual costs. The scale of the challenge for each council in meeting these costs can be illustrated by considering their pension liability in relation to their annual income ([Exhibit 13, page 26](#)).

## Exhibit 13

### Council pension liabilities (LGPS and discretionary benefits awarded), 2015/16

Councils' pension liabilities range from around 1.4 to 0.2 times their annual revenue incomes.



Source: Councils' audited accounts 2015/16

**66.** The LGPS is a funded pension scheme, where employers' and employees' contributions are invested to meet the cost of future benefits. For most councils, the estimated value of employees' benefits exceeds the current value of investments, leading to a net pension deficit. Councils' pension deficits reduced from £10.0 billion to around £7.6 billion during 2015/16 ([Exhibit 14, page 27](#)). This reduction is primarily due to actuarial calculations discounting the current value of what the funds will need to pay in the future. The factors contributing to this decrease include assumptions around inflation and salary increases decreasing and the discount rate increasing significantly.

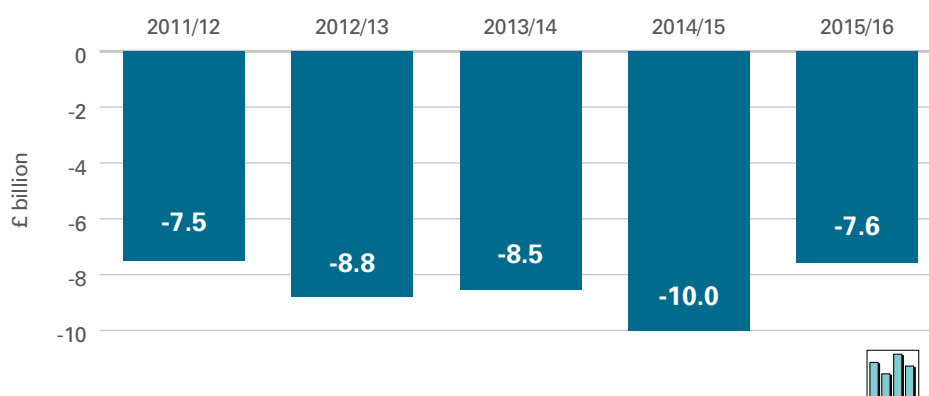
**67.** With increasing life expectancy, pension contributions have risen to help meet the increased cost of providing pension benefits. Employer contributions in respect of teachers increased by two per cent to 17.2 per cent in October 2016. Councils' contributions to the LGPS are reviewed every three years and will next be reviewed in 2017.

**68.** In 2015/16, the new 2015 LGPS was introduced. This sees pensions based on average career earnings and the pension retirement age linked to the state retirement age. The scheme includes a cost-sharing mechanism that limits employer costs to ensure it remains affordable. This cap is set by considering the cost associated with active members and will come into force when these reach a maximum of 17.5 per cent for the whole of the scheme (rather than for individual employers).

## Exhibit 14

### Pension deficits on councils' balance sheets, 2011/12 to 2015/16


Councils' pension deficits decreased in 2015/16, mainly owing to actuarial calculations discounting the value of future commitments.



Source: Councils' audited accounts 2011/12-2015/16

**69.** Alongside changes to the LGPS, pension auto-enrolment for existing and new employees is now in place. Traditionally there is high pension scheme membership among council staff but there will be additional costs associated with existing and new staff joining the pension scheme.

**70.** The councils that administer the 11 LGPS funds in Scotland have coped well with these changes. However, the scheme changes, combined with workloads associated with councils reducing their staffing costs through voluntary severance and having to administer added year payments, means there are ongoing administrative pressures.

**71.** We comment on the 11 LGPS funds, their accounts, governance and performance in a supplement to this report ([Supplement 2: Local Government Pension Funds 2015/16](#) )

### Good financial planning and management are required to ensure the impact of spending decisions is fully understood

**72.** Councils are developing their financial strategies and plans in an increasingly complex environment. It is imperative that long-term financial strategies (covering five to ten years) link spending to councils' strategic priorities and that spending plans are considered in this context.

**73.** The Commission recognises that the Scottish Government providing funding settlement figures for a single year (as in 2016/17 and 2017/18) presents challenges to councils updating medium-term financial plans and ensuring they have long-term financial strategies in place. Although we recognise changes in Scottish Government funding may alter assumptions in both the long and medium terms, the absence of indicative funding should not prevent councils projecting future income and spending, and planning accordingly.

**74.** Fourteen councils currently have long-term financial strategies in place while 15 others have at least a medium-term financial strategy (three to five years) linking their spending plans to their wider strategic priorities. Three councils (East Renfrewshire, Glasgow City and Highland) do not have a financial strategy covering the medium or long term.



**Do you have a long-term financial strategy covering five to ten years?**

**Are there clear links between the financial strategy and the vision for the future?**

**Is the long-term financial strategy supported by detailed plans covering a minimum of three years?**



**75.** Twenty-nine councils have either medium-or long-term financial plans that set out planned spending, the savings required and how they intend to use reserves to support spending. Two councils have financial plans covering less than three years (Falkirk and Glasgow City). Orkney Islands Council does not have a financial plan but has a medium term financial strategy and a change programme is in place to deliver the medium-term savings identified.

**76.** There should be very clear links between a council's medium-term financial plan and the annual budgets that councillors approve. Although councillors approve only the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures for councils. Presenting a budget for a single year in isolation does not allow councillors to fully scrutinise the implications of spending decisions.

**77.** There is variation across councils in how they presented indicative future budgets to councillors alongside their 2016/17 budget. Twenty-three councils presented budgets up to 2018/19; four (Glasgow City, North Ayrshire, South Ayrshire and West Lothian) presented budgets up to 2017/18; and five (Aberdeen City, Angus, Dundee City, Orkney Islands and Renfrewshire) presented budget figures for 2016/17 only.

#### **Councils face significant funding gaps over the next three years**

**78.** We asked auditors to provide information about budgets for 2016/17 and indicative plans for 2017/18 and 2018/19 that were presented to councillors when the 2016/17 budget was being approved ([Appendix \(page 34\)](#)). We focused on the largest elements of councils' budgets: the General Fund revenue budget; the level of approved savings within this budget; and the potential impact of this upon councils' General Fund reserves.

**79.** Within our analysis we have made several simplifying assumptions. We have only adjusted for savings approved in 2016/17 and further savings will have been identified. When approved these savings will offset future funding gaps. We have also assumed that any identified funding gaps will be met from General Fund reserves when councils' can also use other usable reserves to support spending. Finally, we have assumed that all General Fund reserves are available to close identified funding gaps when a significant proportion of these reserves may have already been allocated.

**80.** Where councils did not provide information to their auditors about their forecast General Fund budgets in 2017/18 and 2018/19, we made some assumptions from available information. Most councils that provided information up to 2018/19 are forecasting a continued reduction in revenue funding from the Scottish Government but with increases in council tax receipts. They are also forecasting that spending will increase. In particular, they anticipate rising demand on key services through demographic changes and generally assume wage inflation of between 1.0 and 1.5 per cent in both 2017/18 and 2018/19.

**81.** At the time of setting the 2016/17 budgets, councils anticipated an £87 million in-year shortfall between General Fund revenue income (excluding any use of reserves) and expenditure (after approving savings of £524 million). They planned to bridge the gap by using seven per cent of existing General Fund reserves, reducing them from £1.2 billion to around £1.1 billion by the end of 2016/17.

**82.** All councils have adequate reserve cover in 2016/17, meaning at the end of the year they will still have General Fund reserves they can use in future. The




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**Is the long-term financial strategy supported by detailed plans covering a minimum of three years?**

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**Do financial plans set out the implications of different levels of income, spending and activity?**

**Is there a clear link between the council's revenue plans and the budget information you are asked to approve?**

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**Do financial plans identify the differences between income and expenditure for the next three years?**

**Do you know the actions being taken to close the funding gap?**

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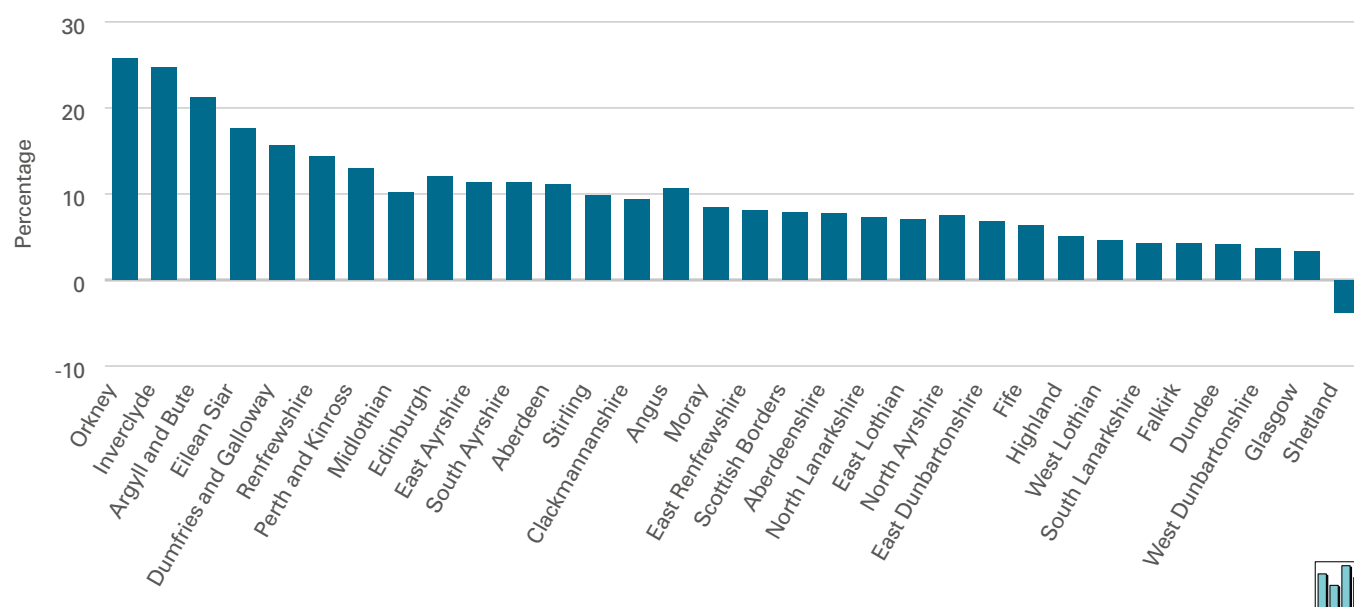


exception is Shetland Islands Council, but only because of the way it classifies its sizeable reserves as opposed to any financial difficulties or it approving an unbalanced budget. General Fund reserves at the end of 2015/16 were equivalent to nine per cent of councils' overall income from the Scottish Government, NDR, council tax and council housing rents ([paragraph 48](#)). Adjusting for reserves that councils planned to use in 2016/17 reduces this to just over eight per cent ([Exhibit 15](#)). Councils will also have already allocated a proportion of their available reserves for specific purposes, and therefore what remains available as a contingency to support services will be significantly less.

## Exhibit 15

### 2015/16 General Fund reserves as a percentage of councils' income, adjusted for planned reserve use in 2016/17

The level of reserves held as a percentage of income varies widely among councils.



Note: Shetland Islands Council classifies its reserves differently. This is not an indication of financial difficulties or an unbalanced budget.  
Source: Councils' audited accounts 2015/16 and auditor returns

**83.** Seventeen councils planned to use reserves to balance their budget in 2016/17. This ranged from Moray Council planning to use 28 per cent of reserves to Dumfries and Galloway Council intending to use less than one per cent.

**84.** Excluding Shetland Islands Council, two councils (Falkirk and South Lanarkshire) forecasted a funding gap in excess of their General Fund reserves in 2017/18. A further 11 councils currently forecast a funding gap in excess of their General Fund reserves in 2018/19. Our analysis therefore indicates that by 2018/19, over a third of councils will face a funding gap that exceeds their General Fund reserves. We recognise that since setting their 2016/17 budgets this position will have changed as councils have continued to identify other savings to address funding gaps.

## Exhibit 16

### Council budget information for 2016/17, 2017/18 and 2018/19

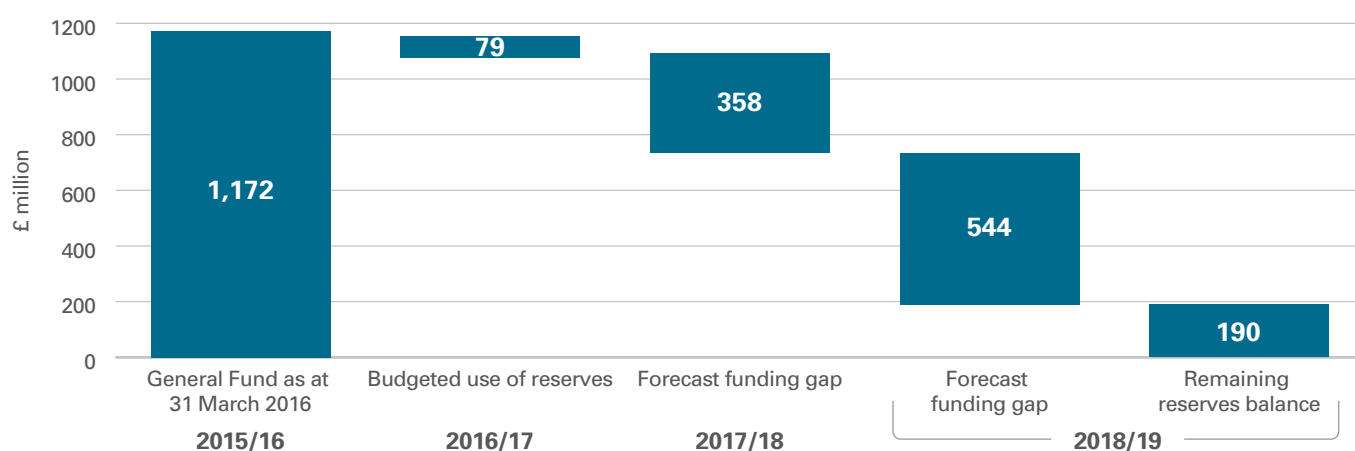
Councils planned to use £79 million of reserves in 2016/17 and forecast significant funding gaps in the following two years. There were significant forecasted funding gaps across the 23 councils that approved their 2016/17 budgets accompanied by indicative plans for the next two years.

|   | 2016/17<br>(32 councils) | 2017/18<br>(27 councils)  | 2018/19<br>(23 councils)  |
|---|--------------------------|---------------------------|---------------------------|
|   | Budget                   | Forecast funding position | Forecast funding position |
| Income  | £11.94 billion           | £10.32 billion            | £7.85 billion             |
| Expenditure                                       | £12.01 billion           | £10.65 billion            | £8.25 billion             |
| Budgeted use of reserves/<br>Forecast funding gap | £79 million              | £323 million              | £402 million              |

After applying assumptions derived from completed returns to estimate the position for councils that did not provide information for all three years, we estimated the following position:

|   | 2016/17        | 2017/18                   | 2018/19                   |
|---|----------------|---------------------------|---------------------------|
|   | Budget         | Forecast funding position | Forecast funding position |
| Income  | £11.94 billion | £11.82 billion            | £11.72 billion            |
| Expenditure                                       | £12.01 billion | £12.18 billion            | £12.27 billion            |
| Budgeted use of reserves/<br>Forecast funding gap | £79 million    | £358 million              | £544 million              |

The potential impact on General Fund reserve balances is illustrated below, assuming that further savings are not approved and funding gaps are met from General Fund reserves. A proportion of these reserves, however, will have already been allocated for other purposes.



Note: Total figures subject to rounding.

Source: Councils' audited accounts 2015/16 and auditor returns



**85.** The level of General Fund reserves as a percentage of General Fund revenue expenditure would fall from 9.1 per cent at the end of 2016/17 to 1.5 per cent at the end of 2018/19 if all funding gaps had to be met from General Fund reserves. This reflects the need for councils to draw on a significant proportion of reserves if further savings are not identified and approved ([Exhibit 16, page 30](#)).

### Councils need to appraise all possible options to address forecasted funding gaps

**86.** Councils need to make significant savings to address forecasted funding gaps without significantly reducing reserves in the next three years to support recurring spending. Councils' ability to make savings will be influenced by a range of factors, including:

- the level of savings they have already made and the extent of their plans for transforming how services are delivered
- national policy commitments for example, around education
- demographic changes increasing demand for services such as social care
- the costs of servicing debt, such as PPP/PFI/NPD revenue payments relating to school buildings.

**87.** In total, net spending on education, social work and interest payments on external debt equates on average to almost 75 per cent of local government income from general revenue grants, NDR, council tax and council housing rents. The variation across councils is shown in ([Exhibit 17, page 32](#)). Councils with a higher proportion of spending on education, social work and debt repayment may face greater challenges in generating their required savings, and potentially face making more significant savings in other areas. This highlights the importance of councils appraising all possible options for delivering their broad range of services. Recent Best Value audits have shown councils relying on incremental savings rather than considering service redesign options. The Commission is of the view that this is neither sufficient nor sustainable given the scale of the challenge facing councils.

### Councillors should understand how the plans and budgets they are approving will affect the financial position of their council

**88.** Throughout this report, we ask councillors and officers to be clear about how their financial strategies, plans and agreed budgets affect their council's financial position. We would expect the following to form part of an assessment of the short and medium-term financial sustainability:

- confirmed and indicative changes in Scottish Government funding to councils
- how to avoid any short-term budget pressures, such as significant overspending in services that could result in the financial position of councils deteriorating
- whether future financial plans provide sufficient spending information to be considered when approving budgets.

**89.** In the medium to long term, we would also expect the presence of long-term financial plans, and the assumptions these make, to be taken into account alongside the following factors:




---

**Do you know what plans there are to redesign services and deliver savings?**

**Are savings plans realistic within agreed timescales?**

**Are all savings clearly identified and categorised as recurring or non-recurring (i.e. one off) savings?**

**Is the council reliant on non-recurring savings?**

**Do you know what will happen to the reserves if savings are not made?**

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**Do you feel you have the knowledge and expertise to scrutinise your finances effectively?**

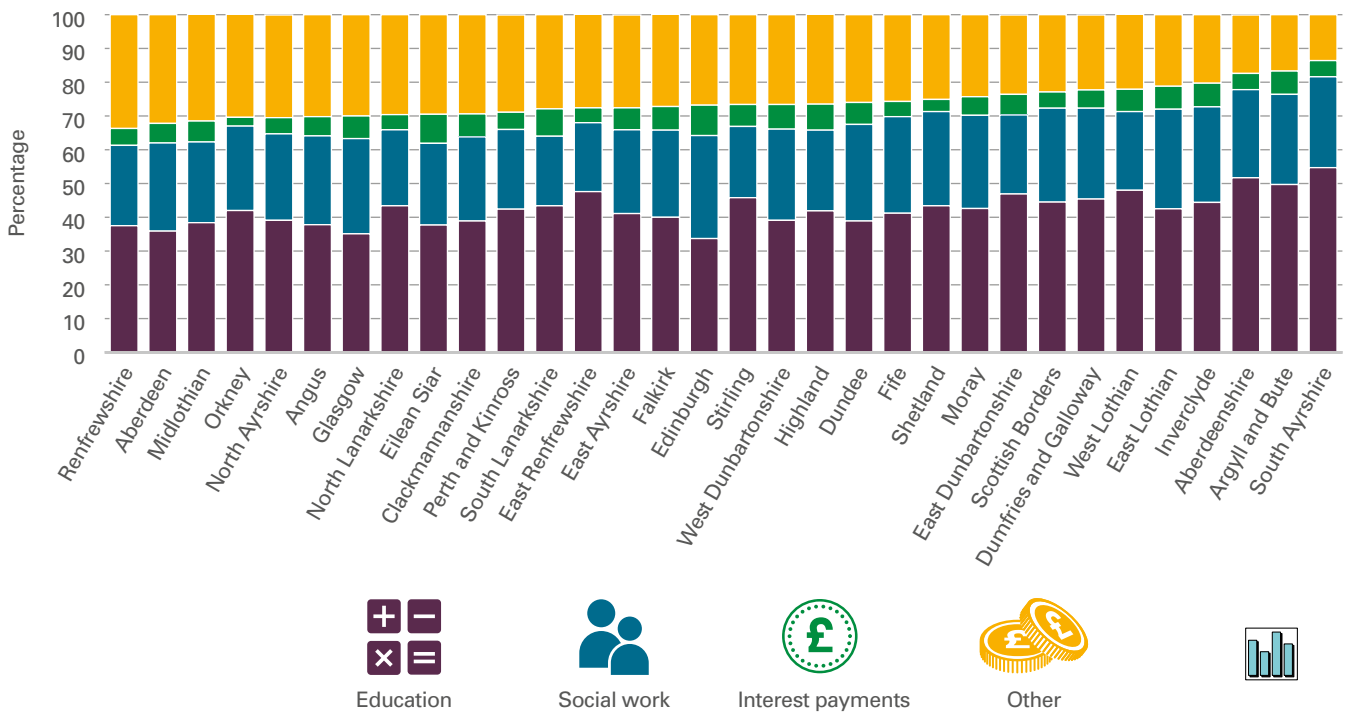
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- current reserve levels and how these will be used to support service transformation and delivery while continuing to provide a suitable level of contingency
- expected demand and ongoing cost pressures, including councils' pension obligations, and how these are likely to impact on the services councils need to deliver
- the impact options for investing in assets (such as buildings) will have on both councils' debt and available income, taking into account ongoing servicing costs.

### Exhibit 17

#### Percentage of councils' income spent on education, social work and interest payments, 2015/16

Savings may be more difficult to identify where councils devote more spending to education, social work and paying interest on their external debt.








Notes: 1. Figures are from councils' accounts and include interest payments totalling £814 million, including annual interest costs associated with PFI/PPP/NPD projects. 2. The £1.5 billion debt servicing costs quoted elsewhere are on a funding basis and are not directly comparable for the purposes of this analysis and includes the annual repayments of debt related to PFI/PPP/NPD projects. 3. For the purposes of this analysis net spending on social work services includes money directed to and from Integration Authorities.

Source: Councils' audited accounts 2015/16

# Endnotes



- ◀ 1 Most of the increase in service income is due to a £371 million increase in social work and social care income because of how councils have accounted for money being returned to councils from the new Integration Joint Boards (IJBs) which are now responsible for local health and social care.
- ◀ 2 Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013. From 2013/14, revenue funding includes payments for council tax reduction, replacing council tax benefit previously coming from the UK Government.
- ◀ 3 Councils contribute to Integration Authorities (IAs), and receive money back to provide services on behalf of the IA. Social Work income in the accounts may be inflated depending on how councils have recorded this income received from the IA.
- ◀ 4 [\*How councils work: an improvement series for councillors and officers – Charging for services: are you getting it right?\*](#) , Audit Scotland, October 2013.
- ◀ 5 [\*Health and social care integration\*](#) , Audit Scotland, December 2015; and [\*Social work in Scotland\*](#) , Audit Scotland, September 2016.
- ◀ 6 [\*Managing early departures from the Scottish public sector\*](#) , Audit Scotland, May 2013.
- ◀ 7 [\*Borrowing and treasury management in councils\*](#) , Audit Scotland, March 2015.

# Appendix

## Methodology of funding gaps analysis



There are challenges in analysing budget information for individual councils to provide a comparative picture across local government. This is mainly due to variations in the way councils prepare and present budget information and the terminology used to define funding gaps. In discussions with local auditors and wider stakeholders we have designed our approach to try and address these challenges.

To allow a more consistent comparison among councils, we have revised how we define a funding gap. Previously the Commission identified a budget shortfall as the difference between income and expenditure, and a funding gap to be any remaining difference once savings approved by councillors have been taken into account (for example, service redesign, approved savings or use of reserves). Feedback from auditors and wider stakeholders suggested these definitions did not accurately reflect how councils refer to a funding gap.

As part of our 2015/16 audit work, we issued an information request to auditors. This focused on councils' General Fund revenue budgets for 2016/17, their budgeted use of reserves and forecasted differences between income and expenditure. We also requested information about approved savings and the main assumptions in respect of the forecasted figures.

In this analysis, we have focused on councils' General Fund budgets and the difference between income (excluding income drawn from reserves) and expenditure (reduced only for approved savings). This allows us to report on the budgeted use of reserves in 2016/17. Forecasted differences between income and expenditure in 2017/18 and 2018/19 then represent the forecasted funding gap, better reflecting the feedback we received about how this term is generally used.

The revised approach provides greater clarity about each council's plans and of the current position of the sector. We asked auditors to provide the level of savings formally approved by councils as part of the 2016/17 budget-setting process. This will include specific savings as well as general efficiencies. While it is expected that councils will continue to identify and approve further savings, the forecast funding gaps for 2017/18 and 2018/19 represent what councils currently forecast they will need to reduce expenditure by or finance from their reserves, ahead of formally approving further savings for these years.

We have applied common assumptions to allow the position of all 32 councils to be reported for years where individual councils did not supply information. Using information supplied by the other councils, we derived and applied:

- a reduction in income of 1.10 per cent and an expenditure increase of 1.16 per cent in 2017/18
- a reduction in income of 0.89 per cent and an expenditure increase of 0.66 per cent in 2018/19.


# Local government in Scotland

# Financial overview

# 2015/16

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

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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**Local Government Financial Overview**

|           | <b>Questions for Councillors to consider</b>  | <b>Council Response</b>   | <b>Action Needed</b>   | <b>Who?</b> | <b>When by?</b> |
|-----------|---|---|--|-------------|-----------------|
| <b>1</b>  | <p><b>Annual accounts and financial transparency (para 10 to 12)</b><br/>Does the management commentary of our annual accounts provide a clear and easily understandable account of the council's finances?</p> | The Council annually reviews the content of its management commentary taking into account best practice and feedback from Auditors and users of the accounts. | Current action to continue.  | -           | On Going        |
| <b>2a</b> | <p><b>Funding and income (para 13 to 25)</b><br/>How do you consider potential changes to income streams and their impact on spending and services as part of medium long-term planning?</p>                    | Material changes are reported via the Financial Strategy whilst specific issues are picked up in the Budget process.  | Current action to continue.  | -           | On Going        |
| <b>b</b>  | Is income from fees and charges clearly reported?   | Income is reported each monitoring period and any material variances are highlighted.   | Current action to continue.  | -           | On Going        |
| <b>c</b>  | What increases in fees and charges are planned and how will these affect our citizens?<br>Do you consider local economic impacts?   | Fees & Charges are reviewed each Budget. Any proposals to increase require a detailed proposal covering impact.   | Current Action to continue.  | -           | On Going        |
| <b>d</b>  | How do your fees and charges compare to other councils?   | Inverclyde's charges are low compared to many. This reflects Council policy choices.  | Fees and Charges benchmarking information to be reported to the new Council. | CFO         | October 2017    |



|           | <b>Questions for Councillors to consider</b>  | <b>Council Response</b>   | <b>Action Needed</b>  | <b>Who?</b> | <b>When by?</b> |
|-----------|---|---|---|-------------|-----------------|
| <b>3a</b> | <b>Capital investment (paragraphs 26 to 28)</b><br>Is your capital investment programme appropriately funded)?                                      | Capital programme details all sources of funding in a transparent manner.   | Current action to continue.                                     | -           | On Going        |
| <b>b</b>  | Do you know what slippage there has been in capital projects and why? Are you assured that appropriate action is being taken?                       | Progress on capital is detailed every committee cycle. Members ask questions on specific issues as part of this process.                        | Current action to continue.                                     | -           | On Going        |
| <b>4a</b> | <b>Council budgeting (paragraphs 37 to 42)</b><br>Do service budgets reflect your priorities?   | Service budgets are driven by Council priorities and the CDIPs which link to the SOA.   | Budget priorities will probably be reviewed by the new Council. | CFO         | December 2017   |
| <b>b</b>  | Are potential overspends highlighted to you as they occur and before year-end?  | Regular monitoring reports are presented to Committee and variances between Period 11 and Out-turn are also reported to Committee.              | Current action to continue.                                     | -           | On Going        |
| <b>c</b>  | Are there services where you are consistently over or under spending against your budget? Are such variances adequately explained?                  | The Council has underspent against budget as a whole for last number of years. The reasons are detailed in a report to P&R Committee in August. | Current action to continue.                                     | -           | On Going        |
| <b>5</b>  | <b>Council workforces (paragraphs 43 to 45)</b><br>Are exit packages supported by business cases setting out the total estimated costs and savings? | The Council has a robust policy in terms of VFM and every case must comply before sign off by officers.   | Current action to continue.                                     | -           | On Going        |

|           | Questions for Councillors to consider  | Council Response   | Action Needed               | Who? | When by? |
|-----------|--|--|-----------------------------|------|----------|
| <b>6a</b> | <b>Reserves (paragraphs 46 to 49)</b><br>Do you know what levels of reserves are needed, and why?                                  | Council has a Reserves Policy (last reviewed August 2016). Reserves retained need to comply with this Policy and are reported within the Annual Accounts and Financial Strategy. | Current action to continue. | -    | On Going |
| <b>b</b>  | Do you think reserves are being used effectively?  | The use of reserves is reviewed each budget cycle to ensure their use reflects Policy Priorities.  | Current action to continue. | -    | On Going |
| <b>7a</b> | <b>Debt (paragraphs 50 to 62)</b><br>Are there clear links between the capital programme and our treasury management strategy?     | The TM Strategy links to the approved Capital Programme and is reported to Council 3 times per year.   | Current action to continue. | -    | On Going |
| <b>b</b>  | Do you know what the implications that different types of borrowing options have on future revenue budgets?                        | The financial implications arising from the Capital Programme are reflected in the Revenue Budget. Details of new borrowing are reported to Committee.                           | Current action to continue. | -    | On Going |
| <b>c</b>  | Do you know the split in debt between General Fund and HRA (where applicable)? Is this reported within your management commentary? | Not Applicable   | N/A                         | -    | N/A      |
| <b>d</b>  | Do you know how debt repayments affect what money is available to spend on services?   | Loan charges are separately detailed in the Policy & Resources budget reported each Committee cycle.   | Current action to continue. |      | On Going |

|           | Questions for Councillors to consider   | Council Response   | Action Needed               | Who? | When by? |
|-----------|---|--|-----------------------------|------|----------|
| <b>8a</b> | <b>Financial strategies and plans (paragraphs 72 to 77)</b><br>Do you have a long-term financial strategy covering five to ten years?   | Yes 2016-2024  | Current action to continue. | -    | On Going |
| <b>b</b>  | Are there clear links between the financial strategy and the vision for the future?   | Yes this is achieved by linking CDIPs to the Strategy whilst CDIPs link to the SOA.          | Current action to continue. | -    | On Going |
| <b>c</b>  | Is the long-term financial strategy supported by detailed plans covering a minimum of three years?  | Yes – Achieved via CDIP and Financial Strategy.  | Current action to continue. | -    | On Going |
| <b>d</b>  | Do financial plans set out the implications of different levels of income, spending and activity?   | Yes. Scenario Planning introduced from June 2016.  | Current action to continue. | -    | On Going |
| <b>e</b>  | Is there a clear link between the council's revenue plans and the budget information you are asked to approve?  | All financial decisions are reflected in the Revenue & Capital Budget considered by members. | Current action to continue. | -    | On Going |
| <b>9</b>  | <b>Funding gaps, savings and service transformation (paragraphs 78 to 87)</b><br>Do financial plans identify the differences between income and expenditure for the next three years? | Yes 2017/20  | Current action to continue. | -    | On Going |

|          | <b>Questions for Councillors to consider</b>  | <b>Council Response</b>   | <b>Action Needed</b>        | <b>Who?</b> | <b>When by?</b> |
|----------|---|---|-----------------------------|-------------|-----------------|
| <b>b</b> | Do you know the actions being taken to close the funding gap?   | Updates on the Budget Strategy are reported regularly via the Policy & Resources Committee this includes an update on action agreed to close the funding gap. | Current action to continue. | -           | On Going        |
| <b>c</b> | Do you know what plans there are to redesign services and deliver savings?                              | Projects are identified and included in CDIPs and the Budget Action Plan.   | Current action to continue. | -           | On Going        |
| <b>d</b> | Are savings plans realistic within agreed timescales?   | Savings delivery is closely monitored via the CMT via a RAG status. Remedial action is taken as required.   | Current action to continue. | -           | On Going        |
| <b>e</b> | Are all savings clearly identified and categorised as recurring or non-recurring (ie, one-off) savings? | Yes. Savings are almost always recurring. Any one-off savings are separately identified.  | Current action to continue. | -           | On Going        |
| <b>f</b> | Is the council reliant on non-recurring savings?  | As a one off in 2017/18 it has been agreed to use Reserves to balance the budget. This is the first time this has been done.                                  | Current action to continue. | -           | On Going        |
| <b>g</b> | Do you know what will happen to the reserves if savings are not made?                                   | The General Fund Reserves position is reported each cycle to Committee.   | Current action to continue. | -           | On Going        |

|    | Questions for Councillors to consider   | Council Response   | Action Needed  | Who?                                | When by?                |
|----|---|--|--|-------------------------------------|-------------------------|
| 10 | <p><b>Scrutiny considerations (paragraph 88 to 89)</b></p> <p>Do you feel you have the knowledge and expertise to scrutinise your finances effectively?</p> | <p>Training is provided to all Members on the Council's Budget, Capital programme and Treasury Management. This will be refreshed post May 2017.</p> | <p>Confirm training plan and timescales for new Council post May 2017.</p> | <p>Head of Legal &amp; Property</p> | <p>By December 2017</p> |

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|                         |   |                    |                         |
|-------------------------|---|--------------------|-------------------------|
| <b>Report To:</b>       | <b>Policy and Resources Committee</b>   | <b>Date:</b>       | <b>31 January 2017</b>  |
| <b>Report By:</b>       | <b>Head of Inclusive Education, Culture and Corporate Policy</b>  | <b>Report No:</b>  | <b>PR/02/17/GMcG/KB</b> |
| <b>Contact Officer:</b> | <b>Karen Barclay, Corporate Policy Officer</b>  | <b>Contact No:</b> | <b>01475 712065</b>     |
| <b>Subject:</b>         | <b>Audit Scotland Reports on Angus, Falkirk and East Dunbartonshire Councils and Recommendations for Inverclyde Council</b> |                    |                         |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to summarise Audit Scotland's reports on the 2016 Best Value Audits on Angus, Falkirk and East Dunbartonshire Councils.

## 2.0 SUMMARY

- 2.1 Summaries of the key issues from Audit Scotland's reports on Angus, Falkirk and East Dunbartonshire Councils are set out in sections 5, 6 and 7, together with general comments relating to Inverclyde Council (in italics). Outlined in the Appendices are improvement actions that the Council may wish to consider implementing.

APPENDIX  
1  
APPENDIX  
2

- 2.2 Areas highlighted at the three Councils include:

### Angus:

- the impact on service delivery of the Council's new management structure;
- the effectiveness of working relationships between Elected Members and Officers;
- scrutiny and performance management; and
- whether the *Transforming Angus* initiative is delivering Angus's vision for local people and helping the Council to meet the financial pressures it faces.

### Falkirk:

- the change and pace of improvement;
- Corporate Workforce Strategy 2016/20; and
- the scrutiny role of Elected Members.

### East Dunbartonshire:

- the delivery of the Council's transformation programme;
- financial management;
- workforce planning; and
- scrutiny by Elected Members.

### **3.0 RECOMMENDATIONS**

3.1 It is recommended that the Committee:

- a. notes the content of Audit Scotland's Best Value Audit Reports on Angus, Falkirk and East Dunbartonshire Councils; and
- b. considers implementing the proposed improvement actions, as appropriate.

**Wilma Bain**

**Corporate Director – Education, Communities and Organisational Development**

## 4.0 BACKGROUND

- 4.1 The findings of Audit Scotland reports on local authorities are reported initially to the Corporate Management Team and thereafter to the Policy and Resources Committee, together with details of potential improvement actions for possible implementation. Consideration of such reports ensures that the Council is kept updated about issues raised by Audit Scotland regarding other councils; additionally, this information provides us with the opportunity to explore how we might learn from other local authorities with the aim of improving local service delivery.
- 4.2 Summaries of the key issues from the reports on Angus, Falkirk and East Dunbartonshire Councils are set out in sections 5, 6 and 7, together with general comments relating to Inverclyde Council (in italics). Outlined in the Appendices are details of improvement actions that the Council may wish to consider implementing in response to some of the areas highlighted at the three Councils.


## 5.0 ANGUS COUNCIL: BEST VALUE AUDIT REPORT

- 5.1 A report on Angus Council's Best Value Audit was published on 4 October 2016.
- 5.2 This is the first time Audit Scotland has reported on Angus Council since 2010. The focus was on four main issues resulting from Angus's change programme – *Transforming Angus* – which was launched in 2013:
- the impact of Angus Council's new management structure on how it is delivering services;
  - the effectiveness of working relationships between Elected Members and Officers;
  - whether there is an effective system of scrutiny and performance management across all Council Services that helps to identify and prioritise areas where Angus needs to continue to improve; and
  - how *Transforming Angus* is contributing to the Council's vision for the people of Angus and will help meet the financial pressures it faces.

### 5.3 The Impact on Service Delivery of Angus Council's new Management Structure

- 5.3.1 Audit Scotland found that the restructuring of Angus Council's Senior Management Team has contributed to a more positive organisational culture. Important improvements have been made in the leadership provided by Senior Managers and Elected Members, helping the Council to become more ambitious in modernising its business processes. Angus also has a clear vision in place of where it wants to be and how it plans to get there.

*Inverclyde Council's Senior Management Team and Elected Members have set a clear vision and positive organisational culture. The Council is also outward looking and seeks to learn from other areas in regard to improvement.*

*Given that a new Administration will be in place following the Local Government Elections on 4 May 2017, the Policy and Resources Committee agreed the extension of the timeline of our Corporate Statement 2013/17 for one year:  Inverclyde Council Corporate Statement 2013/17 - Proposed Extension to 2018 (agenda item 13).*

*Aware that our current Single Outcome Agreement expires this year, we have begun to consult with local people on the important issues they think should be included in the new Outcome Improvement Plan 2017/22.*



- 5.3.2 The restructuring of Senior Management has reduced Angus Council's annual costs by around £800,000. It has also helped to develop a more strategic and corporate approach by Senior Managers. The Council is now much less insular, with managers looking to models used by other local authorities to help modernise business processes and service delivery. There is now greater consistency between departments, in terms of service planning and a shared vision of how Angus needs to develop. A series of initiatives, such as the establishment of a Leadership Forum, have helped improve communication with middle management and other staff and encouraged more delegation of operational decision-making.
- 5.3.3 Historically, senior appointments at Angus tended to be made internally. In contrast, three existing Senior Managers were recruited from other local authorities. This has helped bring in new ways of thinking, with Angus looking to adopt different business processes and develop new ways of delivering services.

*Our new Corporate Director of Environment, Regeneration and Resources was recruited from Renfrewshire Council and took up his post this month. Additionally, the Corporate Director/Chief Officer for the Inverclyde Health and Social Care Partnership announced his retirement on 1 November 2016; the recruitment process for his successor is underway and the successful candidate may be appointed from out with the Council.*

- 5.4 Significant efforts have been made to engage with Angus's workforce as a whole. For example, a Management Development Programme has been implemented while Senior Managers are making attempts to be more visible.

*We carried out an Employee Survey in 2015. It is essential that the Council follows through on the Survey results; a report to the Policy and Resources Committee on 17 May 2016 outlined how this will happen: [Policy and Resources Committee - 17 May 2016](#) (agenda item 14, paragraph 5.4). Additionally, information about the results has been posted on the Council's intranet.*


*On 13 October 2016, we published the first edition of InSider; a new piece of communication which will be published after each Inverclyde Council meeting. Topics covered in the first edition were an update from the Council meeting held on 29 September 2016; a statement about shared services; an article about our success at the COSLA Excellence Awards 2016; and a section which highlights a range of local events and Council meetings.*

*A Senior Management Leadership Development Training Course has been undertaken with the West of Scotland University for employees of Inverclyde Council. This was an accredited and certified training qualification which 120 of our managers have been supported through and completed. Over 80% of those managers completing the course indicated that they found it assisted them to better perform their role with Inverclyde Council.*

- 5.5 In 2013, Angus established a Leadership Forum (comprising 120 managers from across Services) which has developed into a two-way communication exercise. It was noted that middle managers are very positive about the Forum and firmly believe that the Council is heading in the right direction in terms of its culture and working practices.

*We hold regular meetings of the Corporate Management Team, Extended Corporate Management Team and individual Directorate Management Teams, as well as Leadership Development Events, all of which are forums which facilitate two-way communication.*

- 5.6 In 2015, Angus approved its Workforce Strategy 2015/18; however, the initiative is not yet supported by more detailed plans. Links to other key strategies, including Angus's Budget Strategy, also need to be clearer.

*Our People and Organisational Development Strategy 2017/20 was approved by the Policy and Resources Committee on 20 September 2016:  People and Organisational Development Strategy 2017/20 (agenda item 19). The Council's Strategic Planning and Performance Management Framework makes the links between key strategies and planning processes for Inverclyde.*

## 5.7 Working Relationships between Elected Members and Officers

- 5.7.1 At Angus Council, there are good working relationships between Elected Members and Senior Managers. Regular briefings help to keep Elected Members informed and Member/Officer Groups develop policy in complex areas and oversee key developments.
- 5.7.2 There have been some improvements in the leadership provided by Elected Members. Additionally, in recent years, there has been a greater consensus between Elected Members on the broad vision for Angus and for the Council. However, there are signs that cross-party relations are fragile. For example, following recent sharp disagreements over local priorities, three non-Administration Elected Members resigned from the Council's Budget Strategy Group. This risks an end to the recent political consensus which makes it difficult for the Minority Administration to provide effective and consistent leadership.
- 5.7.3 Despite any future political disagreements and change, Elected Members and Senior Management must work together to ensure that the Council's developing approach to Best Value is sustained. If it is to meet its financial challenges over the next few years, Angus Council will need to make some difficult decisions on service priorities and ensure that *Transforming Angus* delivers its anticipated savings, impact and outcomes.

*It is important to be mindful that continuing development of Member/Officer relationships is crucial to the effective running of Inverclyde Council. This is particularly important given that there will be changes to three members of the Council's Corporate Management Team between September 2016 and Spring 2017. Additionally, a new Administration will be in place at the Council following the Local Government Elections on 4 May 2017.*

## 5.8 Scrutiny and Performance Management

- 5.8.1 In 2010, Audit Scotland described scrutiny arrangements at Angus Council as *weak* with the ability of Elected Members to scrutinise hindered by a lack of reliable information on service performance and outcomes. Encouragingly, Audit Scotland now notes that improvements have been made in scrutiny at the Council.
- 5.8.2 However, there remains a need for increased transparency in decision-making by Elected Members, together with a greater focus on priorities for service improvements. Performance information provided to Elected Members to enable them to undertake their scrutiny role could also improve.
- 5.8.3 A cross-party Budget-Setting Group has helped set common priorities and, in a significant break from the past, Angus's Scrutiny and Audit Committee is chaired by a non-Administration Elected Member. Additionally, a series of Scrutiny Panels have been established which are effective in carrying out independent and detailed reviews of key issues, including making recommendations.
- 5.8.4 There is still a need for Elected Members to demonstrate a greater level of public accountability. The statutory guidance on Best Value requires key discussions and decision-making to be held in public meetings. Audit Scotland report that they attended Council and committee meetings at Angus which were relatively short, with little discussion of key issues prior to decisions being made. It is suggested that the Council needs to establish more open and transparent forms of scrutiny; additionally, more debate and questioning should be carried out in public.

- 5.8.5 Scope remains for an improvement in the performance information provided to Elected Members. However, the position is better than it was six years ago when arrangements were described as *adequate*. Reports on performance, improvement and transformation activity are provided to Elected Members on a more regular basis throughout the year at the Scrutiny and Audit, Policy and Resources and service specific Committees. The format and content of performance reports now provides greater clarity. Reports are linked to Angus Council's priorities, outcomes, improvement actions, targets and risks to success. They also include benchmarking information. However, performance reporting still tends to be based on individual Services, with no high level corporate overview of performance against the Council Plan and its priorities. This is an important gap.
- 5.8.6 While current reports do not indicate any serious weaknesses in service performance, councils are expected to look for opportunities to make services better. Audit Scotland report that, in their meetings with Angus Council's Elected Members, they found that many were unable to clearly identify which areas of the Council's performance are priorities for improvement.
- 5.8.7 *Improving corporate and service performance is a key priority for Inverclyde Council. Elected Members are provided with a range of information on service performance to allow them to discharge their scrutiny role effectively. For example, we renewed our Corporate Directorate Improvement Plans in Spring 2016; these Plans focus on continuous improvement based on self-evaluation and are one component of our Strategic Planning and Performance Management Framework. Regular progress reports on the implementation of the Plans are submitted to the appropriate Council committees.*

*Scrutiny is carried out at committee meetings and reports are regularly submitted to enable Elected Members to fully understand how the Council is performing; for example, the 2015/16 Efficiency Performance report was submitted to the Policy and Resources Committee on 9 August 2016. Information is provided to key stakeholders to allow them to evaluate and make informed judgements about performance and progress made towards the achievement of key outcomes. Inverclyde Council's Audit Committee is chaired by a non-Administration Elected Member and carries out scrutiny of the Council's Audit Plan, Annual Accounts, reports from Internal and External Audit, reviews the adequacy of internal control systems and policies etc. Further scrutiny of performance is made at the Education and Communities Committee, the Environment and Regeneration Committee and the Policy and Resources Committee on the budgets delegated to those Committees and the performance of the Services is overseen by those Committees.*

*Our key performance indicators also provide an important measure of how Directorates contribute to the Council's strategic aims. Following consideration by the Corporate Management Team, annual reports detailing progress made towards achievement of our performance indicator targets are submitted to the Policy and Resources Committee in March and November each year. Additionally, in light of The Publication of Information (Standards of Performance) Direction 2015, a review of performance indicators across the Council is currently underway.*

*Another example of our commitment to continuous improvement is the approval of the Post-Project Evaluation Procedure by the Policy and Resources Committee on 22 March 2016; the Procedure outlines details of the implementation of a post-project evaluation process for major capital investment projects and high value goods and services contracts. Two post-project implementation processes are in progress, one at the Port Glasgow Community Campus and the other at St Columba's High School.*

*The Public Service Improvement Framework (PSIF) is an evidence-based self-assessment tool designed to drive continuous improvement in local authorities. We have been using the Framework for a number of years. Our current round of PSIF reviews is ongoing while a planned programme of reviews for 2017/18 was devised in August 2016. A number of Officers have been trained in the PSIF process with training for additional staff being explored.*

## 5.9 The impact of the *Transforming Angus* initiative

- 5.9.1 Like all local authorities, Angus faces increasing financial pressures. The Council's ability to make its savings targets largely depends on the success of its *Transforming Angus* initiative. Many of the *Transforming Angus* projects reflect work already completed by other local authorities as their approaches to Best Value have matured. Angus will be encouraged to note, however, that its proposals all look to be sensible and soundly based. Examples of projects under the *Transforming Angus* initiative include a reduction in Angus's property portfolio; improvements in procurement processes; and digitalisation of many of its citizen and internal transactions.
- 5.9.2 While the *Transforming Angus* initiative has had some success, the pace of change has been slow with some key projects. It is also too early to assess the programme's overall impact on modernising how the Council delivers services and reduces costs.
- 5.9.3 The establishment of a culture and leisure trust in December 2015 aims to save around £2.5 million during the next five years. Meanwhile, Angus Council's adult home care services are now provided by a social enterprise company, forming part of a larger *Help to Live at Home* project which plans to save £11 million by 2020.
- 5.9.4 While it is encouraging to note that the *Transforming Angus* programme is now gathering momentum, some of its projects were conceived in 2012 but are not expected to deliver full year-on-year savings until 2017 or 2018 or, in some cases, 2020.
- 5.9.5 Strong leadership from managers and Elected Members will be required to help ensure the success of *Transforming Angus*. The Council's Scrutiny Panel reviewed the progress of the programme in 2015; this led to further measures being taken to help ensure its success. A Member/Officer Working Group has been set up to oversee the initiative. Regular monitoring arrangements have been established and a strategic partner hired to help bring in external expertise and provide additional management capacity.
- 5.9.6 However, despite the positive steps outlined above, there are risks that *Transforming Angus* may not succeed in delivering the necessary savings within timescale. Angus's political and operating context is complex and demanding, with financial pressures, increasing demand for services and, in common with other councils, the Local Government Elections coming up in May 2017.
- 5.9.7 In terms of Angus's financial position, at present, the Council has agreed savings of £15.2 million. While some of these savings are planned to come from efficiency measures and service reductions, most are expected to be generated through a series of change projects via the *Transforming Angus* initiative. Meanwhile, the remaining savings (£11.3 million) have yet to be identified, with a particularly noticeable shortfall in 2017/18 and 2018/19. Angus has indicated that it expects these savings to be provided through a series of other measures, such as staff reductions, service redesigns, income generation and a review of the schools estate. A programme of service reviews to be carried out during 2016/17 aims to help develop detailed proposals.

*Some of the projects under Angus Council's Transforming Angus initiative have already been progressed by Inverclyde Council; examples include the transfer of sports facilities to an arm's length trust (albeit Angus's arrangement also includes museums and libraries); the expansion of online services including access to on-line payments; and the introduction of hot desks at a number of Council offices.*

*Our Service Review Guidance was approved by the Policy and Resources Committee on 20 September 2016 and it was agreed that it should be adopted by Council Services. This Guidance will help management when reviewing services going forward, to identify different ways of delivery and potential budget savings.*

## 5.10 Angus Council – Next Steps

Continuity in Angus's commitment to improvement will be essential, both leading up and after the Scottish local government elections on 4 May 2017.

In the meantime, Angus Council should:

- work out what its priorities are in terms of service delivery;
- develop a better awareness of the approaches being taken to service delivery in other local authorities;
- establish a more open and transparent approach to Elected Members' scrutiny of performance to allow them to prioritise where they would like to see improvement (better performance information is required to enable this to happen);
- increase the amount of debate and questioning that takes place in public; and
- perhaps most importantly, increase the pace of change.

5.11 Audit Scotland has intimated that it will maintain an interest in the progress made by Angus Council, both through the annual audit process and in its new approach to auditing Best Value.



## 6.0 FALKIRK COUNCIL: BEST VALUE AUDIT REPORT

6.1 A report on Falkirk Council's Best Value Audit was published on 1 December 2016.

6.2 In August 2015, Audit Scotland said that Falkirk Council needed to make a step-change in its pace of improvement, adding that it was disappointed at the amount of progress made since last Summer. At that time, there were significant concerns about Falkirk's approach to making savings of £46 million over three years with the aim of protecting the delivery and improvement of service priorities; that figure has now increased to £61 million.

*The current estimate indicates that Inverclyde Council will need to make savings of £22.5 million during the period 2017/20. Given the scale and pace of the savings required, we recognise that we will have no option but to reduce spending in some areas of service delivery; the question set of our Budget Consultation 2017/18 has therefore been devised on that basis.*

6.3 While Audit Scotland notes how Falkirk has responded to its previous findings, concern remains that there has been limited progress in addressing the underlying need to make more radical change. For example, the Council needs to identify how it will make the significant savings required over the next two years; financial strategies and plans for the longer term also need to be developed.


*Our Budget Strategy 2016/18 was approved by the Policy and Resources Committee on 11 August 2015:  Budget Strategy 2016/18 (agenda item 6); additionally, our Budget Strategy 2017/20 was approved by the same Committee on 20 September 2016:  Budget Strategy 2017/20 (agenda item 12).*

*Our Financial Strategy includes long term planning and is regularly refreshed; it is also seen as an example of good practice by Audit Scotland.*

6.4 Key priorities require to be identified and agreed at Falkirk as a matter of urgency. Additionally, those priorities need to be supported by a more robust approach to financial planning in the medium and longer term, together with a more co-ordinated and streamlined approach to improvement activity, while showing how substantial change will be achieved. For instance, while Falkirk Council currently has a number of improvement activities, it is not clear how they are aligned to priorities and the budget-setting process. Audit Scotland views this as a significant gap and suggests that, to improve the pace of

change, the Council needs to identify and agree clear priorities as a matter of urgency. Additionally, a focused and co-ordinated approach will be required by Falkirk's Corporate Management Team to deliver those priorities.

- 6.5 Falkirk Council's Corporate Workforce Strategy 2016/20 was approved on 15 March 2016, however, Audit Scotland said that the Council needs to show how the Strategy will drive and deliver change across services.

*Our People and Organisational Development Strategy 2017/20 was approved by the Policy and Resources Committee on 20 September 2016:  People and Organisational Development Strategy 2017/20 (agenda item 19). The Council's Strategic Planning and Performance Management Framework makes the links between key strategies and planning processes for Inverclyde.*

- 6.6 Audit Scotland is encouraged by the increased collaboration among Elected Members regarding both the budget process and business transformation activity. There have also been improvements in scrutiny by Elected Members; however, it could be more transparent and supported by better reporting of performance by Officers. Additionally, Falkirk needs to be more effective at demonstrating its change and improvement.
- 6.7 Audit Scotland reiterate that strong and effective leadership by both Elected Members and the Corporate Management Team will be critical in addressing the challenges Falkirk will face in the coming years.

*In common with other local authorities, our Elected Members and the Corporate Management Team are fully aware of the need to demonstrate sound leadership in light of the uncertain future facing public sector organisations like ours.*

#### 6.8 Falkirk Council – Next Steps

Audit Scotland's report on Falkirk highlights a number of recommendations for improvement; the Council needs to:

- identify and clearly communicate its strategic priorities and ensure that all activity is aligned with these priorities;
- review the process for preparing its budget to ensure all costs and income are more accurately anticipated;
- develop its approach to medium and longer term financial planning which takes into account uncertainties around future funding and income and includes scenario planning for a range of options;
- ensure all improvement activities are aligned with strategic priorities and the budget-setting process, and that Senior Officers support the Improvement Programme Manager, by providing strategic leadership and direction to deliver the change required;
- ensure that its workforce reductions are informed by detailed workforce plans and that budgets reflect planned workforce changes; and
- provide timely and complete performance information to Elected Members and the public with the aim of promoting effective challenge and driving improvement, and introducing tracked action plans to ensure that improvement takes place where poor performance has been identified.

- 6.9 Audit Scotland has indicated that it will maintain a close interest in progress made by Falkirk Council, with a further update planned by the end of next year.

#### **7.0 EAST DUNBARTONSHIRE COUNCIL: BEST VALUE AUDIT REPORT**

- 7.1 A report on East Dunbartonshire Council's Best Value Audit was published on 15 December 2016.

- 7.2 Audit Scotland said that East Dunbartonshire Council has responded to concerns expressed in their report issued in June 2015. Prioritisation of improvement projects is better and some aspects of workforce planning have been strengthened. Scrutiny by Elected Members has also improved.
- 7.3 However, Audit Scotland has again expressed concern that East Dunbartonshire Council has not demonstrated adequate capability to deliver its ambitious transformation programme and the subsequent ability to address its significant funding gap. Audit Scotland also notes East Dunbartonshire's failure to meet targets, together with a lack of clarity regarding the achievement of savings.
- 7.4 Audit Scotland suggests that more competent programme management is essential to ensure public confidence in East Dunbartonshire's approach to managing change. Additionally, further improvements are required in terms of workforce planning, including: a workforce plan that is better integrated to the Council's transformation programme; ensuring the required skills are in place to achieve the programme; and that targeted savings are monitored and achieved.
- 7.5 East Dunbartonshire has made progress with some larger-scale improvement projects during the last year. However, much of its transformation programme - which sets out its projects to deliver savings and change the ways it provides services – remains behind schedule; this requires to be addressed if East Dunbartonshire is to meet its projected funding gap of £27.6 million between 2017/18 and 2019/20.
- 7.6 In terms of sharing services with neighbouring local authorities (including Inverclyde), East Dunbartonshire is exploring the potential to make significant savings. However, because work is at an early stage, further clarity is to follow on the level of anticipated savings.

*The above observation made by Audit Scotland regarding shared services also applies to Inverclyde Council.*

- 7.7 During the last 12 months, East Dunbartonshire has improved both the quality and the frequency of its financial reconciliations. Additionally, its Capital Programme is also being delivered in a more effective way. However, despite these improvements, Audit Scotland is concerned about the Council's internal controls for payments to private social care providers. In September 2016, Elected Members examined these issues at the Transformation, Economy and Employment Scrutiny Panel and agreed actions to address them. Despite this, however, Audit Scotland expressed concern about the range of skills in the Finance Team to sustain improvements.

*We have a Service Accountancy improvement action in our Environment, Regeneration and Resources Corporate Directorate Improvement Plan 2016/19 which aims to increase value added professional support to Services, improve the budget management by budget holders whilst managing a reduction in Accountancy staff by 2 FTEs.*

- 7.8 Audit Scotland note that East Dunbartonshire Council has implemented some aspects of good workforce planning. However, it continues to reshape the size and roles of its workforce without clearly stating how this will deliver its priorities. During the past year, development in human resources systems and practices helped to reduce sickness absence and improve East Dunbartonshire's understanding of the size and skills of its workforce. Additionally, following lengthy delays, the Council completed its job evaluation this year.

*The third edition of our Job Evaluation Scheme is now in place with all job evaluations carried out online via the Gage software. Historical information has also been input to the system.*

- 7.9 In order to make savings, East Dunbartonshire made further reductions in the number of chief officers and other posts during the last year. Audit Scotland note that the Council is committed to achieving reductions in its workforce by voluntary means; since 2009, East Dunbartonshire has made significant reductions in employee numbers via voluntary redundancy.
- 7.10 However, care must be taken to ensure that the associated loss of skills does not have a negative impact on East Dunbartonshire's ability to deliver services and its significant programme of change. Audit Scotland note that the Council's average cost of voluntary exit packages is high in comparison to other local authorities. This will be impacted by the proportion of Senior Officers leaving the Council but Audit Scotland also suggest that there may be scope for East Dunbartonshire to review whether the terms of its exit packages represent best value.
- 7.11 Audit Scotland note that decision-making at East Dunbartonshire is now more transparent, with the Council conducting more business in public. Scrutiny arrangements and the quality of scrutiny by Elected Members are also becoming more effective. Despite this, however, potential exists for additional improvements to governance, particularly by providing Elected Members with shorter, clearer reports to facilitate their decision-making and scrutiny roles.

#### 7.12 East Dunbartonshire Council – Next Steps

Audit Scotland's report on East Dunbartonshire Council highlights a number of recommendations for improvement; the Council should:

- continue to increase the pace of change in delivering its transformation programme and focus on its priority projects;
- better measure and monitor the benefits and savings it achieves from its transformation programme and ensure that lessons learned are translated into improving services;
- develop a Council-wide workforce plan that forecasts what its priorities are and the skills it needs to deliver these in the medium term;
- ensure its workforce plan sets out the Council's aims and objectives for its workforce, including restructuring and voluntary redundancy;
- provide Elected Members with clearer and more concise reports, using plain language, to aid effective decision-making and scrutiny; and
- ensure improvements in financial management are maintained and that the Finance Team has the skills and staff to do so.

- 7.13 In common with Falkirk Council, Audit Scotland has indicated that it will maintain a close interest in progress made by East Dunbartonshire, with a further update planned by the end of next year.

## 8.0 IMPLICATIONS

### 8.1 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)

| <b>Cost centre</b> | <b>Budget heading</b> | <b>With effect from</b> | <b>Annual net impact</b> | <b>Virement from (if applicable)</b> | <b>Other comments</b> |
|--------------------|-----------------------|-------------------------|--------------------------|--------------------------------------|-----------------------|
| n/a                | n/a                   | n/a                     | n/a                      | n/a                                  | n/a                   |

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

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

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

8.5 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.

### **9.0 CONSULTATION**

9.1 There was no requirement to consult on the contents of this report.

### **10.0 CONCLUSION**

10.1 The report on the 2016 Best Value Audits on Angus, Falkirk and East Dunbartonshire Councils were published on 4 October 2016 and on 1 and 15 December 2016. The main findings of the documents are summarised in this report, together with learning points that the Council may wish to consider implementing, as appropriate.

### **11.0 LIST OF BACKGROUND PAPERS**

11.1 Angus Council – Best Value Audit Report, 4 October 2016

Falkirk Council – Best Value Audit Report, 1 December 2016

East Dunbartonshire Council – Best Value Audit Report, 15 December 2016

## Audit Scotland Report on Angus Council and Recommendations for Inverclyde Council

### Potential improvement actions

#### 1. Employee engagement

It is essential that we continue to follow through on our Employee Survey 2015; a report to the Policy and Resources Committee on 17 May 2016 outlined how this will happen: [Policy and Resources Committee - 17 May 2016](#) (agenda item 14, paragraph 5.4).

It is important that momentum with responding to the Employee Survey 2015 results is maintained and actions arising are progressed and reported back to employees, in particular, the points mentioned in the *What's next* section of the newsletter posted on the Council's intranet on 11 August 2016.

#### 2. People and Organisational Development Strategy 2017/20

Our People and Organisational Development Strategy 2017/20 was approved by the Policy and Resources Committee on 20 September 2016. We may wish to review the document in light of Audit Scotland's points about Angus's Workforce Strategy 2015/18 which indicate that links to other key strategies, including Angus's Budget Strategy, need to be clearer.

#### 3. Audit Scotland suggested that Angus Council needs to establish more open and transparent forms of scrutiny; additionally, more debate and questioning should be carried out in public.

We may wish to review the appropriateness of reports which are considered in private, particularly in light of The Community Empowerment (Scotland) Act 2015.

#### 4. Scrutiny and performance management

Angus Council: Performance reporting at Angus still tends to be based on individual Services, with no high level corporate overview of performance against the Council Plan and its priorities. This is an important gap. While current reports do not indicate any serious weaknesses in service performance, councils are expected to look for opportunities to make services better. Audit Scotland report that, in their meetings with Elected Members, they found that many were unable to clearly identify which areas of the Council's performance are priorities for improvement.

A review of the performance information we provide to Inverclyde Council's Elected Members could possibly highlight areas for improvement. Members are often asked if they would like information provided to them in different ways. Where particularly complex information is being provided to Members, briefing sessions are held to allow for more in depth consideration of information to inform scrutiny at committee.

Additionally, given that Audit Scotland commented on the relatively short duration of the Council and committee meetings they attended at Angus, it is important that we do not allow this to happen here. Allowing meetings to be of an appropriate length will permit sufficient time to be made for scrutiny of the information presented for consideration.

#### 5. Adult home care services

In March 2016, Angus Council stopped directly providing adult home care services. Its adult home care services are now provided by a social enterprise company, forming part of the longer term *Help to Live at Home* project which plans to save £11 million by 2020.

There may be value in approaching Angus Council to learn from their approach to the provision of adult home care services.

## 6. **Angus Council – next steps**

Now that Inverclyde Council's Audit of Best Value is underway, there may be value in giving careful consideration to the points raised about Angus Council, as outlined at section 5.10 of the covering report.

**Audit Scotland Reports on Falkirk and East Dunbartonshire Councils and  
Recommendations for Inverclyde Council**

**Potential improvement actions**

**1. People and Organisational Development Strategy 2017/20**

Our People and Organisational Development Strategy 2017/20 was approved by the Policy and Resources Committee on 20 September 2016. We may wish to review the document in light of Audit Scotland's points about the need for Falkirk to show how its Corporate Workforce Strategy 2016/20 will drive and deliver change across services.

Additionally, in light of the range of workforce issues highlighted at East Dunbartonshire Council, our Head of Organisational Development, Human Resources and Communications is currently preparing an update report on our People and Organisational Development Strategy 2017/20 for the meeting of the Policy and Resources Committee on 31 January 2017.

**2. Scrutiny by Elected Members and performance reporting**

See section 4 of Appendix 1.

**3. Falkirk and East Dunbartonshire Councils – next steps**

Now that Inverclyde Council's Audit of Best Value is underway, there may be value in giving careful consideration to the recommendations about Falkirk and East Dunbartonshire Councils, as outlined at sections 6.9 and 7.12 of the covering report.

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|                         |   |                    |                         |
|-------------------------|---|--------------------|-------------------------|
| <b>Report To:</b>       | <b>Policy and Resources Committee</b>                           | <b>Date:</b>       | <b>31 January 2017</b>  |
| <b>Report By:</b>       | <b>Aubrey Fawcett, Chief Executive</b>                          | <b>Report No:</b>  | <b>PR/03/17/AF/MMcK</b> |
| <b>Contact Officer:</b> | <b>Miriam McKenna, Corporate Policy and Partnership Manager</b> | <b>Contact No:</b> | <b>01475 712042</b>     |
| <b>Subject:</b>         | <b>Delivering Differently in Inverclyde</b>                     |                    |                         |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to present to the Committee an overview of how Inverclyde has in the past, and continues to seek to transform and modernise its services.

## 2.0 SUMMARY

- 2.1 Audit Scotland, in their 'Overview of local government in Scotland 2016' report, highlighted that local authorities have not made enough progress in developing alternative forms of service delivery to meet the challenges of tightened budgets and to transform public services in Scotland.
- 2.2 Inverclyde Council, over a number of years, has sought to identify a variety of ways in which to develop and deliver its services differently. Further consideration of transforming our services is required in order to seek opportunities to deliver better, more efficient services, which can be delivered at a lower cost than at present.
- 2.3 The range of transformation/modernisation projects which Inverclyde Council has already considered or delivered is set out at paragraph 5. Areas which will be developed by officers for consideration in the near future for transformation or modernisation are set out at paragraph 6. Furthermore, Members should be aware that savings gained alone from such activities as shared services will not close the significant funding gap and the Council will require to focus on a programme of service reduction, charging and stopping services.
- 2.4 This programme will develop over time as the budget plan is updated and further progressed.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that Policy and Resources Committee:
- Note the progress made to date on the development and delivery of transformation and modernisation of services
  - Agree that our Change Management Programme "Delivering Differently in Inverclyde", as outlined in paragraph 6, continues to be developed alongside the budget workplan, for consideration by the new Council after the Local Government Elections in May 2017.

## 4.0 BACKGROUND

- 4.1 Audit Scotland, in their 'Overview of local government in Scotland 2016' report, highlighted that local authorities have depended on incremental changes to services, increasing charges and reducing employee numbers in order to make savings. Audit Scotland posit that these are neither sufficient nor sustainable solutions to the challenges facing councils. They set out that what is required is a more strategic approach, longer term planning and a greater openness to alternative forms of service delivery.
- 4.2 The report states that Audit Scotland/the Accounts Commission continue to be concerned about councils' slow progress in delivering services differently, rather than relying on incremental savings to existing models of service delivery. There are some examples of councils achieving savings and community benefits through increasing online access to services, sharing services, collaboration on procurement and using arm's-length external organisations (ALEOs). They state that Councils need to be more ambitious in their plans, better at longer term planning, and willing to appraise all practical options for delivering services more efficiently and effectively. This includes empowering and supporting local communities in delivering local services.
- 4.3 Audit Scotland accept that it is challenging for councils to fundamentally change the way it has provided a service over a lengthy period of time, but believes that there are significant consequences to not conducting comprehensive option appraisals. In the face of further funding reductions, they suggest that councils should be evaluating options for more significant changes to delivering key services, beyond health and social care integration.
- 4.4 The recommendation in the overview in relation to service change is that councillors should:

*'Appraise all practical options for how to deliver the services their communities need within the resources available. This includes examining opportunities to work with and empower communities to deliver services in different ways, and learning lessons from others and from wider public service reform. They should ensure they get all necessary information and support from officers to help them fully assess the benefits and risks of each option.'*

- 4.5 Inverclyde Council has had a clear approach to transformation and service change, trying to balance service reductions with seeking new ways to deliver services, more efficiently. Budget reviews are ongoing, and services are reviewed as part of this.

## 5.0 TRANSFORMATION – THE JOURNEY TO DATE IN INVERCLYDE

- 5.1 After the 2005 Best Value review, the Council agreed that it required to make a step change in a number of areas to ensure that the services it was delivering were fit for purpose and could be delivered within the available financial envelope. Immediately after the recruitment of the new management team strides were made which resulted in the transfer of the Council's housing stock to River Clyde Homes in 2007, the creation of Urban Regeneration Company, Riverside Inverclyde, and a fundamental review in the significant trading operations operated by the Council resulting in regular reports and stronger governance. Allied to this was the development of the Council's Financial Strategy which has been reported on a 6 monthly basis to the full Council since 2008.
- 5.2 To support the development of the Financial Strategy the Council moved to multi-year budgeting and as a result began to plan further ahead in terms of savings development in order to move away from incremental salami slicing of budgets. A key development in 2010 was the agreement of an ambitious Savings Workstream Programme which identified potential savings over a number of major headings with supporting sub projects developed thereafter. Included within this were Senior Management Restructures, Review of Terms and Conditions, Procurement and Commissioning Savings, Modernisation and Asset Management. Allied to this the Council agreed a Corporate Transformation Project called The Operating Model, which achieved limited savings and was terminated in 2011.

5.3 As a result, the Council reflected on its approach to the delivery of major modernisation/transformation projects and agreed to change its approach whereby Directorates and Services had ownership of transformation within their areas rather than this being identified and led by a central team who would not have the detailed knowledge of how services operate.

5.4 This approach has proven successful to date with a large range of transformation/modernisation projects having been progressed with a significant contribution to the Council's Savings Gap. Examples of the main areas identified in the Audit Scotland letter of 16 of November are as follows:

*Shared Services*

- a) Corporate Shared Services/ICT Shared Services (Renfrewshire and East Renfrewshire) – Not pursued.
- b) Roads Shared Services (Renfrewshire and East Renfrewshire) - Not pursued.
- c) Roads (East & West Dunbartonshire) – In progress.
- d) City Deal (Glasgow City Region) – In progress.
- e) HSCP (Greater Glasgow & Clyde Health Board) – Operational since 2010.

*Alternative Delivery Arrangements:*

- a) LSVT – 2007
- b) Leisure Trust – Original 2001, Community facilities transferred 2011 and Outdoor Facilities transferred 2015
- c) Riverside Inverclyde – 2007

5.5 In addition to the above, the Council uses private and charitable sector companies to deliver a number of Council functions which are delivered in house by other Councils such as Street Lighting, Roads Capital Projects, Recycling Depot (Greenlight), Employability Programmes (Inverclyde Community Development Trust), plus aspects of Social Care Delivery, including all Care Home placements and aspects of Early Years.

5.6 Digital Services

Digital programmes which have been implemented include:

- a) Revamped website with more on line services.
- b) The adoption of Myaccount Scotland.
- c) More online payments and continual increase in Council Tax Direct Debits.
- d) Implementation of EDRMS within large areas of the Council.
- e) Increase in non-face to face contacts at the Customer Service Centre.
- f) Citizens Mobile (Launched mid December 2016).
- g) Schools online payments pilot.
- h) E Planning and E Building standards.
- i) Implementation of CM 2000 for Homecare Staff.
- j) Mobile/Flexible working for employees linked to the office AMP.
- k) Implementation of e-learning providing our employees with greater and more flexible access to learning and development opportunities.

Going forward work is underway with the Improvement Service in regard to the digitisation of services and the development of the next phase of the Digital Access Strategy.

5.7 Asset Management

- a) School Estates Management Plan – Recurring savings released from unsuitable buildings £4.7 million reinvested in the estate.
- b) Asset Management Plan - Depots and Offices, recurring savings released from unsuitable buildings £0.5 million reinvested in new facilities.
- c) Roads Assets – Significant increase in investment leading to improvement in Roads Assets.
- d) Vehicle – Detailed options appraisal resulting in a self-sustaining replacement cycle
- e) Asset Transfer – the Council has been, and is committed to, the transfer of assets to the

community and where it is appropriate its Arms-Length External Organisations (ALEOs) e.g. transfer of the Kilmacolm Community Facility to the Kilmacolm New Community Centre Company and the transfer of the industrial portfolio to Riverside Inverclyde. The Council is currently supporting the Inverkip SCIO to take on responsibility for the new Inverkip Community facility.

5.8 In order to support the large range of transformation/modernisation projects, Inverclyde Council formally introduced an Organisational Development Strategy in 2009, shortly after the successful introduction of Single Status. Since then the Council has continued to give Organisational Development (OD) a prominent role, placing a high value on OD and workforce planning activity. The 2009-2012 strategy was followed by our second OD strategy 2013-2016 which continued to ensure that positive people management and workforce planning initiatives were supported, introduced and recognised as playing a valuable role in achieving key Council priorities and objectives and securing high service delivery standards.

## **6.0 GOING FORWARD – DELIVERING DIFFERENTLY IN INVERCLYDE**

6.1 In recognition of the challenges ahead Members should be aware that the previous approach to achieving savings will not be sufficient - there is a need to step up our effort and do things differently. Over the next two years the Council will also look at programmes to deliver options for further shared services, sourcing services externally and the potential for community transfer. However, it must be recognised that this work alone will not be sufficient to close the funding gap and the Council will continue to require to focus on a programme of service reduction, charging and stopping services.

6.2 The Council, in partnership with the Improvement Service is exploring a range of opportunities in regard to transformation, including the role of digital platforms to allow for channel shift, service improvement and the realisation of efficiencies. Some of this will be built around using the platform of 'myaccount' to facilitate online payments and transactions across a range of services, and to allow service users to have their information held in one place, feeding a number of forms/services.

6.3 In addition to the digital transformation aspect, work will be undertaken at the same time to better understand benefits realisation, in terms of improved outcomes for children, citizens and communities as a result of service change and improvement.

6.4 Transformation can be used to ameliorate the impact of service cuts, and develop services that still meet the needs of the local population. All opportunities should be explored to attempt to mitigate any service reduction. The challenge going forward is how to keep the pace of change going in a context where there are continually reducing resources.

### **6.5 Budget Workplan**

The Council has operated a Budget Workplan for the last 2 years whereby key projects agreed by Members are tracked via regular updates to the Corporate Management Team and the Joint Budget Group. The latest position is attached as Appendix 1 to this report. It can be seen that the workplan incorporates a wide spread of service reviews many of which are included in the CDIPs.

Going forward it is expected that the Budget Workplan will significantly expand in order to capture all the main areas required to ensure that the Council can set a balanced budget in 2018/19. The areas which will be added to the Workplan will come from the list of £21million savings proposals which are being developed at present by officers for consideration by the new Council post the May 2017 elections. Savings options of this order are required to be progressed given the latest estimated funding shortfall for 2017/19 of £14.5million. Areas being developed by the Corporate Management Team include:

- looking at the balance of service delivery within homecare and other parts of the HSCP;
- increasing the private/charitable provision of Early Years;



- reviewing the viability of the Building Services Unit;
- consideration of the transfer of Libraries to a Leisure Trust or similar organisation;
- consideration of how communities can be better engaged in the delivery of Council Services; and,
- transfer of community buildings to community groups.

The budget high level timetable for 2018/20 is:

| Date                  | Activity  |
|-----------------------|---|
| 12 August 2016        | Consultation proposal considered by MBWG  |
| 20 September 2016     | P&R Committee agree process and impact on Finances  |
| 15 November 2016      | Consultation approach approved by P&R Committee   |
| 1 December 2016       | Updated Financial Strategy considered by the Council  |
| February 2017         | Consultation responses included in overall Budget Report                                    |
| May 2017              | Local Government Elections  |
| August 2017           | Political steer on savings proposals to undertake detailed consultation/undertake VS Trawls |
| December 2017         | 2018/20 Settlement figures  |
| February – March 2018 | Comprehensive package of phased savings agreed for 2018/20                                  |

## 6.6 Budget Consultation

The Council takes the process of community consultation very seriously and has undertaken several years of budget engagement with communities, setting out what services are in scope and what potential savings could be made to balance the budget. The feedback from communities has fed into the decision making of the Elected Members around the budget. It is intended that community consultation will continue to play a very important role in influencing future policy direction.

## 6.7 Corporate Directorate Improvement Actions

There are a number of Directorate Improvement Actions which are focussed on review and savings. These are listed at Appendix 2 and include the areas of:

- Additional Support Needs
- School Transport
- Digital Channel Shift
- Roads Asset Management Plan
- Redesign of services for People with Learning Disabilities
- Scottish Attainment Challenge work
- Community Justice Partnership implementation

The reviews being undertaken have been driven by a number of priorities, but principally via the budget planning process. The Council knows it has a funding gap to be met and is undertaking a number of reviews to identify potential savings. Initiatives like the implementation of the Roads Asset Management Plan are driven by a need to improve the condition of Inverclyde's roads, lighting and pavements, with potential for savings to be made in the longer term. The Scottish Attainment Challenge is funded by the Scottish Government and is focussed on improved educational attainment and wellbeing outcomes for children and their families and so has another, different driver.

## 6.8 Health and Social Care Integration

The Inverclyde Health and Social Care Partnership has been established. Inverclyde was well integrated before the new legislation came into being and has built on this strength. The HSCP has reviewed a wide number of its services and is looking to further develop and improve other areas within its remit. The HSCP has commissioning as part of its Strategic Plan, which identifies how the partnership buys services and could be used in the future to highlight areas for development.

Other areas which are being reviewed and developed are:

- Reshaping care for older people
- Reshaping Children's Services
- Reablement
- Learning Disability.

## 6.9 The Community Empowerment Act

The Community Empowerment Act will help to empower community bodies through the ownership of land and buildings, and by strengthening their voices in the decisions that matter to them. It will also improve outcomes for communities by improving the process of community planning, ensuring that local service providers work together even more closely with communities to meet the needs of the people who use them.

The Act does a number of things including: extending the community right to buy, making it simpler for communities to take over public sector land and buildings, and strengthening the statutory base for community planning. Crucially it can help empower community bodies through the ownership of land and buildings and strengthening their voices in the decisions and services that matter to them.

The Council will be developing its existing approach to asset transfer in light of the new Act, as well as putting in place processes for responding to participation requests. Both these elements of the Community Empowerment Act could lead to a change in how services are delivered. There will be opportunities for community groups and third sector organisations to take on the development and delivery of services which Councils may no longer be able to afford to provide. Inverclyde Council will explore the options the Act presents and will work with any community which wishes to explore the potential for greater involvement in the delivery of services.

## 6.10 Workforce Planning & Development

The Council has recognised the importance of supporting employees through periods of sustained change and this has been demonstrated through the delivery of two Organisational Development Strategies from 2009 and the recent development of a People and Organisational Development Strategy for 2017-2020. It recognises that in order to deliver on the Council's policy ambitions in a climate of reducing resources, the Council will need a workforce that is developed appropriately and remains engaged, and motivated.

The 2017-2020 strategy has been developed in consultation with all services which has helped to provide a baseline assessment against the key objectives within the Corporate Statement and Corporate Directorate Improvement Plans. Stakeholder engagement has included workshops with the Extended Corporate Management Team, Heads of Educational Establishments, Service Managers and feedback from the recent Employee Opinion Survey. Consultation on the development of this strategy has also taken place with the Trade Unions and the Corporate Workforce Planning and Development Group which has representation from all Directorates of the Council.

The People and Organisational Development Strategy 2017-2020 and associated Action Plan emphasise the Council's commitment to investing in planning and supporting staff through these changes with an integrated range of activities which consult, engage, inform and develop our staff to ensure we meet the challenges ahead. With an estimated reduction of staff in the

region of 175 to 300 FTE for the period 2017/19, additional resources will be made available to the Head of Organisational Development, Human Resources and Communications to provide support for Services and staff as proposals for reductions are developed and, where approved by Members, ultimately implemented.

## 6.11 Managing Change

The public sector in general and particularly local government at a national level has had limited success in delivering major savings from Transformation despite significant sums having been invested. The Council has already identified capacity as a risk in CDIP risk registers and can struggle to be able to release existing employees to focus on review and business change. A number of other local authorities have business management/ business change teams yet tangible examples of major savings arising from transformation are limited.

Council Services are best placed to identify and implement the necessary changes to deliver the required savings. These changes will without doubt involve significant redesign of some service areas and in some cases the termination of previously considered important services. In this regard, Heads of Service will have the responsibility to identify and coordinate options for change within their Service areas and report to their Corporate Director.

In order to assist each Corporate Director, it is proposed that:

- A Change Management Directorate Group is established to review progress on all change projects on a monthly basis. The Group will be chaired by the Corporate Director and consist of the DMT plus Finance & HR support.
- Heads of Service will be accountable for promoting change management projects and taking necessary action to ensure timeous delivery.
- Progress reports using a RAG status will be submitted bimonthly to the Corporate Management Team.
- Once the Change Management Programme is adopted by the new Council, in the summer of 2017, regular updates will be presented to the Policy & Resources Committee.

The timetable for the Change Management Programme “Delivering Differently in Inverclyde”, which takes cognisance of the high level budget timetable is as follows:

| Date                      | Activity  |
|---------------------------|---|
| 31 January 2017           | Directorate Change Management Groups formally established.  |
| 28 February 2017          | 1 <sup>st</sup> Wave savings options reviewed and proposals relevant to the Change Management Programme identified. |
| 28 February 2017          | 1 <sup>st</sup> review of progress of Directorates by the CMT (Bimonthly thereafter)                                |
| 31 March 2017             | 2 <sup>nd</sup> Wave savings options reviewed and proposals relevant to the Change Management Programme identified. |
| 30 April 2017             | 2 <sup>nd</sup> review of progress by CMT.  |
| 30 June 2017              | 3 <sup>rd</sup> review of progress by CMT.  |
| 31 August 2017            | Detailed proposals collated and presented to Council for consideration as part of the 2018/20 Budget.               |
| September – February 2018 | Detailed consultation with employees, service users, stakeholders prior to February 2018 Budget meeting.            |

## 7.0 IMPLICATIONS

### 7.1 Financial Implications

Whilst it is believed that significant savings can be made by continuing and expanding the Change Management Programme including areas such as sharing services and working alongside our communities to deliver services, it is not expected that this will be sufficient to close the medium term funding gap based on the funding scenarios set out in the Financial Strategy. Service reduction and withdrawal will also have to play a part in delivering a balanced

budget along with increased income levels unless there is a fundamental improvement in the Local Government Funding Settlement in future years.

One off costs

| <b>Cost Centre</b> | <b>Budget Heading</b> | <b>Budget Year</b> | <b>Proposed Spend this Report</b> | <b>Virement From</b> | <b>Other Comments</b> |
|--------------------|-----------------------|--------------------|-----------------------------------|----------------------|-----------------------|
| n/a                |                       |                    |                                   |                      |                       |

Financial Implications - Annually Recurring Costs/ (Savings)

| <b>Cost Centre</b> | <b>Budget Heading</b> | <b>With Effect from</b> | <b>Annual Net Impact</b> | <b>Virement From (if applicable)</b> | <b>Other Comments</b> |
|--------------------|-----------------------|-------------------------|--------------------------|--------------------------------------|-----------------------|
| n/a                |                       |                         |                          |                                      |                       |

7.2 Human Resources: none at present

7.3 Legal: none at present

7.4 Equalities: none at present

7.5 Repopulation: none at present

## **8.0 CONSULTATIONS**

8.1 The report on Delivering Differently in Inverclyde was considered by the CMT.

## **9.0 LIST OF BACKGROUND PAPERS**

9.1 N/A

## Appendix One

**2016/18**

### **Budget Actions November 2016**

| <u>Area</u>                            | <u>Action</u>   | <u>Who By</u> | <u>Update</u>  | <u>Additional Resource</u> | <u>CMT Report Timescale</u> | <u>Cttee Report Timescale</u> | <u>Potential Saving £000</u> | <u>TU Involved</u>                               |
|--|---|---------------|--|----------------------------|-----------------------------|-------------------------------|------------------------------|--|
| 1) CCTV                                | Report to go to E&C Committee on options for Procurement/ Delivery  | J Arthur      | A report was submitted to P&R on the 20 <sup>th</sup> September recommending that the committee agree the allocation of up to £321k to fund the replacement costs of the CCTV system. Police Scotland have stated that they are unable to confirm if they will be able to continue contributing to these costs for future years. | None                       | Dec 2016                    | Jan 2017                      | 62                           | Unison<br><br>(Jim Kelly)                        |
| 2) ASN Service Review                  | Review to be reported to E&C Committee following appropriate consultation.  | G McGovern    | Planning currently in place for implementation of amended recommendations over session 2016 – 17 that don't impact on employee costs. Further proposals to be included in £20 million savings options.   | None                       | Nov 2016 / Jan 2017         | To be confirmed               | 235                          | Unison<br>(Robin Taggart)<br>EIS<br>(Tom Tracey) |
| 3) Community Facilities Service Review | Inverclyde wide review of the future provision of Community Facilities including review of school based options and Whinhill Golf | J Arthur      | Work has now been completed on the report and will go to CMT in November and thereafter shared with the JBG. This will also be included in the £20 million savings options.  | Yes                        | Nov 2016                    | Jan 2017                      | 239<br>(Pre I-Zone)          | Unison<br>(Karen McFadyen/<br>Janice Boyd)       |

| <u>Area</u>                | <u>Action</u>  | <u>Who By</u> | <u>Update</u>  | <u>Additional Resource</u> | <u>CMT Report Timescale</u> | <u>Cttee Report Timescale</u> | <u>Potential Saving £000</u> | <u>TU Involved</u>                    |
|----------------------------|--|---------------|--|----------------------------|-----------------------------|-------------------------------|------------------------------|---------------------------------------|
|                            | Club.  |               |  |                            |                             |                               |                              |                                       |
| 4) School Transport        | Progress consultation subject to budget decision.  | G McGovern    | A statutory consultation has now been completed and an outcome report is currently being developed in liaison with Education Scotland. This report will be remitted to CMT in December 2016 and thereafter to January E&C Committee.   | None                       | Dec 2016                    | Jan 2017                      | 170                          | Unison (Billy Matthews / Willie Bell) |
| 5) Social Transport Review | Review use of existing voluntary transport support and arrangements                                    | B Moore       | Meeting took place with Social Value LAB. They will revert with proposals to facilitate 3 stakeholder meetings to explore provision around social transport. Sessions took place 21 <sup>st</sup> March and 31 <sup>st</sup> March 2016. Workshop report circulated to participants for comments. Proposal to fund a co-ordination post is main recommendation. Any savings to form part of £20 million savings options. | Yes £20k allowed for.      | Oct 2016 (Under Review)     | To be confirmed               | To be confirmed              | Unison (Billy Matthews / Willie Bell) |
| 6) Summer Play schemes     | Review of existing subsidy levels, charging levels and service delivery model to be applied post 2016. | W Bain        | Bids to earmarked reserves to allow IL to continue play scheme provision in 2016 and 2017. Report to be considered by P&R September 2016. An education exercise is currently underway and will be reported to CMT in Dec 2016.   | None                       | Dec 2016                    | To be confirmed               | N/A                          | NA                                    |

| <u>Area</u>                               | <u>Action</u>   | <u>Who By</u>     | <u>Update</u>   | <u>Additional Resource</u> | <u>CMT Report Timescale</u> | <u>Cttee Report Timescale</u> | <u>Potential Saving £000</u> | <u>TU Involved</u>   |
|---|---|-------------------|---|----------------------------|-----------------------------|-------------------------------|------------------------------|--|
| 7) Shared Services                        | Progress discussions with 3 Councils and report back to the Council.                              | A Fawcett         | Reports approved by 3 Councils in June to progress to the completion of a formal Minute of Agreement for the Governance arrangements for the 3 participating Councils with the intention of establishing a shared service by the 1 April 2017. Report in September approved Joint Committee Minute of Agreement and appointed Members to Committee, first meeting of Joint Committee scheduled for 16 December 2016. Employees and Trades Unions continue to be kept apprised of progress. A further update report will be brought to Committee in February 2017. | No                         | NA                          | Feb 2017                      | To be confirmed.             | (Unison)<br>R Taggart<br>(Unite)<br>S<br>Graham<br>(GMB)<br>B Gillan |
| 8) PPP Review                             | Review PPP contract for potential cost reductions from Specification, risk sharing and financing. | A Puckrin         | Sept P&R approved direct award for Stage 2 based on a "one off commission fee" basis. Due to meet SPV with CIFA on 2.11.16. Aiming to conclude early summer 2017. Progress report to CMT / Committee early 2017.  | £16k                       | Spring 2017                 | Summer 2017                   | 200 (target)                 | R Taggart<br>(Unison)  |
| 9) Learning Disabilities Strategic Review | Phased approach to a comprehensive review of the Learning   | B Moore/B Culshaw | Ph1 – John St purchased 30/03/16. Move is scheduled to take place December 2016/January 2017.<br>Ph2 - review proposals of use for  | N/A                        | Feb 2017 (Ph2)              | March 2017 (Ph2)              | 150 (Already Taken)          | Yes  |

| <u>Area</u>                           | <u>Action</u>   | <u>Who By</u>     | <u>Update</u>   | <u>Additional Resource</u> | <u>CMT Report Timescale</u> | <u>Cttee Report Timescale</u> | <u>Potential Saving £000</u> | <u>TU Involved</u> |
|---------------------------------------|---|-------------------|---|----------------------------|-----------------------------|-------------------------------|------------------------------|--------------------|
|                                       | Disability Service incorporating service delivery and asset base                                  |                   | Bank St building is currently in progress. Feasibility reviews currently being undertaken with Property Services.                       |                            |                             |                               |                              |                    |
| 10) Housing Support                   | Service redesign proposals incorporating review of delivery model and income streams.             | B Moore/B Culshaw | Initial report to CMT (Feb 2016). Further scoping to be undertaken on completion of day care review, further scoping has now commenced. | N/A                        | Feb 2016                    | To be confirmed               | To be confirmed.             | No                 |
| 11) Apprenticeship                    | Review of overall Council funding once clarity on the use of the Apprenticeship Levy is received. | S Jamieson        | Report to CMT once direction from Scottish Government is received. Provisional allowance of £500k being reviewed.                       | N/A                        | To be confirmed             | To be confirmed               | To be confirmed.             | N/A                |
| 12) Budget Consultation November 2016 | Deliver a budget consultation over the winter of 2016 on high level savings proposals.            | S McNab           | This was presented to P&R on 15 <sup>th</sup> November.   | £4k                        | N/A                         | N/A                           | N/A                          | JBG                |



Potential Saving

£1.056m

£000

|                            |            |
|----------------------------|------------|
| EMR Starting Balance       | 310        |
| Allocated to February 2016 | (159)      |
| Write back to Reserves     | (65)       |
| PPP Review                 | (16)       |
| Social Transport           | (20)       |
| Budget Consultation        | <u>(4)</u> |
| Remaining Balance          | 46         |

## Appendix Two

### Corporate Directorate Improvement Plan – actions linked to transformation

#### Environment & Regeneration CDIP

| Ref no | Area of Directorate activity | Where are we now?  | Where do we want to be?   | How will we get there (including timescale)?   | How will we know we are getting there?  | Who is responsible?   | How much will it cost?  | SOA and Wellbeing Outcome |
|--------|------------------------------|--|---|--|---|---|---|---------------------------|
| CA1    | Digital Access Group         | Corporate Group identifying individual opportunities   | Developing a fully joined up plan to improve ease of access to Council Services   | On-going investment over the next budget period and review thereafter  | More service requests/interactions made on line, increasing use of on line payments   | Chief Financial Officer                                       | Limited to Earmarked Reserve and Capital Funding allocations        | Included                  |
| CA3    | ECS – Facilities management  | Due to mergers some schools and other buildings are not working to the agreed approved industry standards for productivity levels. | All schools and other buildings working to the agreed productivity level for the building category                                | Revised productivity targets have been set however to achieve these will require non filling of vacancies over time.   | A reduction in the number of input hours per each establishment resulting in on-going savings.  | Manager Facilities Management                                 | Cost neutral to implement with efficiencies being achieved in time. | Achieving                 |
| CD2    | Revs & Customer Services     | Delivering Services to our customer through multiple channels  | Move customers away from traditional costly channels of communication such as face to face to digital channels such as self-serve | <ul style="list-style-type: none"> <li>By increasing the number of channels and transactions dealt with via digital routes</li> <li>Thorough effective communication and meeting of action plan deadlines, facilitated through the Digital Access Group</li> </ul> <p>Timescale – from now and ongoing</p> | Reduced contact from customers through traditional methods such as face to face and telephone and a shift to using electronic forms, reporting and mobile applications. | Revs and Customer Services Manager and ICT Operations Manager | Contained with approved budgets                                     | Included                  |

| Ref no | Area of Directorate activity     | Where are we now?  | Where do we want to be?  | How will we get there (including timescale)?  | How will we know we are getting there?   | Who is responsible?                 | How much will it cost?            | SOA and Wellbeing Outcome |
|--------|----------------------------------|--|--|---|--|-------------------------------------|-----------------------------------|---------------------------|
| RP3    | e-development                    | Portal available for planning applications   | Portal available for building standard applications  | Staff resource to implement September 2016  | Project milestones achieved  | Head of Service                     | £65,000                           | Achieving                 |
| FIN3   | Service Accountancy              | Finance restructure approved November 2015 as part of the 2016/18 budget exercise. This results in a net reduction of Accountancy staff. | Increase value added professional support to services, improve the budget management by budget holders whilst managing a reduction in Accountancy staff by 2 FTE   | Improve systems and associated management information. Improve budget holder knowledge and increase self-reliance.  | Project Support, Prioritisation of ad hoc support, more tailored and bespoke system reports, customer service reviews, more focus given to key /high risk budget lines | CFO/Finance Managers                | N/A                               | Responsible               |
| FIN4   | Scottish Wide Area Network       | The council has agreed to become part of the Scottish Wide Area Network (SWAN)   | The council wishes to use the opportunities that SWAN generates to encourage joint working and collaboration with other public sector bodies and to develop integrated working with HSCP. Provide the ability for NHS and Council staff to utilise network services in each other's accommodation. | We will work with partners to develop data sharing, network availability and wireless connectivity. Shared Network Services to be available by March 2017 | Other public bodies will be able to use Inverclyde Council Networks and work collaboratively.  | ICT Operations Manager              | Contain in existing resources     | Safe                      |
| LPS3   | Refresh of Asset Management Plan | The Capital Asset Management plan was last reviewed in May 2009 and requires to be   | The capital asset management plan is updated to fully reflect current position and links to  | A co-ordinated approach will be implemented to update the current plan by 31 March  | Plan will be approved by Committee and made available on the website.  | Head of Legal and Property Services | Contained within existing budget. | Achieving                 |

| Ref no | Area of Directorate activity   | Where are we now?  | Where do we want to be?  | How will we get there (including timescale)?   | How will we know we are getting there?   | Who is responsible?                 | How much will it cost?            | SOA and Wellbeing Outcome |
|--------|--------------------------------|--|--|--|--|-------------------------------------|-----------------------------------|---------------------------|
|        |                                | updated to reflect current position and incorporate links to other asset management plans which have been developed.   | supporting asset management plans which have been developed.   | 2017.  |  |                                     |                                   |                           |
| LPS5   | REVIT implementation           | REVIT is being rolled out across projects on a phased approach. Currently being utilised for the Care Home Phase 3 project with the aim of being BIM level 2 compliant by April 2017. Some staff have had initial training in the use of the software. | After successful implementation of REVIT on current project, the intention would be to rollout the process to all subsequent projects from April 2017 and relevant staff are fully trained in the use of the software. | Phased approach being implemented with a view to roll out to all projects by April 2017.<br><br>Relevant staff are fully trained by April 2017.  | All projects post April 2017 are using REVIT.  | Head of Legal and Property Services | Contained within existing budgets | Safe                      |
| CP 1   | Schools Estate Management Plan | We were concluding the planned phase of investment and following the March 2016 budget setting process, we are now accelerating the SEMP for completion by 2020.   | Fully refurbished school estate to high quality, modern standards.   | SEMP investment is fully approved and capacity will be provided by Legal and Property Services with external Hub construction projects where required. Delivery by 2020.                                   | Regular capital programme reports through the annual SEMP review and 2-monthly reports to Service Committee.                     | Head of Legal and Property Services | Fully funded SEMP financial model | Safe                      |
| CP 2   | ECS Roads                      | 2015/16 stage of RAMP/Capital Programme has been delivered. Funding for 2016/17 has been allocated to projects.  | Continue to deliver RAMP/Capital Programme for 2016/17.  | Further Projects to be undertaken in 2016/17 using RAMP/Capital Programme. Outline programme for 2016 has been detailed covering specific and cost of Carriageways, footways, lighting structures fees and | Completion of works as identified and reported in the Environmental Capital Programme and regular Committee updates on progress. | Service Manager Roads               | Within allocated budgets          | Safe                      |

| Ref no | Area of Directorate activity | Where are we now? | Where do we want to be? | How will we get there (including timescale)?  | How will we know we are getting there? | Who is responsible? | How much will it cost? | SOA and Wellbeing Outcome |
|--------|------------------------------|-------------------|-------------------------|---|--|---------------------|------------------------|---------------------------|
|        |                              |                   |                         | staffing costs along with Core funding for traffic measures and details on Cycling walking and safer streets. |  |                     |                        |                           |

## Education Communities and Organisational Development CDIP

| Ref no | Area of Directorate activity                         | Where are we now?  | Where do we want to be?   | How will we get there (including timescale)?   | How will we know we are getting there?   | Who is responsible?                        | How much will it cost?    | SOA and Wellbeing Outcome |
|--------|--|--|---|--|--|--|---------------------------|---------------------------|
| CA2    | <b>The Community Empowerment (Scotland) Act 2015</b> | <p>Elements of the Act will come into force throughout 2016/17. The Council and the Community Planning Partnership (CPP) are aware of what is required but specific pieces of work will need to be undertaken.</p> <p>Inverclyde Alliance and the HSCP have agreed what the localities are for Inverclyde</p> <p>The draft guidance for delivering the Act was released in March 2016.</p> <p>Initial assessment against requirements of the Act has been carried out across Legal, Property, CLD, HSCP, Corporate Policy/ Community Planning.</p> | <p>The Council and the CPP are ready for the implementation of the Community Empowerment (Scotland) Act 2015, working with partners to deliver on the statutory requirements. Each element is in place across all Services.</p> <p>There are locality profiles and plans for the agreed localities across Inverclyde, mapping assets and issues, agreed with and led on by communities.</p> <p>Services/CPP partners and communities use these profiles to plan service delivery, targeting inequalities and working to reduce them</p> | <p>Respond to Scottish Government guidance.</p> <p>Bring the improving data analysis group together to gather information around the agreed localities</p> <p>Facilitate improved community engagement in the development of Locality Plans and community planning through Wellbeing Clusters and the development of more robust community engagement methods, including Place Standard</p> <p>Timescale: September 2016<br/>Set up working groups to cover each element, for example, legal, environmental, community learning and development, property etc.</p> <p>Create a community</p> | <p>Locality plans are available for Port Glasgow, Greenock East and Central South and South West.</p> <p>Community Food Growing Strategy in Place</p> <p>A broader range and number of individuals and community groups are engaged and contributing to the development and delivery of Locality Plans and community planning.</p> <p>The Council is ready to manage participation request and asset transfer requests</p> | Grant McGovern/ John Arthur/ Gerard Malone | Within existing resources | Included, Responsible     |

| Ref no     | Area of Directorate activity   | Where are we now?  | Where do we want to be?   | How will we get there (including timescale)?   | How will we know we are getting there?   | Who is responsible?  | How much will it cost?   | SOA and Wellbeing Outcome       |
|------------|--|--|---|--|--|--|--|---------------------------------|
|            |  |  |   | food growing strategy.   |  |  |  |                                 |
| <b>CD1</b> | <b>Implementation of The Children and Young People (Scotland) Act 2014</b> | Single Agency training in education is well underway to support educational establishments with wellbeing assessment and use of SEEMIS planning for pupils module. Single Agency guidance and high level cross authority guidance is currently being developed and should be completed March 16. A pilot to test wellbeing concern information from Police Scotland is planned to test information sharing protocols as well as ICT functionality. | Safe, secure systems across agencies for information sharing and collation of information on one site. Customer/public facing information on the Named Person Service and Child's Plan. Confident staff across agencies in implementing the GIRFEC pathway with clear guidance on how to do so. Evidence of quality planning both at single agency level and interagency with signs of timely support being given to children and families to improve outcomes. | Guidance will be written and training provided on single agency and multi-agency level covering e.g. using SEEMIS for the wellbeing indicators, understanding the role of the named person and becoming confident in GIRFEC pathways.<br><br>ICT solution will be ironed out to ensure secure information sharing. | There will be a reduction in the number of referrals to the Reporter by educational establishments.<br><br>There will be an increase in the number of plans which are produced both on a single agency and multi-agency level.<br><br>There will be better planning for pupils to ensure their needs are met and support strategies are identified, including support for Looked After/Looked After and Accommodated Children. | Lead Grant McGovern<br><br>Kate Watson/<br>Ruth Binks<br><br>Cross Directorate and Cross organisations including NHS, Police Scotland and the 3rd sector | Funding coming from Scottish Government to support implementation for 16/17 (business processes and set up). | Nurtured Safe<br><br>SOA 6      |
| <b>CD2</b> | <b>Scottish Attainment Challenge</b>                                       | Parents need support to improve family literacy, numeracy and well-being.<br><br>Involved in Scottish Government initiatives to raise attainment such as   | Strategies identified to work through the Scottish Attainment Challenge are disseminated across all schools<br>Attainment gap linked to deprivation has   | Coaching, mentoring and increased parental involvement in children's education<br><br>Improvement plans developed by the   | Parents capacity to support their children's learning is increased<br><br>Our attainment gap linked to deprivation has   | Ruth Binks/Head Teachers of the primary schools  | Scottish Government funding of £591,670 and £120,000   | SOA6<br><br>Achieving; Nurtured |

| Ref no | Area of Directorate activity | Where are we now?   | Where do we want to be?   | How will we get there (including timescale)?  | How will we know we are getting there?   | Who is responsible? | How much will it cost? | SOA and Wellbeing Outcome |
|--------|------------------------------|---|---|---|--|---------------------|------------------------|---------------------------|
|        |                              | <p>the Early Years Collaborative and Raising Attainment for All.</p> <p>Completed year 1 of the Attainment Challenge. Tests of change are being completed.</p> <p>The current levels of literacy and numeracy in the 6 primary schools involved in Phase 1 are: for literacy 65.5% and for numeracy 61.2% of Primary 1 pupils making appropriate progress</p> <p>The current level of attendance in the 6 primary schools involved in Phase 1 is 93.7%</p> <p>The 2014/15 Primary 1 school exclusion rate is zero per 1,000 pupils and for Primary 2 pupils is 2.5 per 1,000 pupils</p> | <p>decreased.</p> <p>Evidenced based strategies to improve literacy and numeracy are in place across all schools in the Authority.</p> <p>Improvements in the 2015/16 baseline figures for literacy and numeracy of 1% annually.</p> <p>Improvements in the 2015/16 baseline figures for attendance of 0.3% annually</p> <p>Primary 1 exclusions remain at zero per 1,000 pupils and reduce Primary 2 exclusions annually by 0.5%</p> | <p>primary schools</p> <p>Develop an Authority wide training strategy to further develop pedagogy and assessment.</p> <p>Develop a literacy and numeracy strategy to raise attainment.</p> <p>Implementing new techniques in teaching numeracy and literacy</p> | <p>decreased.</p> <p>Up-skilled workforce</p> <p>An improved shared understanding of progress through a level.</p> <p>Improvements in the 2015/16 baseline figures for literacy and numeracy</p> <p>Parent networks/community groups are established and have developed their capacity to address issues of poverty and inequality (and the barriers they present to learning)</p> <p>Improved learning and teaching methods and approaches</p> <p>Progress reporting against the recently</p> |                     |                        |                           |



| Ref no     | Area of Directorate activity                        | Where are we now?   | Where do we want to be?   | How will we get there (including timescale)?  | How will we know we are getting there?  | Who is responsible? | How much will it cost?    | SOA and Wellbeing Outcome |
|------------|---|---|---|---|---|---------------------|---------------------------|---------------------------|
|            |   |   |   |   | published National Improvement Framework  |                     |                           |                           |
| <b>Ed6</b> | <b>Pilot the use of online payments for schools</b> | A recent business case has been written to take forward a pilot for online payments in schools. | A cost effective and improved method for paying for school lunches and trips is in place. | Identify a preferred supplier for online payment systems and undertake a pilot during academic year 16/17 | A comprehensive evaluation will of the pilot will be undertaken to see if this should be rolled out to all school across the Authority. | Ruth Binks          | Within existing resources | Included                  |

## Health and Social Care Partnership CDIP

| Ref no | Area of activity                | Where are we now?   | Where do we want to be?  | How will we get there (including timescale)?  | How will we know we are getting there?  | Who is responsible?        | How much will it cost?                     | National Wellbeing Outcome |
|--------|---------------------------------|---|--|---|---|----------------------------|--|----------------------------|
| CD3    | Commissioning                   | Governance meetings with external providers are in place, and internal services are reviewed through the QSR processes.                               | A clear view of what we need to commission and de-commission to enable the HSCP to deliver the National Wellbeing Outcomes, based on our Strategic Needs Assessment, which is a companion document to the HSCP Strategic Plan 2016-19. | Develop a Market Facilitation Statement by March 2017   | Market Facilitation Statement will be in place, with a workplan to implement it.  | Head of Service: PHIC      |  |                            |
| CD4    | Property Assets Management Plan | A review of HSCP properties has been undertaken, and opportunities for reconfiguration of services to support co-location are currently being scoped. | A plan for the future that allows services to have appropriate presence in each of the three Inverclyde wellbeing localities, but without an over-reliance on buildings and premises.  | Complete the current scoping work then use it to develop our Property Assets Management Plan, by March 2017.  | Property Assets Management Plan will be in place, with a workplan to implement it.  | Head of Service: PHIC/ CFO |  |                            |
| 03     | CFCJ                            | The Children & Young People (Scotland) Act 2014 specifies the requirement of the Named Person Service, so this must now be implemented.               | Improved children's wellbeing from a much earlier stage, from birth to their 18th birthday.  | Implement the Named Person Service, overseen by the Steering Group. Named persons identify children's needs at an early stage, and these are addressed appropriately. | <ul style="list-style-type: none"> <li>•CFCJ QSR will include the key actions.</li> <li>•Children and young people are being supported within universal services for longer and are receiving targeted help for shorter periods of time.</li> <li>•There is enhanced</li> </ul> | Head of Service: CFCJ      | To be mainstreamed into existing resources | 3, 4, 5, 9.                |

| Ref no | Area of activity | Where are we now?                                       | Where do we want to be?   | How will we get there (including timescale)?   | How will we know we are getting there?   | Who is responsible?   | How much will it cost?                     | National Wellbeing Outcome |
|--------|------------------|---|---|--|--|-----------------------|--|----------------------------|
|        |                  |   |   |  | <p>coordination and collaboration between services when children and young people require early help.</p> <ul style="list-style-type: none"> <li>•Children's wellbeing is promoted, supported and safeguarded.</li> <li>•Children and young people receive early help to support the earlier identification of needs.</li> </ul>   |                       |  |                            |
| 04     | CFCJ             | Implementation of the Community Justice Transition Plan | We will have a plan in place that will support prevention of offending and reduce re-offending. | The new model of Community Justice will be developed under the auspices of the steering group and will be effective from 1st April 2017. | <ul style="list-style-type: none"> <li>•CFCJ QSR will include the key actions.</li> <li>•The plan will develop constructive alternatives to offending, applicable to those most vulnerable to becoming offenders.</li> <li>•Communities will benefit from reduced crime and fear of crime.</li> <li>•Those in the Criminal Justice system will experience improved health, education and employment</li> </ul> | Head of Service: CFCJ | To be mainstreamed into existing resources | 3, 5, 9.                   |

| Ref no | Area of activity | Where are we now?   | Where do we want to be?  | How will we get there (including timescale)?   | How will we know we are getting there?   | Who is responsible?  | How much will it cost?                     | National Wellbeing Outcome |
|--------|------------------|---|--|--|--|----------------------|--|----------------------------|
|        |                  |   |  |  | opportunities, housing and social networks.<br>•Supported desistance from offending.   |                      |  |                            |
| 10     | HCC              | Redesign of services for People with Learning Disabilities is underway, based on the Keys to Life National LD Strategy. | Complete the local review focusing on improved outcomes rather than service outputs.                       | The 52 recommendations of the national report have been grouped into four broad headings, to support an outcomes focus:<br>•My health<br>•Where I live<br>•My community<br>•My safety and relationships  | •HHC QSR will include the key actions<br>•People with a learning disability feel understood, valued and safe.<br>•There will be a wider range of day opportunities for people with a learning disability.  | Head of Service: HCC | To be mainstreamed into existing resources | 2, 3, 4, 5, 6.             |
| 11     | HCC              | Agreement that Inverclyde will develop and test "New Ways" in Primary Care  | Agree a small suite of tests of change, to help transform how primary care is set up and used by patients. | The work will consider the full range of expertise in primary care, to ensure that professionals are enabled to work to their full potential, i.e. patients do not always need to see a GP – there will be times when another professional will be more appropriate. | •HHC QSR will include the key actions<br>•GPs will be freed up to spend more time with those patients who really need a doctor.<br>•Health needs of individuals and communities will be more appropriately met through faster access to the right professional, rather than the GP by default.<br>•Those patients who need a doctor (rather than another professional) | Head of Service: HCC | To be mainstreamed into existing resources | 1, 2, 5, 8, 9.             |

| Ref no | Area of activity | Where are we now? | Where do we want to be? | How will we get there (including timescale)? | How will we know we are getting there?            | Who is responsible? | How much will it cost? | National Wellbeing Outcome |
|--------|------------------|-------------------|-------------------------|--|---|---------------------|------------------------|----------------------------|
|        |                  |                   |                         |  | should be able to access the doctor more quickly. |                     |                        |                            |

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|                         |   |                        |                         |
|-------------------------|---|------------------------|-------------------------|
| <b>Report To:</b>       | <b>Policy and Resources Committee</b>   | <b>Date:</b>           | <b>31 January 2017</b>  |
| <b>Report By:</b>       | <b>Corporate Director –<br/>Environment, Regeneration &amp;<br/>Resources</b> | <b>Report No:</b>      | <b>P+R/17/01/01/SJ/</b> |
| <b>Contact Officer:</b> | <b>Stuart Jamieson</b>  | <b>Contact<br/>No:</b> | <b>01475 712402</b>     |
| <b>Subject:</b>         | <b>Glasgow City Region - Regional Economic Strategy 2017 - 2035</b>           |                        |                         |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to seek Members' endorsement of the Glasgow City Region - Regional Economic Strategy 2017 – 2035 and associated Action Plan.

## 2.0 SUMMARY

- 2.1 The eight Member authorities of the metropolitan Glasgow City Region (GCR) are engaged with both the Westminster and Holyrood governments in the delivery of the Glasgow City Deal, which provides an opportunity to deliver infrastructure, innovation and employment projects to improving the economic performance of the City Region.
- 2.2 In October 2016, the Environment and Regeneration Committee agreed to support collaborative working in economic development areas across the City Region beyond City Deal.
- 2.3 The creation of the City Deal has focussed the eight member authorities of the Glasgow and Clyde Valley Community Planning Partnership into looking at collaborative/collegiate working opportunities across the City Region. Eight portfolios have been created by the Cabinet to facilitate opportunities, these are Enterprise, Tourism and Destination Marketing, Transport & Connectivity, Skills and Employment, Inward Investment & Growth, Infrastructure and Assets (including utilities, telecoms and digital), Housing and Equalities, and Land Use and Sustainability. Responsibility for each portfolio lies with a Council Leader and they are supported by a network of senior officers from the member authorities. Inverclyde Council has responsibility for leading the Tourism and Destination Marketing Portfolio.
- 2.4 The City Region Enterprise portfolio group has commissioned external support to review opportunities in economic delivery and is currently considering City Region opportunities for Business Gateway, information and knowledge, and employability and skills. Fundamental to this process has been the development of a Regional Economic Strategy and Action Plan, which are attached in Appendices 1 and 2.
- 2.5 Following receipt of these documents Officers from across the City Region have been working on identifying appropriate targets for the action plan and it is expected that this exercise will be completed in early February.

## 3.0 RECOMMENDATIONS

That Committee:-

- a) Note the progress being made in collaborative working across the City Region.
- b) Endorse the Glasgow City Region - Regional Economic Strategy 2017–2035 and associated action plan.

## 4.0 BACKGROUND

- 4.1 The eight member authorities of the metropolitan city region of Glasgow are engaged with the Westminster and Holyrood Governments in delivery of a City Deal. The City Deal is expected to give Glasgow and Clyde Valley a permanent uplift in its GVA of £2.2billion per annum (4.4%); generate 15,000 construction jobs during the construction period and 28,000 permanent additional jobs once construction is complete; and will unlock £3.3billion of private sector investment.
- 4.2 The focus of the City Deal centres on infrastructure projects, innovation initiatives and employability programmes. Of the twenty infrastructure projects shortlisted Inverclyde has three, namely Inverkip, Greenock Ocean Terminal and Inchgreen, and is also participating in the Working Matters employability programme.
- 4.3 The creation of the City Deal has focussed the eight member authorities of the Glasgow and Clyde Valley Community Planning Partnership into looking at collaborative/collegiate working opportunities across the City Region.
- 4.4 Eight portfolios have been created by the City Region Cabinet to facilitate economic opportunities. The portfolios are Enterprise, Tourism and Destination Marketing, Transport & Connectivity, Skills and Employment, Inward Investment & Growth, Infrastructure and Assets (including utilities, telecoms and digital), Housing and Equalities, and Land Use and Sustainability. Responsibility for each portfolio lies with a Council Leader and they are supported by a network of senior officers from the member authorities. Inverclyde Council has responsibility for leading the Tourism and Destination Marketing Portfolio.
- 4.5 The City Region Enterprise portfolio group has commissioned external support to review opportunities in economic delivery and is currently considering City Region opportunities for Business Gateway, information and knowledge, and employability and skills. Fundamental to this process has been the development of a Regional Economic Strategy and Action Plan, which are attached in Appendices 1 and 2.
- 4.6 The core aim of this Regional Economic Strategy is sustained and inclusive economic growth through significantly improving productivity, boosting incomes; strengthening and growing the diverse business base to creating more and better jobs; and increasing the working age population by supporting more people into work and attracting and retaining talent.
- 4.7 The document builds on the City Deal projects and targets and purposefully takes a long-term outlook to 2035. The strategy is accompanied by an intensive short term three-year action plan. The 2035 Vision is:-

**A strong, inclusive, competitive and outward-looking economy, sustaining growth and prosperity with every person and business reaching their full potential**

- 4.8 Eleven objectives have been identified that support this aim. These objectives are interconnected and in order to succeed, we must focus on all eleven concurrently:

Attract and retain talent and enterprises relocating to GCR.

Improve economic outcomes for all through addressing long standing barriers in the labour market such as skills and health, both for those who are currently out of work and those on low incomes.

Create a skills and employment system that meets the current and future needs of GCR businesses and supports our residents to access jobs and progression opportunities.

Grow the presence of Scotland's Growth Sectors in the city region so that we increase the total number of GCR's businesses and employees who work in these sectors.

Significantly improve the productivity of GCR's diverse business base through increased investment, innovation and exporting.

Increase the number of sustainable and high growth start-ups surviving beyond five years.

Grow GCR supply chain activity whose growth underpins the success of GCR sectors.

Building on the City Deal bring forward in parallel strategic programmes, projects, and associated investment that maximise the value of the Deal.

Maximise the potential of the key GCR economic assets.

Actively promote GCR globally, with a focus on international investment opportunities  
Increase in the number of housing and commercial completions and decrease the amount of derelict and vacant land.

## 5.0 CURRENT POSITION

5.1 Since receipt of the Regional Economic Strategy and associated Action Plan, Officers have met to identify appropriate targets, it is expected that these targets will be formalised in early February and reported to the City Region Cabinet. A further update will be presented to the Environment and Regeneration Committee in due course identifying any implications for Inverclyde.

## 6.0 FINANCE

### 6.1 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

6.2 There are no legal implications arising from this report.

### Human Resources

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

### Equalities

6.4 Service provision will facilitate diversity and equality in recruitment, all procedures will fall within the policy and practice of Inverclyde Council.



## **Repopulation**

- 6.5 The delivery of the programme will provide key opportunities that will contribute to a reversal in population decline. It is recognised, however, there is no quick fix to this issue and continued investment in the most successful initiatives will be required to ensure continued progress.

## **7.0 CONSULTATIONS**

- 7.1 Consultations with Departments have included all Heads of Service and appropriate Finance Officers.

# **Regional Economic Strategy 2017 - 2035**

**Glasgow City Region**

**Metro — Dynamics**



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**Appendix 1: Glasgow City Region Economic and Social Profile**

**Appendix 2: Our Journey of Collaboration**

# Foreword

As the Leaders of the eight local authorities of the Glasgow City Region (GCR) we have produced this Economic Strategy for the region. This is not the first time we have collaborated, and this builds on the important work of the previous strategies. But we believe that this Plan marks an important and distinctive moment in our collaboration. Aligned to the delivery of our City Deal, we have taken a longer-term view to 2035 of the collective action required by us and our partners to secure our City Deal jobs and Gross Value Added (GVA) goals and to achieve our overall vision so that we deliver greater economic success for GCR and the country.

In June 2016, we met as the City Region Cabinet and agreed that we would collaborate more formally going forward. This is about ensuring each part of the conurbation plays an equally important role. We will work as one to ensure the continued and accelerated growth and success for our city region, with each local authority playing a leading role.

The core aim of this Economic Strategy is sustained and inclusive economic growth through significantly improving productivity, boosting incomes; strengthening and growing the diverse business base to creating more and better jobs; and increasing the working age population by supporting more people into work and attracting and retaining talent.

GCR is at the forefront of city region working in Scotland. But we cannot and should not do this alone. We are already putting in place stronger links to the private sector and academia. We plan to work more closely with the Scottish Government, National Agencies and the UK Government to bring this plan and our vision to fruition. This strategy is the start of a process where we, and others, will need to work differently in order to deliver more.

GCR is firstly a collaboration of the city region, but we are part of a network of places in Scotland, the UK and Europe which have complementary assets of which we can make better use. Through the Scottish Cities Alliance, Core Cities and other organisations we want to share our learning of what works and develop a deeper understanding of how best to achieve sustainable, inclusive growth.

We are bold in our ambitions to increase our economic competitiveness and tackle intergenerational inequalities, ensuring that our residents and businesses have the opportunity to reach their full potential to contribute to and benefit from the economic success of GCR.

Signed 8 x Leaders

# Executive Summary

The Glasgow City Region (GCR) brings together the eight local authorities of: East Dunbartonshire Council; East Renfrewshire Council; Glasgow City Council; Inverclyde Council; North Lanarkshire Council; Renfrewshire Council; South Lanarkshire Council; and West Dunbartonshire Council.

## *Our Vision and Economic Strategy*

This document builds on the City Deal projects and targets and purposefully takes a long-term outlook to 2035. The strategy is accompanied by an intensive short term three-year action plan. Our 2035 Vision is:

**A strong, inclusive, competitive and outward-looking economy, sustaining growth and prosperity with every person and business reaching their full potential**

Our vision reflects the region's strong starting point as a powerhouse of the Scottish Economy contributing broadly one third of Scotland's Gross Value Added (GVA); population; jobs and businesses. We have secured one of the largest City Deals in the UK and are implementing new economic governance to deliver the Deal along with new ways of collaborating and cooperating to improve the region's economic future and improving people's lives.

At the time of writing this strategy the UK is in an uncertain place. The uncertainty around future Brexit negotiations is contributing to a fluctuating policy context. We must be flexible to respond to market conditions to ensure that GCR maintains good progress towards achieving the vision and delivering successfully on the objectives in the strategy.

The core aim of this Economic Strategy is sustained and inclusive economic growth through significantly improving productivity, boosting incomes; strengthening and growing the diverse business base to create more and better jobs; and increasing the working age population by supporting more people into work and attracting and retaining talent to the Glasgow City Region. We have identified eleven objectives that support this aim. These objectives are interconnected and in order to succeed, we must focus on all eleven concurrently:

**Attract and retain talent and enterprises relocating to GCR.** In order for GCR to maintain its place as Scotland's biggest economy and to increase growth rates the GCR needs more highly skilled residents and productive businesses. Our working age population is not growing and the population as a whole is growing less than the Scottish average.

**Improve economic outcomes for all through addressing long standing barriers in the labour market such as skills and health, both for those who are currently out of work and those on low incomes.** We want a city region which enables our residents to have the opportunity to benefit from economic success. A disproportionate number of GCR residents have few, low or no skills and are not

benefiting from GCR growth. Unless we take action here the levels of inequality (employment, income, health, education) will not reduce. The city region is committed to supporting those out of work who are economically inactive or unemployed and those in low income jobs to ensure that success benefits all members of society. Linked to this is the need for all GCR residents have access to good quality Careers Information, Advice and Guidance that is based on Labour Market Information to help them make the appropriate qualification choices.

**Create a skills and employment system that meets the current and future needs of GCR businesses and supports our residents to access jobs and progression opportunities.** The challenge is to ensure that the skills system is effective in supporting people and businesses to reach their full potential, including those who are currently in work to progress. This requires a responsive and flexible city region skills system that works with employers to design courses that deliver employer ready residents.

**Grow the presence of Scotland's Growth Sectors in the city region so that we increase the total number of GCR's businesses and employees who work in these sectors.** The Scottish Government has identified six sectors where Scotland has a distinct comparative advantage and that tend to be more productive and innovative than others. Whilst GCR will not be in a leader in all six areas, it does make sense for GCR to have a focus on growing these sectors alongside those with the potential for greater growth and higher productivity.

**Significantly improve the productivity of GCR's diverse business base through increased investment, innovation and exporting.** GCR boasts an incredibly diverse business base, home to some world-leading businesses. This is the core strength of the GCR economy. We want to support all businesses to succeed, increasing their competitiveness through increased productivity and fostering innovation.

**Increase the number of sustainable and high growth start-ups surviving beyond five years.** Almost 7,000 new businesses start in GCR each year. But many of these do not survive beyond five years. Whilst GCR sees a number of university spin outs, the number could be increased, with more start-ups in the private sector.

**Grow GCR supply chain activity whose growth underpins the success of GCR sectors.** GCR benefits from a diverse post-industrial business base which is not dominated by any one sector. What is clear is that GCR businesses have a key role in supply chains that could be nurtured to grow, but this role is not fully understood or articulated.

**Building on the City Deal bring forward in parallel strategic programmes, projects, and associated investment that maximise the value of the Deal.** In 2014 GCR secured a city deal which covers infrastructure investment, life sciences, business support and employment and skills. City Deal is at the heart of this strategy, and the city region must look at how to maximise benefit from it.

**Maximise the potential of the key GCR economic assets.** GCR has superb assets with which to drive growth and develop a more innovative, creative economy. Our people are the regions greatest asset. Other examples include the Queen Elizabeth University Hospital Campus, which has now seen investment in Stratified Medicines

and the International Financial Services district. Glasgow Airport is also a key asset which can be better supported to drive growth. This includes increasing business and leisure passenger numbers, but also by creating a connected, creative and versatile business environment in its environs.

**Actively promote GCR globally, with a focus on international investment opportunities.** GCR has taken an important step to demonstrate its potential by working together as a city region. This should be used to drive international investment by articulating a specific city region investment proposition and promoting the unique strengths and assets of the single economic area at events such as MIPIM.

**Increase in the number of housing and commercial completions and decrease the amount of derelict and vacant land.** If GCR is to grow and attract talent and businesses, there needs to be a marked increase in the number of housing completions and modern premises. Whilst there is no shortage of land, there are significant challenges in bridging the delivery gap, including the decline in delivery in urban brown field sites.

Achieving these objectives will require a coordinated effort among our economic delivery partners. We have developed a three-year action plan in line with our overall vision, prioritising those actions that we believe can achieve greater collaborative and joint working and which provide stimulus to our economy, including:

- Implementing at pace and scale the recommendations from our Skills Investment Plan;
- Establishing an Enterprise and Jobs Hub;
- Developing a dedicated innovation policy and plan, strengthening our diverse business base and supporting the export capabilities of our businesses;
- Proposals for accelerating projects within the City Deal Infrastructure Fund;
- Integrating health and work services to support economic development, ensuring that all our unemployed residents have access to the right service at the right time to support them back into the workplace; and
- Building on the spirit and culture of the City Deal Governance Arrangements we will determine the best economic development system for the Glasgow City Region to ensure a seamless and coordinated approach to planning and delivering the action areas outlined in this plan.

This first three-year Action Plan supports delivery of our objectives and is intended to provide:

- A single, agreed and shared vision for the growth and prosperity of the Glasgow City Region;
- An alignment of goals and plans among the region's economic delivery partners with a clear focus on place-making;



- A call to action in pace, scale and certainty in the delivery of economic related activities;
- A signpost in how to increase capacity for developing and implementing policy, projects and programmes over the longer-term; and
- The vision to better link and coordinate activity among the economic delivery partners.

The objectives we have set out in this strategy are all interconnected, and in order for us to succeed we need to focus on all eleven concurrently.

From the start we have been clear that for GCR to achieve the level of economic success we envisage, this strategy needs to be delivered by a range of partners; it is not a strategy for the eight local authorities, it is a strategy for the Glasgow City Region. Delivering successfully the actions and objectives will require a multi-disciplinary approach involving many organisations.

Our plan looks to grow and strengthen our business base, increasing our competitiveness by improving productivity through fostering innovation. We will work to ensure that opportunities and benefits from growing the economy positively impact on the quality of lives of all our people, tackling inequalities and disadvantage by providing them with the tools to find work, stay in work and improve their well-being, delivering economic success through inclusive growth.

# **Glasgow City Region**

**Economic Strategy 2017 – 2035**

**& Action Plan 2017 – 2020**

# 1 Introduction

The Glasgow City Region (GCR) brings together the eight local authorities of: East Dunbartonshire Council; East Renfrewshire Council; Glasgow City Council; Inverclyde Council; North Lanarkshire Council; Renfrewshire Council; South Lanarkshire Council; and West Dunbartonshire Council.

There has been joint working and collaboration in the West of Scotland ever since the council boundaries were created. This strategy marks a new approach and a new way of working, where we work as one single economic geography, doing business differently and organised around a common agenda.

A key question we must answer is how can we ensure the benefits of economic growth are more widely shared across the region? The challenge in driving inclusive growth across the Glasgow City Region is the 'triple lock' that exists on poorer communities and the place they live. Traditional policy and economic incentives that ought to work have not for too many people and places. There are a number of reasons for this:

- Policy which just aims to help individuals often leads them to exit the area without movers replaced by poorer incomers.
- Policy to improve the physical infrastructure of deprived areas seems to have not produced a change in the trajectory of many communities in an economic sense.
- Low labour market attachment and weak skills ensure that the resident population remains poorly placed to access employment.

This triple lock has proved almost impossible to break. If there are three aspects to the problem: economic (demand); personal (supply) and physical / community, then the solution must also tackle all three. The challenge for the City Region is to build a strong and more competitive economy in ways that ensure the opportunities and benefits are shared through boosting incomes, creating more and better jobs and supporting people, particularly the long term unemployed and economically inactive into work. Collaborative working across local and central government, business and knowledge institutions will be key to making this happen to ensure economic success through inclusive growth.

Recent events such as the signing of the city deal have been transformational. We want to create more jobs and growth for the GCR and for Scotland by working closer and across a wider agenda than before. In early 2015 our eight local authorities formally established a joint Glasgow and Clyde Valley Cabinet, consisting of the leaders of all eight councils, with the leader of Glasgow City Council as Chair. The Cabinet speaks with a single voice.

The eight local authorities represent the communities we serve. As we do now, in the future we will continue to provide services to support our local communities. City region working is doing together what is best done at scale, whilst maintaining our local plans and continuing to work with our local businesses and communities. Each local area has in place individual plans for developing and growing their local economy, from specific economic plans or strategies through to plans integrated within a wider community planning approach. We will continue to implement these, whilst ensuring that our growth contributes to the success of GCR and that we collaborate rather than compete.

We have identified that we each do a lot of the same things, and have common ambitions for growth in our local plans. We will continue to focus on important local issues, but in some areas we will be able to achieve success quicker and more effectively by collaborating. For example, we are already working together to reduce youth unemployment with the Glasgow and Clyde Valley Guarantee which is streamlining activity across the city region, ensuring that all our young people have access to good quality employment.

Each of our local authority plans has commonality through a focus on:

- Creating of more and better jobs
- Strengthening and growing the business base in absolute terms, by the size of business and improving the productivity of existing businesses
- Building the skills base and improving employability
- Infrastructure to support economic growth
- Growing the working age population
- Targeting key sectors of strength and opportunity: economic diversity
- A focus on innovation; sustained growth and prosperity for all

City region working is about doing some of this together where we and our Councils determine that it is in the best interests of our residents to do so.

## 2 The Context

### *Why economic geography matters*

The wider context for this work is one where cities and metropolitan regions are increasingly seen as the engines of growth and the drivers of long term economic success. Economic geography matters, driving investment and productivity across a region. The close proximity of a skilled labour force, associated knowledge spill overs, access to a varied supply chain and more integrated policy and programme planning and delivery are key to the economic growth of city regions.

Agglomeration is an area of growing interest amongst policy makers. Agglomeration economics has the potential to unleash economic growth, bringing greater prosperity and helping to rebalance the UK economy. The effect is to encourage greater collaborative working amongst cities and regions. In some cities, new institutional relationships have emerged, with local authorities combining to share powers and resources and to develop new ways of working that seek to overcome past barriers. In other areas, less formal, more collaborative relationships have developed, examining the barriers that are hindering their increased agglomeration and looking for new ways of working together in order to create economic and social benefits.

Underpinning such formal and informal collaboration is the recognition that the functional economic areas in which agglomeration benefits accrue do not sit neatly on administrative boundaries. Indeed, the spatial level at which economic analysis and strategy are best undertaken rarely coincides with the boundaries of a single local authority. Economic flows and markets often operate at a wider geographical level overlapping a number of local authorities, with implications for a range of policies, including skills and training, and transport, and the need for their alignment across borders.

### *Glasgow City Region*

GCR comprises the largest city region in Scotland and one of the largest in the United Kingdom, with a population of almost 1.8 million. Our Gross Value Added (GVA) in 2014 was over £40 billion. We are a driving force in the Scottish and UK economies: 32% of Scotland's GVA, 33% of Scottish jobs and 29% of Scotland's businesses. 24% of GCR is employed in the Scottish Government Growth Sectors (a summary of the socio-economic profile for the GCR is included in Appendix 1). Whilst size does not equal success, the scale and diversity of GCR is important. We are outward looking, with a well-earned international reputation as a location for business, leisure and culture. GCR has successfully revitalized and rebranded itself in recent times. There are notable physical improvements, and we have turned around a slow industrial decline to become a cultural, vibrant European city region that is known for its pride, passion and people.

GCR has a very high containment rate of almost 93% for those living and working within the region. Responding to this, the region collaborates across public services covering strategic planning; health; and transport. There are strong linkages between the city and surrounding areas in employment, education, and culture. The region provides a broad range of housing, tourism and leisure to complement and support the regional core. Glasgow itself provides 48% of GCR employment, and the good transport and road network facilitate commuter journeys. The region's universities encourage cross-regional travel to

learn and the excellent healthcare facilities based primarily around the regional centre support the region's health and wellbeing.

City region working, characterised by collaboration rather than competition, is becoming common across the UK. Working together provides opportunities to create growth that exceeds the sum of the constituent parts. The RSA City Growth Commission concluded that for UK plc to succeed we need to grow the economies of all our major urban areas. In order for this to happen, the Commission argued, local leaders need to be sufficiently empowered to drive this growth based on place. Leaders need to be able to build on an area's specific characteristics; it cannot come from the centre through a one size fits all approach. Whilst this work at scale can be seen in many of England's core cities and their wider functional economic geographies, GCR is leading the way in Scotland.

Working together as a city region will ensure that we can compete on a par with the top performing European and UK city regions. This is simply not possible if the eight local authorities act individually. It will require further joined up working in a framework that is designed by the Cabinet around well-articulated priorities. This strategy is a first and critical step towards achieving this. An outline of our journey of collaboration is included in Appendix 2.

Stronger collaboration at a city region level will give us a better ability to shape priorities and to work together to deliver on the many issues that need addressing across traditional local authority boundaries. This is not to duplicate local authority provision, but rather to identify the big issues and opportunities within a place that would benefit from a strategic, joined up response which is more than any one Council has the size, technical expertise or resources to cover effectively.

### *Glasgow and Clyde Valley City Deal*

The successful delivery of City Deal is fundamental to all our plans. Signed in 2014, the Glasgow and Clyde Valley City Deal is an agreement between the UK Government, the Scottish Government and the eight Local Authorities across GCR. The GVA, jobs and productivity benefits are expected to impact across the GCR, Scotland and benefit the wider UK with around £1 billion of net additional GVA per annum and over 8,000 jobs to Scotland as a whole.

It sets out how the region will create economic growth through:

- Implementing a £1.13 billion Infrastructure Fund to improve transport and regenerate/develop sites
- supporting growth in the life sciences sector
- helping small and medium enterprises to grow and develop
- setting up programmes to support unemployed people
- testing new ways of boosting the incomes of people on low wages

The deal required the establishment of a streamlined and strengthened GCR governance model. Each of the elements of the governance structure is advancing. The City Deal Cabinet, Chief Executives' Group, Economic Commission, and Programme Management Office are established. The Chair has been appointed to the Economic Leadership Board and we welcome his appointment and the future working with his team.

This city deal is one of the largest ever agreed in the UK. At the heart of the flagship Infrastructure Fund is the strategic imperative to improve the region's economic performance. The infrastructure fund represents a "once in a generation opportunity to deliver a step-change in the economic potential of the region and drive long-term economic growth". At its core is the ability of the projects to provide jobs and maximise GVA. The fund is expected to<sup>1</sup>:

- Deliver a sustainable uplift in GVA of 4% (c. £2.2bn p.a.) for the City Region and additional tax revenues of some £20.7bn over the 40-year lifetime of the fund as a result of the uplift in GVA at net national level
- Support an overall increase in the economy of around 29,000 jobs in the City Region
- In addition to the £1 billion secured from the Scottish and UK Governments and funding of £130 million from the local authorities, the infrastructure fund is expected to lever a further £3.3 billion of private sector investment.

Successful delivery of the city deal will:

- Create 15,000 construction jobs through the ten-year City Deal construction programme.
- Work with 19,000 unemployed residents and support over 5,500 back into sustained employment.
- Spread the benefits of economic growth across Glasgow and Clyde Valley, ensuring deprived areas benefit from this growth.

### *Scotland's Economic Strategy*

Scotland Economic Strategy (March 2015) sets out the Scottish Government's "*ambition to create a more cohesive and resilient economy that improves the opportunities, life chances and wellbeing of every citizen in our country*".

The two pillars of the economic strategy are Increasing Competitiveness and Tackling Inequality. GCR has a broad and large business base, with the right ingredients to make this stronger. But we also have some of the most deprived and marginalised communities in Scotland. Success can only be achieved by addressing both at the same time.

The pillars are underpinned by four key priorities to deliver sustainable economic growth:

1. Investment – people, infrastructure and assets
2. Innovation – new ways of doing things
3. Inclusive Growth – fair work and regional cohesion
4. International – open to trade, migration and new ideas

We believe that the two pillars of the Scottish Governments' Economic Framework – growth and inclusion – can be achieved faster and more effectively if policies and resources at a

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<sup>1</sup> Glasgow and the Clyde Valley Infrastructure Fund: Economic Case, October 2015

national level are aligned to local plans and if the cities are given more control over their budgets to tailor investment to local priorities. The Scottish Cities Alliance has published various documents on Empowering Scotland's Cities calling for Scottish cities to be empowered as per their English counterparts. They set out the cities' asks of both the Scottish and UK Governments in terms of unlocking the economic potential of Scotland's cities as well as what this will enable the cities to deliver in return.

### *Scottish Fiscal Devolution – The Scotland Bill*

The outworking and implementation of the Smith Commission Agreement between the UK and Scottish Governments will see the devolution of further powers to the Scottish Parliament around the governance of Scotland; control of measures to promote prosperity, the economy, jobs and social justice; and greater financial responsibility and a new Scottish Government fiscal framework.

The Scotland Bill outlines the devolution of new powers to Scotland, including around income tax, a share of VAT receipts in Scotland, powers over certain aspects of welfare and housing related benefits, Air Passenger Duty, and rail franchising.

The result of implementing the Smith Agreement is that the Scottish Government will be responsible for raising 40% of all tax revenues in Scotland, with 50% of the Scottish Government's budget funded directly from revenues raised in Scotland.

A report by the economic research institute, Fraser of Allander<sup>2</sup> stated that “*whether Scotland is better or worse off as a result of these new powers will entirely depend upon how Scotland's economy performs.....the Scottish budget will be no better or worse off provided Scotland matches the growth per head in devolved tax receipts in the rest of the UK. If Scotland outperforms the rest of the UK economically resources will rise, and if it underperforms resources will fall.*”

The Scottish Cities Alliance has called for the Scottish Government to pass on a proportion of the prospective fiscal retention from the Scotland Bill and for the power to raise local taxes. Alongside this are complementary asks for control over Scottish budgets pertaining to regional infrastructure, international activity and attracting inward investment.

Looking forward, there are opportunities to explore new ways in which GCR can work within this new devolved context. Place based working, targeted investment and devolved funds and powers can all help GCR grow a stronger, more competitive and out-ward looking economy. There is a need for more formal agreements, structures and resources if we are to deliver successfully the GCR Economic Strategy. It is in the best interests of our people to work together and in the best interests of Scotland's Economy.

### *Current UK Policy Context: Planning for the Future*

At the time of writing this strategy the UK is in an uncertain place. The uncertainty around future Brexit negotiations creates a fluctuating policy context. But there are a number of factors that are certain in relation to city regions worldwide. As the world rapidly urbanises it is cities and their metropolitan areas that are propelling growth and drivers of long-term

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<sup>2</sup> Scotland's Budget 2016, Fraser of Allander Institute, September 2016



economic success. This is a global phenomenon, and new cities in places such as China and India are emerging to challenge those which have traditionally been the principal economic powerhouses.

What is clear therefore is that more than ever our city regions need to be the bedrocks of the nation's growth and prosperity. The Scottish Government's Agenda for Cities in 2011 advocates the fundamental role of cities and their surrounding areas in growing the Scottish economy. The midway review was published in January 2016, outlining the progress to date and reaffirming the Scottish Government's commitment to cities as the engines of growth. However, there is currently limited discretion and control for city leaders over budgets and arguably little incentive for cities to implement radical solutions or invest to grow their local economy given the lack of retention of the proceeds of growth.

### *Brexit*

The UK is experiencing a seismic change politically, economically and socially following the referendum vote to leave the European Union (EU). There is uncertainty of what will happen next in terms of governance, policy and the impact on the UK economy. What is clear is that the vote to leave the EU and its impact will be felt acutely by across cities and metropolitan areas. The possible impacts include disruption to labour supply, the loss of significant EU funding streams such as ESIF and ERDF, jobs and investment linked to European trade, future investment in infrastructure and business, universities' ability to attract EU academics and students, and research and innovation investment.

The response of City Regions to the UK withdrawal from the EU will be key to limiting any negative economic impact. Cities must reach out to businesses, universities, colleges and investors to assess the range of possible scenarios resulting from the referendum result as well as identify those opportunities that can support City Region growth in the longer term. The drive for investment and inclusive growth is now central for City Regions.

What this suggests is that GCR needs to go forward faster, accelerating the City Deal projects and invest more to ensure that we are a leading, competitive city region in the coming years.

# 3 The Vision

The 2035 Vision for the Glasgow City Region is:

**A strong, inclusive, competitive and outward-looking economy, sustaining growth and prosperity with every person and business reaching their full potential**

Our vision reflects the region's strong starting point as a powerhouse of the Scottish Economy contributing broadly one third of Scotland's Gross Value Added (GVA); population; jobs and businesses. We have secured one of the largest City Deals in the UK and are implementing new city governance to deliver the Deal along with new ways of collaborating and cooperating to improve the region's economic future and improving people's lives.

We are responding to the Scottish Government's ambition to be more competitive, strengthening the region's economic diversity in ways that ensure that opportunities and benefits from sustainable growth and prosperity benefit people and communities across the region.

The Glasgow City Region has a diverse business base, within which many businesses are thriving. But we believe all our businesses have the potential to achieve much more. This vision is about strengthening that base with every business being supported to be as productive as it can be, fostering innovation and significantly increasing the competitiveness of the region.

Crucially, we need to bring more people into the labour market to tackle employment and income inequalities, target deprivation and combat poverty. We will ensure every person across the region has the opportunity to reach their full potential. We will also build on city deal skills and employment programmes and work with businesses to ensure that all work in GCR is fair work, with appropriate progression opportunities for our residents.

Delivering the vision will require input from a range of economic delivery partners, each with different experiences, expertise and capacities. The principles of collaboration, interdependency, and connectedness will be key. Each of the economic delivery partners will play a vital role in working towards the shared vision with the alignment of individual plans alongside local and central government and the private sector all playing vital roles in supporting and delivering the vision.

## 4 Opportunities and Challenges

The Glasgow City Region is one of Scotland's and the UK's successful city regions. We are proud to be Scotland's largest metropolitan area. Our economic geography, scale and diversity are some of the region's greatest assets. GCR's economy has significantly transformed over the last twenty years with substantial improvements made across a range of economic indicators.

GVA has increased, employment and skills levels have improved, entrepreneurship is increasing and growing enterprises are yielding economic benefits. But for all the good things that are happening we have a legacy of poverty and decline that hold back our potential. Like many large metropolises, we have high levels of inequality, with large differences in employment, skills, health, education and deprivation within the conurbation.

The Glasgow City Region has steadily grown in recent years. But it has the potential to do much more by working towards a single, shared vision. For it to succeed work must be predicated on an agreed set of assets, developing the GCR's unique strengths. However, the region faces a number of challenges if it is to achieve sustainable economic growth over the longer term.

The challenge for the City Region is to build a strong and more competitive economy in ways that ensure the opportunities and benefits are shared through boosting incomes and creating more and better jobs. Collaborative working across local and central government, business and knowledge institutions will be key to making this happen.

## 4.1 Our People

Our residents are one of our greatest assets and biggest challenges. GCR has produced world leading entrepreneurs and inventors, and they are loyal and passionate about GCR. We are committed to improving life chances of all our residents and providing people with the opportunity to contribute to and benefit from sustained economic growth.

We have seen skill levels rise dramatically in recent years; the number of residents with NVQ L4+ has risen from 29.4% to 39.8% between 2004 – 2014, a better performance than many other UK city regions. But this has yet to translate into significant improvements in the performance of the business base.

But not all of our residents are currently benefiting from this success. Whilst GCR contains about a third of the population and economy of Scotland, it is disproportionately affected by poverty, containing almost 60% of the most deprived wards in Scotland. Life expectancy for males and females across the GCR is 74.89 years and 79.74 years respectively. Almost 11% of our resident population have no qualifications. This represents a significant challenge, and we want to ensure that the growth of GCR is inclusive to all.

The impact of the recession has been significant, and GCR has been challenged with falling employment numbers between 2009-2014. We have been working hard to support our residents into meaningful activity, and his work has accelerated thanks to City Deal. GCR has successfully reduced the number of benefit claimants since 2010 – down from 20% to 14% in the five-year period.

What is important is that we continue to support those furthest from the labour market, whilst continuing to nurture everyone to achieve their potential. We want to raise the number of those economically active, and raise the GVA per worker, meaning that more of our population is in work and, those that are, are more productive and wealthier.

But this is only part of the picture. Great city regions grow, drawing in talent whilst retaining the highly skilled. With almost 1.8 million residents, GCR accounts for around a third of Scotland's population. Whilst this is impressive and makes GCR the only true conurbation in Scotland of a comparable scale to the UK's other large conurbations, population growth is slow and has not been uniform; between 2004 – 2014 some districts lost residents, whilst population growth in Glasgow has been highest at 5%.

The city region is not currently attracting in large numbers of external migrants. Our population is only expected to grow marginally over the next 10 – 20 years with slower population growth than the rest of Scotland and the UK. Most troubling is that the working age population over the period to 2024 is expected to fall by over 30,000<sup>3</sup>.

We want to create the conditions and environment that draws in global talent and businesses. Growing the working age population through attracting and retaining talent and by bringing more people into the labour market through tackling the higher rates of economic inactivity and unemployment, in particularly youth unemployment, is a key priority if we are to achieve our vision of growth and prosperity with every person reaching their full potential.

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<sup>3</sup> Glasgow City Region Skills Investment Plan (DRAFT), June 2016

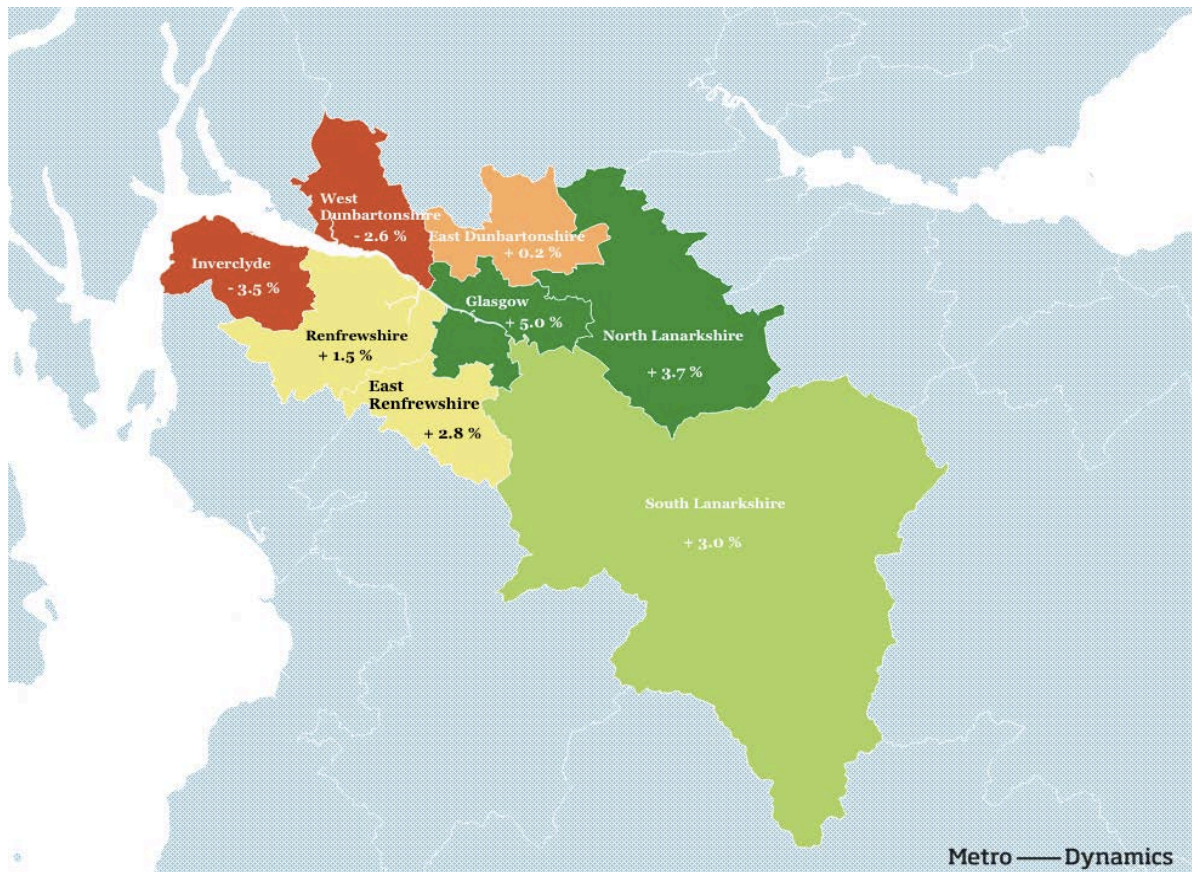


Figure 1: Population change 2004-2014, ONS; National Records of Scotland

Our Skills Investment Plan sets out the vision, ambition and aspirations for the City Region for the next 20 years in terms of skills and employment. Our challenge is to ensure that the skills system is effective in supporting people and business to reach their full potential. At present, there is a disconnect between the economic and skills strategies at local and national levels. Currently no employment and skills investment decisions are made formally at the City Region level, although there is significant joint activity.<sup>4</sup> Greater effort also needs to be made in aligning the skills provision with the needs of business. Addressing the shortcomings in our skills agenda is fundamental if we are to equip people to reach their full potential, strengthen our business base and achieve economic success through inclusive growth.

<sup>4</sup> Glasgow City Region Skills Investment Plan (DRAFT), June 2016



*What does this mean we need to focus on?*

**Attract and retain talent and enterprises relocating to GCR.** In order for GCR to maintain its place as Scotland's biggest economy and to increase growth rates GCR needs more highly skilled residents and productive businesses. Our working age population is not growing, and the population as a whole is growing less than the Scottish average.

**Improve economic outcomes for all through addressing long standing barriers in the labour market such as skills and health, both for those who are currently out of work and those on low incomes.** We want a city region which enables our residents to have the opportunity to benefit from economic success. A disproportionate number of GCR residents have few, low or no skills and are not benefiting from GCR growth. Unless we take action here the levels of inequality (employment, income, health, education) will not reduce. The city region is committed to supporting those out of work who are economically inactive or unemployed and those in low income jobs to ensure that success benefits all members of society. Linked to this is the need for all GCR residents have access to good quality Careers Information, Advice and Guidance that is based on Labour Market Information to help them make the appropriate qualification choices.

**Create a skills and employment system that meets the current and future needs of GCR businesses and supports our residents to access jobs and progression opportunities.** The challenge is to ensure that the skills system is effective in supporting people and businesses to reach their full potential, including those who are currently in work to progress. This requires a responsive and flexible city region skills system that works with employers to design courses that deliver employer ready residents.

## 4.2 Our Businesses

We boast an incredibly diverse business base. This means GCR is not over-reliant on one sector. The region is home to leading businesses and has developed and grown in comparative strength in areas such as financial services; business administration; creative industries; distribution; transport; and manufacturing and production. This sectoral mix highlights the diversity of the City Region economy.

Across Scotland, the six growth sectors tend to grow faster and be more productive than other sectors. Just over 200,000 people work in them in GCR, which, whilst good, is below the Scotland average. This does not tell the whole picture however, with Financial & Business Services accounting for almost 10% of GCR employment (83,185 people).

### Location Quotients, Growth Sectors, 2014

|                                 | GCV     | Scotland  | LQ   |
|---------------------------------|---------|-----------|------|
| Energy                          | 12,281  | 72,007    | 0.52 |
| Life Sciences                   | 4,817   | 16,901    | 0.87 |
| Financial and Business Services | 83,185  | 226,722   | 1.11 |
| Food and Drink                  | 15,567  | 121,933   | 0.39 |
| Sustainable Tourism             | 54,588  | 196,019   | 0.85 |
| Creative Industries             | 29,671  | 71,596    | 1.26 |
| Growth Sectors (All)            | 200,109 | 705,178   | 0.86 |
| <br>                            |         |           |      |
| Total Employment (All Sectors)  | 836,525 | 2,540,188 | 1.00 |

Source: BRES

In total there are approximately 45,000 businesses in GCR; this number has risen almost 18% since 2010. The majority of these businesses are micro or small, with only 1,080 businesses registering more than 50 employees in 2015. Our focus is on helping all of our existing businesses to grow and become more productive. We have identified exporting and innovation as two key areas of focus here.

Strengthening our business base through increasing export capabilities is a key economic challenge. GCR has a number of very successful companies, however in terms of the total number of businesses in the region, those exporting high value goods and services is relatively small by comparison. The challenge is to grow the number of exporting businesses across the region through increasing productivity and access to new markets.

Promoting innovation and R&D among our SME base is key. In order to achieve sustained economic growth for the Glasgow City Region through improving productivity will require a different and greater focus on innovation activity. Innovation and R&D is a key driver of sustained growth and should be part of day-to-day activities across our diverse business base. In both turnover and employment innovative firms grow twice as fast as firms that do not innovate<sup>5</sup>. Business expenditure on innovation and R&D is generally low across Scotland. Our challenge is to increase innovation activity across the region so as to achieve our vision for the City Region of a stronger, more competitive and outward looking economy.

Alongside this, we want to increase the number of sustainable and high growth start-ups in GCR. The number of those self-employed has risen by 23% since 2010. But looking at the

<sup>5</sup> Scottish Enterprise Economic Briefing Paper, November 2015

evidence, only 40% of new businesses survive after five years. There is currently no integrated business support across the city region, which could nurture and advise these young companies to maximise their growth and employment potential.

Our world-class knowledge institutions have a key role to play in helping strengthen our business base through supporting innovation and R&D and commercialisation of academic research and providing the supply of students skilled to meet industry needs. We have some of the best universities and centres of excellence in the world, attracting academics with significant research capabilities and UK and international students with great promise to the GCR. They are also significant contributors to the region's economy. However, we could and must do more to promote greater co-ordination and cooperation between business, knowledge institutions, government and investors.

We have the start of the infrastructure needed to support greater innovation and research and development among the region's diverse business base. These economic assets are critical to achieving the Vision and key to improving productivity; attracting and retaining talent; securing more and better jobs and bring people back into the labour market.



What does this mean we need to focus on?

**Grow the presence of Scotland's Growth Sectors in the city region so that we increase the total number of GCR's businesses and employees who work in these sectors.** The Scottish Government has identified six sectors where Scotland has a distinct comparative advantage and that tend to be more productive and innovative than others. Whilst GCR will not be in a leader in all six areas, it does make sense for GCR to have a focus on growing these sectors alongside those with the potential for greater growth and higher productivity.

**Significantly improve the productivity of GCR's diverse business base through increased investment, innovation and exporting.** GCR boasts an incredibly diverse business base, home to some world-leading businesses. This is the core strength of the GCR economy. We want to support all businesses to succeed, increasing their competitiveness through increased productivity and fostering innovation.

**Increase the number of sustainable and high growth start-ups surviving beyond five years.** Almost 7,000 new businesses start in GCR each year. But many of these do not survive beyond five years. Whilst GCR sees a number of university spin outs, the number could be increased, with more start-ups in the private sector.

**Grow GCR supply chain activity whose growth underpins the success of GCR sectors.** GCR benefits from a diverse post-industrial business base which is not dominated by any one sector. What is clear is that GCR businesses have a key role in supply chains that could be nurtured to grow, but this role is not fully understood or articulated.

### 4.3 *Our Place*

Transport and connectivity are fundamental to the longer-term success of Glasgow City Region economy. Significant investment has been made by the Scottish Government on major transport projects and the implementation of the City Deal by the local authorities will significantly advance this. The City Deal Infrastructure Fund will provide for and significantly improve transport infrastructure throughout the City Region with investment of over £500 million on a range of road and rail projects.

GCR is the gateway to Scotland. Glasgow International Airport is a key strategic economic asset for the region and for Scotland serving 110 destinations worldwide and with ambitious plans that by 2030 handling nearly 13 million passengers per annum. The region has an extensive road and rail network with further improvements planned through the City Deal Infrastructure Fund.

However there remains a disconnect between transport planning and investment and economic growth strategy in GCR, and integration of transport planning with economic development. Research by the Scottish Cities Alliance shows that transport infrastructure is the number one criterion considered by foreign investors in making an investment decision on whether to locate in a particular region and an increasingly important element of this is the active travel offer (cycling and walking). A quality integrated transport network is vital for growing a successful economy.

GCR is underperforming on the number of housing completions, with only 24 new houses completed per 10,000 residents each year, compared to a Scotland average of 35 new homes. This is at a time when house building is still slow post-recession, and entering the new post-Brexit period of uncertainty. A lot of GCR housing is low density, and low land values and sale prices mean that house builders are not seeing the returns on investment that mean they will build. Locations which could be attractive to the market are often contaminated, with high remediation costs that also disincentivise the market. The investment and infrastructure must work together to increase available housing and employment land in places that supports the delivery of the city region's economic, housing and land use strategies.

We estimate that there are over 1,800 derelict and vacant sites in GCR (a total area of over c.3, 000 ha) which might be better used to drive economic growth. With GCR's high number of entrepreneurs and students, this land could benefit from a meanwhile uses initiative. Meanwhile is the temporary use of vacant buildings or land until such a time that they can be brought back into commercial use again. A concerted effort in this area could improve the social and physical fabric of an area and provide cheap property for young businesses and start-ups.

GCR has impressive visitor numbers and is the second most visited destination for shopping in the UK after London. Tourists visit locations across the city region, and we are currently championing Paisley's bid to be UK City of Culture in 2021. If successful GCR will be home to the first ever town to hold this title. We are building on a strong track record here, with Glasgow City a former European Capital of Culture. Tourism is one of our key assets, attracting over 3.2 million visitors to the region in 2014.

GCR's image has altered dramatically, with the Commonwealth Games and significant capital investment ensuring a successful transition from industrial centre to cultural hotspot. The city is a significant attractor of business tourism with Glasgow City in particular continuing to build its reputation as a city destination attracting tourists and business conferences from across Europe.

We are fortunate to be home to six successful universities – The University of Glasgow; the University of Strathclyde; Glasgow Caledonian University; Glasgow School of Art; The Royal Conservatoire of Scotland and the University of the West of Scotland with internationally recognised and world-leading research activity and centres of excellence in areas such as engineering; health; business; science; music, drama and the arts.

*What does this mean we need to focus on?*

**Building on the City Deal bring forward in parallel strategic programmes, projects, and associated investment that maximise the value of the Deal.** In 2014 GCR secured a city deal which covers infrastructure investment, life sciences, business support and employment and skills. City Deal is at the heart of this strategy, and the city region must look at how to maximise benefit from it.

**Maximise the potential of the key GCR economic assets.** GCR has superb assets with which to drive growth and develop a more innovative, creative economy. Our people are the regions greatest asset. Other examples include the Queen Elizabeth University Hospital Campus, which has now seen investment in Stratified Medicines and the International Financial Services district. Glasgow Airport is also a key asset which can be better supported to drive growth. This includes increasing business and leisure passenger numbers, but also by creating a connected, creative and versatile business environment in its environs.

**Actively promote GCR globally, with a focus on international investment opportunities.** GCR has taken an important step to demonstrate its potential by working together as a city region. This should be used to drive international investment by articulating a specific city region investment proposition and promoting the unique strengths and assets of the single economic area at events such as MIPIM.

**Increase in the number of housing and commercial completions and decrease the amount of derelict and vacant land.** If GCR is to grow and attract talent and businesses, there needs to be a marked increase in the number of housing completions and modern premises. Whilst there is no shortage of land, there are significant challenges in bridging the delivery gap, including the decline in delivery in urban brown field sites.

## 5 Action Plan

Achieving the objectives outlined above will require a co-ordinated effort. Here we set out our action plan for the next three years (2017-2020) to strengthen and grow our economy in line with our overall vision. Our priorities are a combination of those that address the need for greater collaboration and joint working; actions to support and provide stimulus to our economy; and those that relate to particular sectors.

What is needed to deliver this growth is an integrated policy toolkit, targeting opportunities and benefits so that there is a measurable improvement across GCR. Each of the elements in support of achieving the vision should be of a scale and intensity to achieve a marked change that permeates to all areas and to all residents – especially those most marginalised and disengaged. Each element must come together in an integrated way to deliver sustainable and inclusive economic growth.

In the next three years we will:

- implement at pace and scale the recommendations from our Skills Investment Plan to “*create the most effective skills system, compared to other comparable city regions across the UK and Europe, through evidenced based investment and innovation*”<sup>6</sup>. We will adopt a City Region approach to skills. The starting point for this will be to build the evidence base to better understand the regions skills needs; the extent to which existing provision effectively addresses these needs and can address future skills needs and where best investment in skills can provide the greatest return for the region.
- establish an Enterprise and Jobs Hub for the Glasgow City Region. We will immediately progress the actions identified through the Enterprise Portfolio led by Renfrewshire Council. A first step will be to align the enterprise services of the local authorities to support business at a City Region level as well as creating a GCR information and intelligence hub.
- develop the export capabilities of our business base. This is critical if we are to remain competitive. We will as part of the Enterprise and Jobs Hub establish a centre of excellence for exporting and promoting greater investment and innovation among SMEs across the region. We will with our economic delivery partners in government, knowledge institutions and business develop a dedicated innovation policy and action plan to grow the exporting potential of the region.
- work with our partners in Government, agencies and Strathclyde Passenger Transport to ensure strategic transport planning is embedded as a driver and enabler of economic growth as part of a more integrated approach to economic development and inclusive growth.
- expand on the city region joint working around unemployment to deliver a sustainable Guarantee to all young people to ensure all our young people are in education or employment.

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<sup>6</sup> Glasgow City Region Skills Investment Plan (DRAFT), June 2016

- given the uncertainty surrounding the outcome of future negotiations by the UK Government following EU referendum result to leave the EU, bring forward proposals for accelerating the projects within the City Deal infrastructure fund that support and create employment and provide a stimulus for the region's economy.
- undertake an assessment of housing delivery models and financing, including areas such as partnerships with the private sector, use of compulsory purchase, and meanwhile uses in town centres and bring forward new mechanisms to support and enhance delivery, as well as new development opportunities.
- develop a clear regional brand identity. We will evolve the City Region brand to reflect the value of our people, to attract new talent, visitors and investment. We will develop and implement a specific city region investment proposition and we will strengthen our links with Scottish cities and build stronger relationships with other part of the UK and world-wide.
- continue to strengthen and build diversity in our business base. The region has particular strengths in areas such as business and professional services; creative industries tourism; medical and life sciences; advanced manufacturing and production. We will bring a particular focus to:
  - Business and professional services: harnessing the concentrations of businesses in GCR, and better linking to London and European HQs and their supply chains.
  - Creative and digital: further developing the area's vibrant and flourishing sector, use the BBC as an anchor institution in this
  - Sustainable Tourism: securing more of the UK's visitor economy, with Glasgow Airport acting as an international entry point (seek to maximize benefits from Scottish Government's recent publication of a document setting out its detailed plans for implementation of a 50% cut to APD at Scottish Airports with effect from 2018). Build the conference base
  - Medical and life sciences: building on the assets in GCR, enabling the further growth of the medical and life sciences sector and supporting other businesses to diversify and become part of the sector's supply chain. A focus on start-ups and spin outs
  - Social business: a review of the Social Enterprise sector to understanding how to maximise their input, and to look at if current public sector procurement is inclusive. This would also look at how best to maximise take up of Social Impact Bonds in GCR.
- develop a GCR Fair Work Strategy. We will deliver a GCR living wage, and build on the learning from the City Deal in work progression prototype in all sectors to help those on low pay.
- integrate health and work services to ensure that all our unemployed residents have access to the right service at the right time to support them back into the workplace.
- develop a comprehensive support service to deliver higher levels of entrepreneurship & internationalisation. This will build on the large number of

start-ups to ensure good quality and high survival rate, and help more firms to look outwards as exporters and encourage more inward investment.

- as a matter of urgency develop and put in place embedded capacity and a system of economic delivery partners, aligning efforts for joint planning, developing, decision making and implementing policies and programmes that relate to the growing our economy through inclusive growth.

## 6 Delivering the Strategy

If we are to implement the economic strategy and deliver the desired outcomes, we need to work more closely and collaborate more than previously. It will require a multi-disciplinary approach involving many organisations and individuals with a wide range of experience, expertise and capacities in a “network of public, business and non-government sector parties which work collaboratively to create better conditions for economic growth, social cohesion and employment generation” (OCED 2010). No one single organisation can perform this role.

Strategic capacity and governance at the City Region level is one of the most significant challenges that any City Region faces. To overcome this challenge requires a new kind of leadership and a firm commitment to collaborative working from local authorities, central government, business and other economic development delivery partners. There is no one model for joint working that can or should be followed. We have a track record of working together on a range of strategies and initiatives and we have formalised this collaborative working with the implementation of the City Deal Assurance Framework and the establishment of a Cabinet supported by local authority Chief Executives, by business through the economic leadership board and an academia led economic commission.

We will continue to build a single and guiding coalition for the Glasgow City Region. We will advance the vision and focus on the City Region as a place, with the same seriousness of intent that would be found in any of the constituent councils, rather than as an informal partnership.

However, there is greater potential for more formal alignment at the local level in terms of integrating our plans and programmes to support economic growth. Equally, local authorities have limited input into national policy and strategy that directly affects and / or impacts our region such as regional transport and employment and skills investment decisions, which are critical for economic success.

Building on the spirit and culture of the City Deal Governance Arrangements we will determine the best economic development system for the Glasgow City Region. Working with the Organisation for Economic Cooperation and Development (OECD) we will work to ensure a seamless and coordinated system is in place to plan and deliver the action areas outlined in this plan. Collaboration, interdependency and connectedness are key principles of developing the system. The success of the model will depend on each of the delivery partners working toward the shared vision including local and central government, business and other stakeholders all playing key and vital roles in supporting and delivering success.

Having the system in place for the City Region will ensure all partners across the system have a clear understanding of the vision to build a stronger, more inclusive, more competitive outward looking economy with each partner across the system aligned in terms of their own policy and strategy. It will allow for delegation of activities across a number of organisations based on their capacity and expertise and inject new insight and perspective going forward.

We will draw on the advice from the Economic Commission whose function will be extended beyond its current City Deal role. The Economic Leadership Board alongside the Chambers of Commerce will reflect the views and advice from business.

### *Measuring Progress and Impact*

Monitoring the implementation of the strategy and the extent to which activity contributes to our overall vision will be critical. An effective monitoring and evaluation framework will be developed to enable us to undertake ongoing review of progress, aligned to the delivery of the City Deal.



## 7 Conclusion

This plan outlines some of the key challenges and opportunities for GCR in the next twenty years. We are ambitious for the city region; we believe that GCR has the potential to be a leading global city region in the era when cities drive a nation's economic growth.

Our plan looks to grow our business base, whilst ensuring that our residents are supported and have the opportunity to contribute to and benefit from our economic successes. We will also invest in the right infrastructure to underpin this inclusive growth.

We have outlined our action plan for the next three years, and the delivery structures and governance we will put in place to deliver it. This is our aspiration, but we cannot do this alone and as a next step we invite our partners and stakeholders to talk with us about how you can help us with our goals.

The objectives we have set out in this strategy are all interconnected, and in order for us to succeed we need to focus on all eleven concurrently.

This is the ambition of GCR. We hope you share it with us.

### Appendix 1: Glasgow city region Economic and Social Profile

The table below sets out a range of economic and social indicators for the GCR and compared to other regions and Scotland.

| Theme         | Indicator  | Glasgow City Region   | Sheffield City Region | West Midlands Combined Authority | Scotland | Gap between GCR and Scotland                   |
|---------------|--|---|-----------------------|----------------------------------|----------|--|
| Labour Market | Unemployment Rate (% of working age population), 2015              | 6.7%  | 6.3%                  | 8.1%                             | 5.9%     | 0.8%   |
|               | Youth Unemployment Rate (16-24), 2015                              | 15.7%   | -                     | 19.8%                            | 14.4%    | 1.3%   |
|               | Economic Activity Rate (% of working age population), 2015         | 76.0%   | 75.9%                 | 70.1%                            | 77.7%    | 1.7%   |
|               | Employment Rate (% of working age population), 2015                | 70.9%   | 71.0%                 | 64.4%                            | 73.1%    | 2.2%   |
|               | Out-of-work benefits claimants (% of working age population), 2015 | 14.3%   | 14.7%                 | 15.6%                            | 11.3%    | 3.0%   |
| Work and pay  | Full-time gross weekly wages of residents (£, median), 2015        | £534  |                       |                                  | £527     | -£7  |
|               | Full-time gross weekly wages of workers (£, median), 2015          | £526  |                       |                                  | £529     | £3   |
| The economy   | GVA (£million), 2014   | £40,226   | £32,513               | £55,544                          | £123,543 |  |
|               | GVA per capita 2014  | £22,421   | £17,747               | £19,778                          | £23,102  | £681   |
|               | GVA per job 2014   | £48,135   | £44,391               | £45,810                          | £48,635  | £500   |
|               | TTWA (2014)  | 92.7%   |                       |                                  |          |  |
|               | % Employed in growth sectors (2014)                                | 23.9%   |                       |                                  | 27.8%    | 3.9%   |
|               | Biggest sectors  | Wholesale & retail trade, Administrative and support service activities, Health & social work |                       |                                  |          | Wholesale & retail trade, Health & social work |

|                    |   |              |       |       |        |      |
|--------------------|---|--------------|-------|-------|--------|------|
| Inequality         | Life Expectancy (Male), 2012                          | <b>74.89</b> | 78.34 | 77.96 | 76.61  | 1.72 |
|                    | Life Expectancy (Female), 2012                        | <b>79.74</b> | 82.12 | 82.29 | 80.83  | 1.09 |
|                    | % of wards within 5% most deprived in Scotland (2012) | <b>10.2%</b> |       |       | 100.0% | N/A  |
| Education & skills | % with NVQ3+ aged 16-64                               | <b>57.4%</b> |       |       | 60.2%  | 2.8% |
|                    | % with no qualifications (16-24)                      | <b>12.7%</b> |       |       | 9.4%   | 3.3% |

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### *Measuring GCR's productivity*

Below the national level we tend to measure productivity using Gross Value Added (GVA) as the key indicator of total economic output. This is based on the workplace where the GVA is created, not where the worker lives, and basically is calculated by adding up all profits made by firms in an area and all wages earned by people working in an area. It is important to note that some types of income (primarily benefit payments) are not included in this calculation as they are a redistribution of existing incomes.

**GCR's GVA was £40 billion in 2014. This means that GCR is 33% of Scotland's economy.**

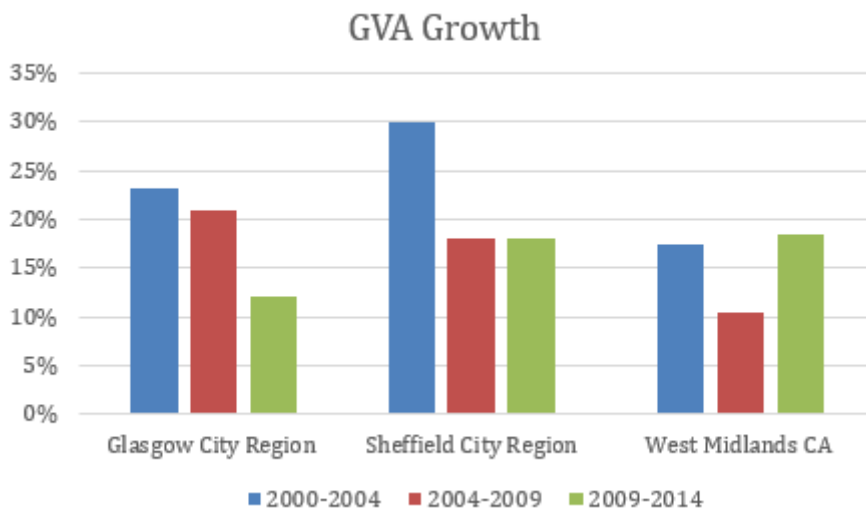
We have compared GCR's GVA with two other city regions: Sheffield and the West Midlands. The ONS measure used here includes an area slightly larger than GCR, with Helensburgh and Lomund included.

| <b>GVA (£million)</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>Per Capita (2014)</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|--------------------------|
| Glasgow City Region   | 35,092      | 35,829      | 36,110      | 38,158      | 40,266      | 22,421                   |
| Sheffield City Region | 28,783      | 29,629      | 30,298      | 31,272      | 32,513      | 17,747                   |
| West Midlands CA      | 48,965      | 50,211      | 52,103      | 54,145      | 55,544      | 19,778                   |
| Scotland              | 107,653     | 110,285     | 112,594     | 118,135     | 123,543     | 23,102                   |
| United Kingdom        | 1,397,744   | 1,443,281   | 1,485,776   | 1,546,914   | 1,618,346   | 24,958                   |

### *GVA per capita*

Sharing GVA across all residents gives an indication of the economic performance of a whole place as it includes though who may not be currently contributing to GVA. For example, children, students and retired people are examples of those less likely to contribute to GVA.

The latest figures for 2014 show that GVA per capita in GCR was £22,421 compared to a Scottish average of £23,102.

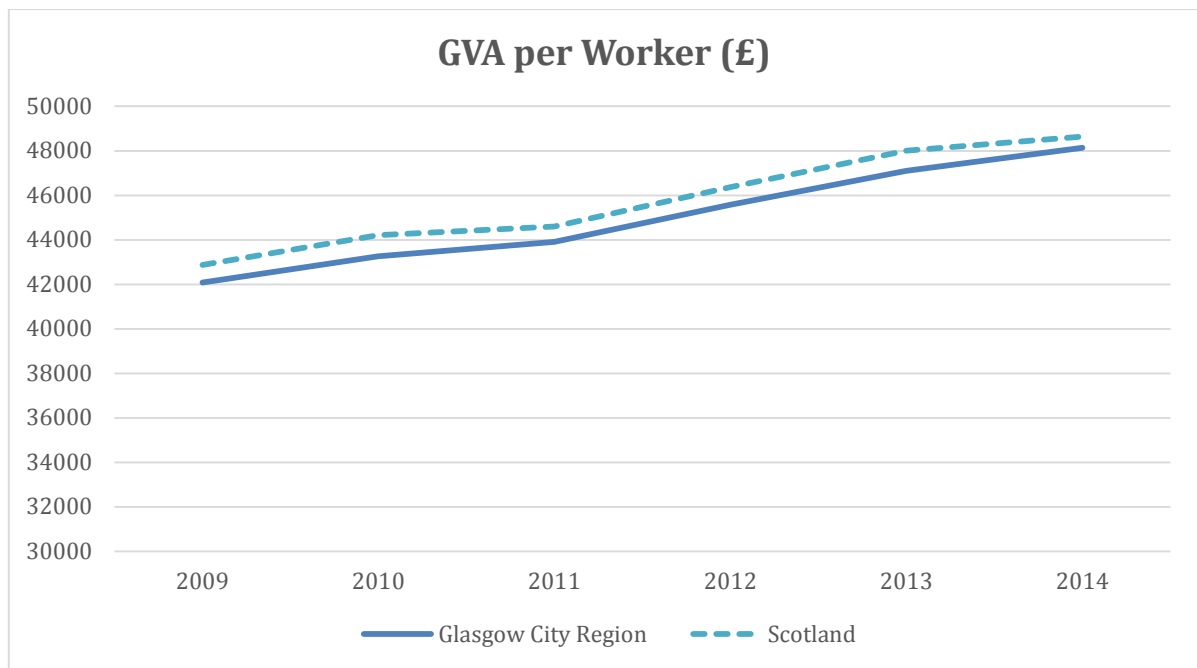


### *GVA per job*

GVA per job uses the total number of workforce jobs to give a measure of labour productivity. In GCR this gives a more favourable picture and suggests that GCR businesses are reasonably productive. Positively the gap between the Scottish average and GCR is closing. GCR's figure is still less than Scotland, but higher than the two English city region comparators.

Figures for 2014 show that GVA per job in GCR was £48,135 compared to a Scotland average of £48,635.

| Region name           | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | Change 2009-2014 |
|-----------------------|--------|--------|--------|--------|--------|--------|------------------|
| Glasgow City Region   | 42,089 | 43,257 | 43,907 | 45,581 | 47,108 | 48,135 | 14.36%           |
| Sheffield City Region | 37,750 | 39,969 | 41,309 | 42,520 | 43,743 | 44,391 | 17.59%           |
| West Midlands CA      | 40,538 | 42,205 | 43,219 | 44,559 | 45,558 | 45,810 | 13.01%           |
| Scotland              | 42,880 | 44,205 | 44,603 | 46,365 | 48,002 | 48,635 | 13.42%           |



#### *GVA by industry*

Looking at sectors, over 50% of GCR's GVA comes from three sectors: Manufacturing & Production; Distribution; transport; accommodation and food; and Public administration; education; health. This has remained fairly steady since 2009.

| <b>Glasgow City Region</b>                      | <b>2009</b> | <b>2014</b> |
|---|-------------|-------------|
| Agriculture, forestry and fishing               | 0.2%        | 0.2%        |
| Manufacturing and Production                    | 14.8%       | 15.6%       |
| Construction                                    | 6.8%        | 7.2%        |
| Distribution; transport; accommodation and food | 18.4%       | 18.1%       |
| Information and communication                   | 4.7%        | 4.5%        |
| Financial and insurance activities              | 7.8%        | 7.7%        |
| Real estate activities                          | 7.0%        | 8.7%        |
| Business service activities                     | 11.5%       | 10.6%       |
| Public administration; education; health        | 24.8%       | 23.4%       |
| Other services and household activities         | 4.1%        | 4.1%        |

*Oxford Economics Economic Outlook*

In 2014 Oxford Economics produced an economic forecast for GCR from 2013-2038. The outlook reveals that GCR will remain a key contributor of economic growth. The baseline forecasts suggest that the city region is expected to create over 30% of new Scottish jobs over the decade ahead. However, the baseline forecasts suggest that, despite a growing population, GCR will not regain pre-crisis peak levels of employment until after the end of the forecast horizon to 2038.

2013-2023 Forecast

Over the course of the next decade (2013-23) the base employment forecast projects an increase of 32,000 jobs, recovering around only 40% of the post-crisis employment loss. In GVA terms the city region is forecast to grow by 2.6% in the 2013-23 period, the same pace as the Scottish economy as a whole. The projection for the fifteen years from 2023 sees annual GVA growth averaging 2.5%, again in line with the Scottish average.

Sectoral growth

By 2023 Oxford Economics estimate that 25% of jobs in GCR are expected to be in business oriented service activities. This compares with 20% on the eve of the financial crisis in 2007 and 22% in 2013. The numbers of jobs within the tourism sector are projected to increase and growth within this sector is expected to outstrip the overall average. Growth in within the creative industries (1.1% per annum) is also expected to outperform the overall average (0.4% per annum). The construction sector is likely to see increasing employment through the period to 2038. However, this would leave total employment a little below its peak level in 2008.

The long-term decline in employment in manufacturing is projected to continue, with employment dropping at an annual average rate of 1.5% over the twenty-five years to 2038, a loss of over 20,000 jobs. The public sector is forecast to lose 15,000 jobs in the decade to 2023. In the fifteen years from 2023 employment in Health is projected to rise by over 8,000, while that in Education and Public Administration is broadly flat. This means that the share of Glasgow City Region employment in the public sector is projected to fall from 6% in 2013 to 5% in 2023 and 4% in 2038.

Life Sciences currently accounts for just over 4,000 jobs within the area (1% of total employment). The outlook suggests that employment within the sector is forecast to change little from current levels, rising marginally to 2023 but then falling marginally over the next fifteen years.

## *Appendix 2: Our Journey of Collaboration*

As a city region we have shown that we are ambitious. In recent years we have agreed arguably the largest City Deal in the UK; delivered large scale regeneration projects such as Clydebank and Clyde Gateway; completed the largest teaching hospital in the UK; and delivered the Commonwealth Games in 2014. This track record, legacy and assets are rightly seen as city region successes and opportunities.

2014 was a landmark year with the success of the Commonwealth Games followed by the signing of the £1.13bn city deal. This shows the potential gains that accrue from collaboration.

|      |   |
|------|---|
| 1996 | Abolition of Strathclyde Regional Council   |
| 2003 | Clyde Valley Community Planning Partnership / Glasgow and Clyde Valley Structure Plan Joint Committee established                             |
| 2003 | 'Metropolitan Glasgow: Our Vision for The Glasgow City Region' 10-year vision for the development of the Metropolitan Glasgow region launched |
| 2006 | Strathclyde Partnership for Transport formed  |
| 2008 | Refreshed Metropolitan Glasgow vision for the Glasgow City Region   |
| 2008 | ClydePlan established   |
| 2008 | 'A Catalyst for Change' the Regional Transport Strategy launched  |
| 2011 | Refreshed Economic Strategy for the Glasgow City Region 2011 - 2016   |
| 2012 | Glasgow and the Clyde Valley Strategic Development Plan approved  |
| 2014 | Glasgow and Clyde Valley City Deal  |
| 2014 | Commonwealth Games  |
| 2015 | The Glasgow and Clyde Valley Cabinet established  |
| 2016 | Glasgow and the Clyde Valley Strategic Development Plan refreshed   |

Building on the City Deal agreed in 2014 and through the development and delivery of the Regional Economic Strategy, the GCR civic leaders are looking to a “*future where there is much closer collaboration between the respective local authorities, partner organisations, business, academia and other local stakeholders*”.

The region has a history of working together. This Regional Economic Strategy represents a more formal approach to economic collaboration and a commitment among the eight local authorities to speak with one voice and to take action that sustains and grows the region's economy, changing lives and building a better future for people and communities.

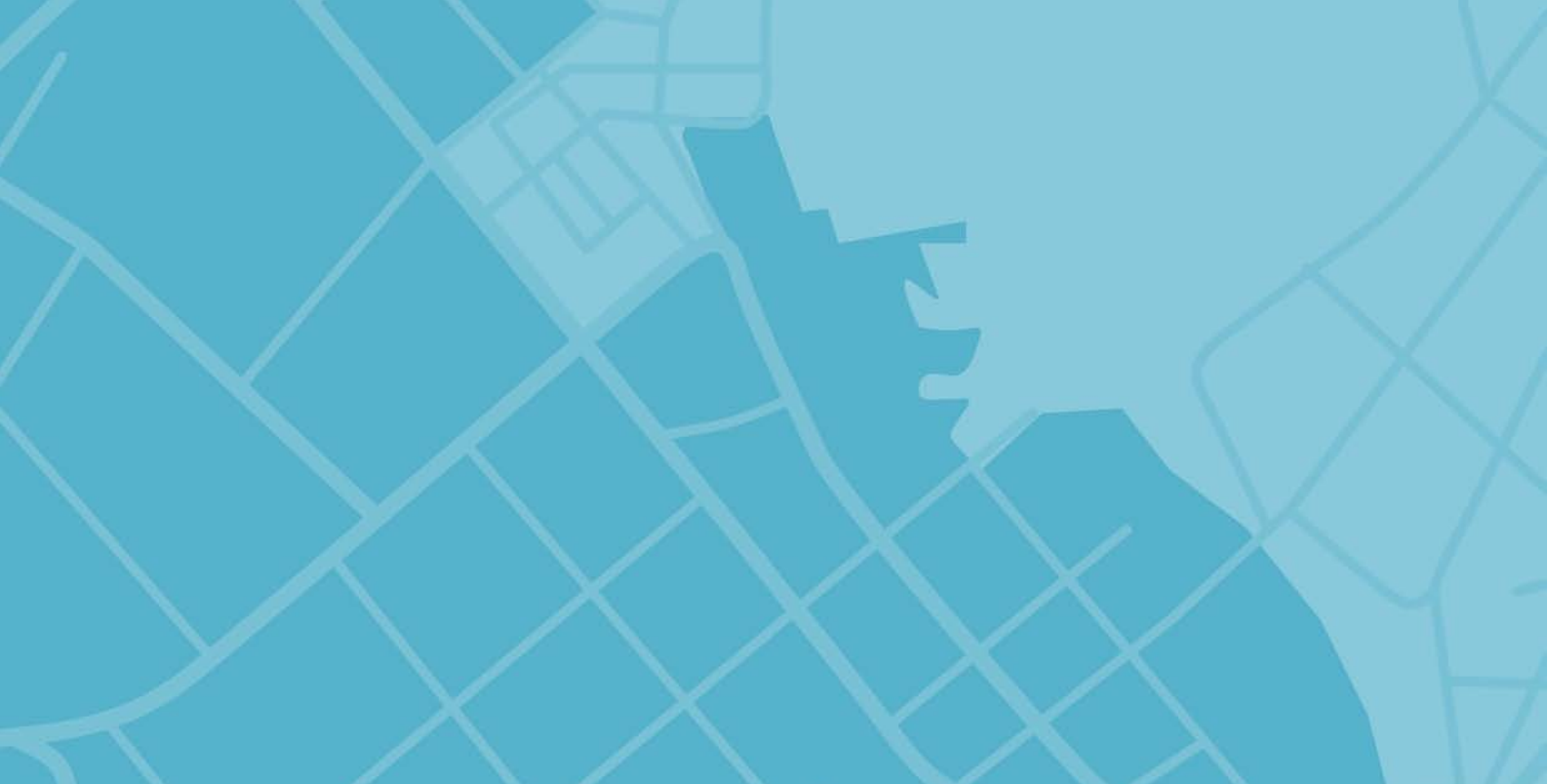
A number of GCR groups currently exist to support delivery of City Deal. This provides a great opportunity to ensure that all parts of the GCR ecosystem are working to deliver the strategy.



Below is a summary of the current Governance arrangements:

| <b>Governance structure</b>   | <b>Purpose</b>   | <b>Key documents</b>   |
|---|--|--|
| Cabinet – 8 LA Leaders,<br>Chaired by Glasgow CC                        | To be responsible for the effective delivery and exploitation of the opportunities created by City Deal and to establish the economic priorities for the region.   | City Deal Assurance Framework<br>Portfolio engagement plans<br>Joint Committee Agreement |
| Chief Executive Group   | To support the Cabinet in delivery of its duties.  |  |
| PMO   | To co-ordinate and ensure delivery of the City Deal outcomes and to undertake the project planning and monitoring for the Infrastructure projects and co-ordinate the appraisal and approval of Project Business Cases.<br>To assess and monitor the realisation of economic benefits from the City Deal | Implementation Plan  |
| ClydePlan   | To prepare and maintain an up to date Strategic Development Plan (SDP) for the area, with clear vision and spatial strategy. Largely the plans focus on the key land use and development issues that cross the planning authority boundaries.  | SDP (2012), proposed plan 2016   |
| Strathclyde Partnership for Transport (SPT)                             | To plan and deliver transport solutions for all modes of transport across the region.  | Regional Transport Strategy<br>'A catalyst for change'                                   |
| Glasgow City Region Economic Leadership Board<br><br>Note: Chair agreed | To build on the Glasgow Economic Leadership Board, with new structure reflecting the themes of the City and provide a focus on business growth and sustainability, promoting entrepreneurship, and link with the sustainability and smart cities agendas.  |  |
| Regeneration and Economy Consultative Group                             | To bring together wider public sector partners   |  |

|  |  |  |
|--|--|--|
| Note: not yet active   | around the delivery of the City Deal   |  |
| Economic Commission  | To design the process for monitoring and evaluating the impact of the City Deal projects, facilitate the five yearly reviews of progress in achieving the economic growth set out in the vision for Glasgow and the Clyde Valley through undertaking economic analysis (methodology subject to final agreement with the Scottish and UK Governments), engagement with the National Panel, furthering the development of the evidence base and providing general economic advice to the Cabinet and CEOs. |  |
| Officer Groups (chaired by Chief Executives) <ul style="list-style-type: none"> <li>• Economic Development</li> <li>• Transport</li> <li>• Transport Appraisal Sub-Group</li> <li>• Communications</li> <li>• Legal and Procurement</li> <li>• Land Use</li> <li>• Skills and Employment</li> <li>• Finance</li> </ul> | Oversight of the relevant city deal element Maximise opportunities from the investment Support to Cabinet portfolio leads Compliance with City Deal governance structures  | Skills Investment Plan Towards a City Region Enterprise and Jobs Hub |




# Metro — Dynamics

201 Borough High Street  
London  
SE1 1JA

0203 817 7675

Elliot House  
151 Deansgate  
Manchester  
M3 3WD

0161 393 4364



**GLASGOW CITY REGION  
ECONOMY SUB GROUP**

**ENTERPRISE PORTFOLIO ACTION PLAN**

**NOVEMBER 2016**

## **Introduction**

This plan leads from an enterprise portfolio research study undertaken on behalf of the Glasgow City Region Cabinet. This produced two reports earlier in 2016 which were discussed and approved by the Cabinet<sup>1</sup>. The second report concluded with a series of recommendations for action to improve the collective enterprise service response at city-region level. An Action Plan to advance these recommendations was identified as necessary to make initial progress.

The City Region Economy group was instructed to develop and then progress this plan.

In the longer term, aspects of this work will clearly involve the engagement of key partners, but an important message is that the actions detailed below are all areas the local authorities can collectively advance themselves – demonstrating commitment and building momentum for wider partner involvement.

Whilst the core aspiration of all actions is the integration of enterprise, skills and employability interventions, the action plan does not contain any specific recommendations for employability and skills interventions. These are contained in related work on the City Region Employability Skills and Employability portfolio.

Further developments have informed the key action area identified from the enterprise research to establish a Glasgow City Region Intelligence Hub. Two key messages are important to highlight at the outset in understanding this plan.

1. The significance of a development of this nature has been recognised across other work-streams supporting city region developments – including the work of the Economic Commission. This signals the need and opportunity to create a more ambitious Intelligence Hub. This has significance for developments well beyond the narrower focus of the Enterprise portfolio, and should now be viewed as a more generic city-region development. Consequently, it is removed from direct inclusion in this action plan, and should now be viewed as a separate development activity. This will be considered in detail in a dedicated paper also being presented to the December Cabinet.
2. However, the development of the Intelligence Hub is critical to advancing the Enterprise Action Plan. It will potentially create the key city-region resource which will drive and inform other early activities. Consequently, the remainder of this plan is critically premised on the initial establishment of this Hub capacity.

## **Enterprise portfolio research key messages**

The research process concluded with some headline messages that will now inform action:

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<sup>1</sup> 'Glasgow City Deal – Towards a City Region Enterprise and Growth Hub' (August 2016); Glasgow Enterprise Portfolio research – Interim Report (March 2016).

- adopting a stronger city region enterprise perspective (and wider regional economic development rationale) will: maximise growth; reflect the reality of a city-region economy and labour market; produce gains for all areas and communities; and eliminate approaches based on 'intra-region' competition
- messages from international and wider UK experiences and trends demand a response from the Glasgow City Region to maintain international competitiveness
- recognition that the current city region enterprise support map: is cluttered; involves potential duplication; is difficult to navigate; restricts opportunities for economies of scale; and can lead to intra-region competition
- opportunities to support enterprise better by the further integration of services and supports through a combination of 'aggregating up' and 'devolving down' further delivery and resources to the city-region level
- a willingness shared across the local authorities to advance this process immediately through practical early actions at a city-region level
- the need to ensure city-region approaches effectively integrate enterprise supports with skills and employability interventions
- the need to inform future developments with increased city-region level intelligence, research, and impact measurement capacity
- the need to ensure city-region structures and partnership arrangements keep pace with developments, and are prepared for forthcoming changes

### **The wider context**

During the City Region Cabinet's research a number of important developments in the wider context became increasingly relevant in considering future action. These include:

- the national review of enterprise support agencies
- an Audit Scotland report on the impact of national enterprise agencies
- the Scottish Government's manifesto commitment to establish Regional Economic Partnerships
- agreement of other City Deals across Scotland
- a new research report from the Scottish Cities Alliance, which included calls for increased devolution of economic development functions to cities
- consideration of the implications of Brexit for city-regions

Through its enterprise portfolio work the City Region Cabinet seeks to both inform, and be informed by, this wider context. Whilst some key aspects of this agenda are still to be clarified, overall this Action Plan is drafted from a perspective that moving forward in this way is consistent with the opportunities and challenges of a fast-changing policy environment.

The review of national enterprise agencies published its phase 1 report in October 2016. This indicates that more detailed consideration of new regionally focused opportunities will be progressed within phase 2 of the process. However, key messages in the initial report are relevant to this action plan, and reinforce messages from the city-region research:

- confirmation that the current support system is a 'cluttered landscape' and should be simpler, more flexible and cost effective through better integration of local and national interventions – based on a 'no wrong door' approach to service delivery which hides 'organisational complexity'. Within enterprise, the Business Gateway service is specifically referenced in this context
- the need to integrate enterprise and skills supports through 'seamless' working
- the need to review data and evaluation functions, and use labour market information more to influence skills related actions
- recognition that: City Deals are a current strength; better working is needed with local authorities and others to maximise regional opportunities and respond to local needs; and that new partnerships are needed to respond to regional skills needs
- a commitment to consider new pilot approaches in one or more areas

The second phase review report is anticipated in early 2017. This will action initial recommendations, and consider further the role of regional partnerships to build on assets and harness regional strengths.

This action plan is drafted to be consistent with these aspirations, and to suggest practical ways that the Glasgow City Region can respond to the opportunities presented.

### **The future vision – a Glasgow City Region Enterprise, Skills and Jobs Hub**

The overarching objective of future city-region wide work on the enterprise portfolio is to align local authority and a wider range of partner services into a consistent and consistently communicated city-region wide offer for businesses and people seeking to access and progress in work. This will be based on incremental steps to develop an integrated City Region Enterprise, Skills and Jobs Hub.

Developing a Hub of this nature represents a strong and practical way to move forward aspirations for a more accessible, consistent, and integrated service. It directly addresses the critical need to ensure close connection between enterprise, skills and employability interventions. It has the potential to significantly simplify the support offer to service users,

enable increased value for money, and improve outcomes. It is premised on the anticipated wider aspiration to inform future service delivery with higher quality city-region wide research, intelligence, performance management, knowledge transfer and evaluative functions. To be fully effective, these developments require a combination of 'aggregating up' relevant services and resources from local authority level, and the 'devolving down' of services and resources from the national level. City Region local authorities are already advancing the former developments, and the final recommendations of the national enterprise review provide an opportunity to progress and accelerate the devolution down component.

The Hub will evolve initially as a mixture of locally delivered services 're-badged' and recognised as part of a consistent city-region wide support service, and thereafter extend to the aggregated delivery of relevant services at a city-region level. This would require to evolve alongside new city-region partnership and governance arrangements.

### **Early action areas**

The following potential early action areas were identified in the enterprise research process:

1. Commitment to, definition and communication of single enterprise offer for the city-region
2. Development of a Glasgow City Region Business Gateway service
3. Development of a Glasgow City Region Intelligence Hub
4. Development and promotion of an enterprise asset map/directory
5. A region wide business development initiative to engage and connect further with resources and activities in the HE/FE sector
6. Combined city-region wide sectoral initiatives
7. Combined city-region wide IT/digital support initiatives

Further consultations to develop this plan have suggested that the initial focus of work should primarily be on actions 1-4 above, with some early scoping work on 5 also important. Progressing new city-region wide sectoral work is anticipated to follow progress on these issues.

The concept of the integrated Hub is premised on providing a mechanism to integrate a wider range of partner services in a more streamlined and complimentary way – providing a simpler and more accessible support offer to existing or new enterprise activity across the city-region area. But within this wider vision it was recognised that the 8 city-region local authorities should lead initial actions based on services and investment they directly controlled. This would:



- set a vision and clearly establish the future direction of travel
- establish the concept of the integrated service Hub
- enable some early service delivery gains
- provide a mechanism for partner interventions to contribute towards and consolidate around a city-region integrated service

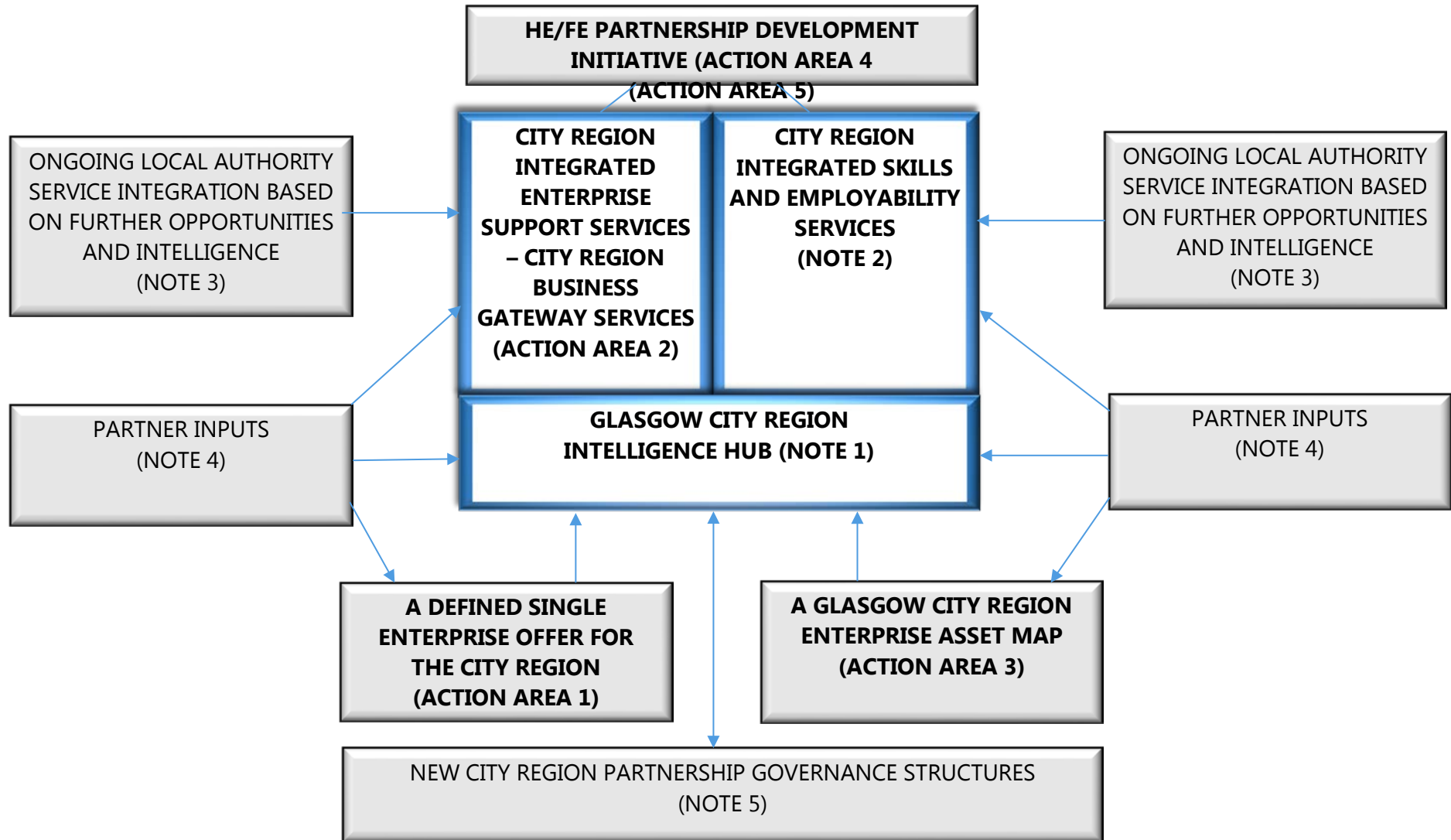
Consequently, this Action Plan focuses on what the local authorities themselves can initially progress. This includes how they should reach out and engage partners further to realise the longer-term vision of a fully integrated city-region enterprise, skills and employability service offer.

The overall logic and connections between the action areas is summarised in the diagram overleaf. Some of the actions represented are detailed further in this plan (section 2), others are related developments. The latter are explained further in explanatory notes after the diagram.

As indicated, the recommendation to develop a city region Intelligence Hub has been removed from this action plan. This is because of its potential increased significance and scope, which requires it to be viewed and progressed as a generic city-region development. In this sense, it has 'outgrown' the enterprise portfolio.

But it is nonetheless a key front end development, critical to future progress on establishing the new integrated Glasgow City Region Enterprise, Skills and Jobs Hub.

## TOWARDS A GLASGOW CITY REGION ENTERPRISE, SKILLS AND JOBS HUB



## **Explanatory notes**

1. The development of a city-region Intelligence Hub will now be taken forward as a generic city-region wide initiative in recognition of its wider relevance and potential contribution. A separate development stream and action plan will now advance these developments. Progress on this, and associated timescales, will inform the pace of developments within this action plan.
2. As indicated, this plan relates primarily to the 'enterprise' support services. But the logic of the Hub suggests relevant skills and employability services should be integrated to the city-region model. These are anticipated to be identified further by the city-region's skills and employability portfolio.
3. The Business Gateway has been identified as the initial service identified as being located within a new city-region hub. But the process of establishing the Hub, and the capacity it begins to represent, offers the potential for other local authority services to be integrated in this way at the city-region level. This process should be informed by evidence based work of the new Intelligence Hub.
4. The concept of the integrated service delivery Hub is to establish a mechanism where a much wider range of partner services can combine over time at the city-region level. This wider partnership dimension will be essential to maximising impact, and progressing discussions in this respect is reflected in the action areas below.
5. The integrated service delivery hub is a significant development for Glasgow City Region: it will place further demands and scrutiny on governance arrangements. A series of suggestions to increased partner involvement are contained in the second enterprise research report (referenced earlier), these will be important in supporting the wider and longer term aspirations of the Hub.

## SECTION 2 – ACTION PLAN

### Action area 1: Commitment to, definition and communication of a single enterprise offer for the city region

This is a critical underpinning of all the developments suggested in this action plan. It will trigger a process that over time aims to refocus relevant enterprise, skills and employability interventions to the city-region level. This will include service development, procurement, delivery, and monitoring.

The action is necessarily ambitious and will require an incremental process. It will start by developing and articulating a city-region wide statement of the minimum expectations all businesses should have of enterprise related support – irrespective of where they enter the system or operate. It is premised on a recognition that successful business development in any part of the city-region benefits the whole city-region.

The process will begin by the 8 local authorities identifying a business support framework which indicates what common services they offer in all parts of the city-region. The service mapping process undertaken for the enterprise research provides a useful starting point to identify these. The framework should seek to plot these within a business support pathway, which could learn in design from the well established Strategic Skills Pipeline (SSP).

In practice, there will remain specific local area additions to the offer, but these should also be articulated and discussed within the development process – fully interrogating whether these should best remain locally focused or could gain from a city-region perspective.

#### **Early actions**

| Action area   | Rationale  |
|---|--|
| 1.1 Define a City Region Business Support Pathway framework.        | A simpler mechanism is needed to understand and communicate the range of services and support available to businesses. The SSP has assisted this process for employability and skills, and a similar mechanism should be transferable to enterprise supports. The framework should enable local authorities and partners to better consider relationships between various interventions, and inform future collective investment decisions and service developments. |
| 1.2 Populate the framework with common services currently available | Local authorities should start the process of populating the framework to demonstrate the degree that current service provision is common across the 8 areas. This needs to ensure similarities in   |

|   |   |
|---|---|
| to businesses by all 8 local authorities – aligning definitions where services are similar but differently articulated.   | supports are not understated through different terminologies/definitions. This work would form the baseline of the <i>current</i> common local authority offer.   |
| 1.3 Identify other current enterprise services delivered by more than one, but not all local authorities.   | This would identify where some authorities provide the same services. Interventions in these categories should be interrogated to identify options to extend these city-region wide, or whether specific local rationales make this inapplicable.   |
| 1.4 Identify services specific to only 1 local authority and consider whether these are scale-able/transferable across the city-region.   | This may be challenging in resource terms, but the process would be important in determining why the local authority enterprise support offer is different across the city-region, and whether this can continue to be justified in the new city-region economic development rationale.   |
| 1.5 Invite other key partners to add relevant services available consistently across the city-region in the context of the support framework  | This is central to widening the concept of identifying and articulating an integrated city-region service which incorporates a much wider range of supports to businesses, and to advancing the longer-term aspiration of a fully integrated city-region support offer. It will provide local authorities with a useful city-region wide starting point to consider further joint service developments with partner agencies. |
| 1.6 Agree an initial version of a single enterprise offer for the city region.  | The first iteration of the single offer should seek to be relatively simple enterprise offer available across the city-region. As a minimum, this should include all local authority delivered or funded interventions, and aspire as far as practical to include partner services.   |
| 1.7 Agree future communication of the common CR offer to (a) all service delivery practitioners operating at CR level, and (b) existing businesses already based in CR, potential new businesses, and businesses considering expanding or relocating into the CR. | The information generated through these activities will need to be clearly communicated and presented to two key audiences (a) staff who directly support enterprises, and (b) businesses. Communication and presentation mechanisms will require to be customised to these customer groups.  |
| 1.8 Identify actions to increase the commonality of the support offer across the city-region, and the consequences of this in terms of joint  | The previous actions are all primarily focused on better collation and communication of the status quo. This is important baselining, but key changes towards a single and consistent offer will require local authorities (initially) and then wider partners to consider how the core and common service offer can be expanded. This needs to be informed by increased intelligence on what works                           |

CR funding, design, procurement and delivery.

and is needed in a city-region context as anticipated from the IR&KT Hub. Increasing common service options should then link to joint CR funding, design, procurement and delivery. The line of inquiry should shift from 'why' a common service across the city-region to 'why not?'

## **Action area 2: Development of a Glasgow City Region Business Gateway service**

A significant element of the current local authority enterprise support service is the Business Gateway service. This is delivered at individual local authority level, with 4 local authorities undertaking a lead management and reporting role across the city-region. Business Gateway is a national initiative, but in recent years the services delivered have become increasingly diverse across different areas, with very significant local variations.

Partner local authorities will now move towards a city-region managed Business Gateway service as the initial tangible service delivery element of the City Region Enterprise, Skills and Jobs Hub. This would: provide a renewed consistency in the offer; reduce the number of management, contracting and reporting arrangements; and increase the potential for more integrated city region wide events and training activities. In practical terms, this may over time require a single authority assuming the Business Gateway lead role across the whole city-region area.

But the gains of a City Region Business Gateway must extend beyond more efficient processes and rebranding. It requires to trigger a step change in Business Gateway performance. This should be based on a fit for purpose support service for new and growing small businesses that is consistent with and advances the aspirations of the new Glasgow City Region Economic Development strategy. Consequently, the ultimate objective here is not a combined version of the current delivery models, but a redesigned service customised to the needs of the city-region.

The pace of developments will be determined - and to a degree constrained - by practical realities. Currently different arrangements are in place between in-house and externally contracted services, and the timeframes of existing contractual arrangements need to be factored. A new regional approach to Business Gateway delivery will also require to agree an appropriate future relationship with the Business Gateway National Unit based in COSLA.

Related and supporting practical work can be advanced more immediately. It is apparent from local authority service mapping returns that a range of events and training activities are delivered at individual local authority level. Many of these are delivered through the Business Gateway. There are opportunities to further consider a city-region focus to some of these activities where local area approaches appear very similar. This would bring potential benefits of scale and opportunities for businesses to network at a wider level.

## Early actions

| Action area  | Rationale  |
|--|--|
| 2.1 Audit existing local authority approaches to Business Gateway delivery including: service descriptors; budget allocations; delivery locations; staffing allocations etc. | This is required to establish a baseline starting position on current Business Gateway provision across the city-region. It will enable clarity on the resources allocated, and the collective city-region wide delivery points and mechanisms. It will also inform the wider service review and re-design process (action point 2.7).   |
| 2.2 Identify potential early options to procure specialist external Business Gateway support services at the city-region level.  | All BG contracts outsource some specialist aspects of service delivery. These often cover the same issues – training, events, sectoral support etc. An earlier CR gain may be possible here by identifying a single procurement process to meet all identified requirements across the area.   |
| 2.3 Clarify and agree the scope of local authority powers to re-design the Business Gateway to a customised city-region model.   | The Business Gateway is currently a national brand delivered by local authorities with Scottish Government funding. It operates within a national performance framework, and a set of core principles agreed by the Scottish Government and COSLA. But in practice, the consistency of the service across areas has reduced as more localised approaches have developed; and this is anticipated to be confirmed in the information collated in action area 2.1. The funding local authorities receive for the BG is within the Block Grant, and not ring-fenced. As a consequence the position of the BG is somewhat unusual as the Scottish Government still have expectations on how this money should be spent. The proposed City Region wide service seeks to reintroduce a level of consistency, but at the city-region spatial level. Communicating these intentions to the SG and COSLA is now required. |
| 2.4 Identify contractual end points in terms of current local area delivery models, and align these with proposed changes to a city-region model.                            | The BG is currently delivered through a range of varying models across the city-region, and these all have some associated procurement and contractual arrangements. Related timescales need to be audited across the area to ensure any renewal of contracts is consistent with the spirit of a new city-region BG model. This also needs to consider the different approaches of authorities to outsourcing parts of the BG service. To some degree, contractual periods will determine the pace of moving to a full CR delivery model.  |
| 2.5 Identify future 'central' support arrangements in the context of a city-   | Linked to the above, a National Business Gateway Unit based in COSLA supports local delivery, and leads on areas such as national marketing, support systems, monitoring etc. This unit is funded by   |



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|--|--|
| <p>region model and the future relationship with the National Business Gateway Support Unit.</p>   | <p>an allocation of each local areas SG allocation being top sliced to support these functions. In a city-region model, consideration is required on the future applicability of these functions between the regional and national levels, and on whether the resources currently allocated to the national unit should be devolved to the city-region level. In practice, consideration of this issue is likely to overlap into action area 2.3</p>   |
| <p>2.6 Identify options of a single management point for a future City Region Business Gateway service.</p>  | <p>The logic of a CR Business Gateway is to move to management and co-ordination by one central point. This would in future be responsible for all procurement, service developments, performance management and reporting. In the longer term, it could also assume responsibility for all staff. Some initial consideration of the options is required, and the process to agree who should assume this co-ordinating role.</p>  |
| <p>2.7 Undertake a comprehensive review of the role and expectations of the collective resources available to the city-region to support Business Gateway services in the context of the Regional Economic Development strategy. Identify and agree a new city region designed service, and its positioning within the future single enterprise offer considered in action area 1.</p> | <p>This action will underpin and inform all others related to the BG. It leads from the requirement that over time a bespoke Glasgow City Region Business Gateway service is developed which delivers significantly improved outcomes that support the Regional Economic Development Strategy. This should be intelligence led and tasked with enquiring how the resources available through the BG at city-region level can maximise and add value in the support of new and growing small businesses. It should not assume anything beyond this, but seek to devise solutions to meet agreed outcomes ie it should not be restricted to fine tuning the current offer.</p> |

### Action area 3: Development and promotion of an enterprise asset map/directory

This links to action area 1, and some aspects of the development process could be shared across both elements.

Across the city-region it is very apparent that there is a huge range of physical and intellectual assets that support enterprise related developments. These include enterprise hubs, incubators, innovation centres, self-employment hubs etc. There are also good examples of integrated delivery hubs. But these are not currently collated, promoted and marketed as *city-region* resources. Comprehensively pulling together these resources into a single accessible portal, and maintaining this would signal a stronger and integrated city-region enterprise message. It would also be a very useful support tool for staff involved in supporting business start-ups, growth, and new inward investment in the city-region.

'Invest in Glasgow' has some very useful publications in this respect which will be useful starting points. A consequence of developing this resource should be further consideration and analysis on how these facilities network and cross refer to support individual enterprise journeys.

#### Early actions

| Action area   | Rationale  |
|---|--|
| 3.1 Establish the initial Asset Directory scope ie what should be included.   | This is required to establish and consistently communicate what is meant by an 'enterprise asset' within the development process.  |
| 3.2 Review existing secondary data eg Enterprise Review service map, Invest Glasgow publications, other local directories and promotional materials.      | Rather than undertake primary research much of the information required will already be available within local authorities and wider partners. This should initially be identified and analysed before any further primary research is undertaken. |
| 3.3 Populate the initial draft directory with information available, and circulate this to local authorities and key partners for comment, additions etc. | This would ensure the accuracy of and add further information. It would also further promote the asset city-region asset identification process and its purpose.   |
| 3.4 Consider the format/channels for communication of the Directory in the  | How this information is stored and communicated will be critical to its impact and value. This aspect of work will benefit from input from multi-media PR specialists to ensure all target   |

|  |  |
|--|--|
| <p>context of its various audiences/users (a) all service delivery practitioners operating at CR level, and (b) existing businesses already based in CR, potential new businesses, and businesses considering expanding or relocating into the CR.</p> | <p>audiences are engaged and made aware of the materials available.</p>  |
| <p>3.5 Brand. launch and promote initial Directory.</p>  | <p>The branding, publication and initial promotion of the asset directory will mark an important step in the early stages of moving towards a City Region Enterprise, Skills and Jobs Hub. It will send a key message on the new approach.</p> |
| <p>3.6 Agree mechanisms and responsibilities for updating and maintaining Directory accuracy.</p>  | <p>The asset map will not be comprehensive and will change. Mechanisms will be required to ensure its ongoing accuracy. These require to establish very clear responsibilities and monitoring arrangements.</p>                                |

**Action area 4: A region wide business development initiative to engage and connect further with resources and activities in the HE/FE sector**

Service mapping returns for the initial enterprise research work highlight a wide range of enterprise resources within the city-region’s vibrant HE and FE sectors. Many individual examples of partnership work across agencies are in place, but these appear random and inconsistent. There is much more potential to utilise these resources to mutual partner, and critically enterprise, advantage. In this context, it is suggested that a joint approach to the collective city-region HE/FE sector by the 8 local authorities may identify new opportunities, and provide a ‘scale’ of interest leading to new working protocols and opportunities. This work could also explore whether any baseline city-region data on ‘improved knowledge exchange from University research’ could be established<sup>2</sup>.

Initial work here is suggested as scoping the potential and appetite for more detailed relationship building in the medium term. It is not as urgent as action areas 1-3, but some preliminary activity will be helpful. Developments in this action area should seek to build upon the anticipated partnership between the CR authorities and the academic sector to establish the new City Region Intelligence Hub.

**Early actions**

| Action area   | Rationale   |
|---|---|
| 4.1 Engage with and indicate initial city region interest with the Scotland wide ‘University Research and Communications Directors Group’.                            | This is new mechanism established in the University sector. It is a Scottish wide initiative currently chaired by UWS. It provides a platform to engage collectively with the relevant senior people in all the city-region Universities, and already there are indications of an interest in discussing the city-region enterprise work. This group are anticipated to help shape the practicalities of making early progress on future links. |
| 4.2 Identify the scope to work with Universities as a group or individually – initially through reviewing the information in the enterprise research service mapping. | Further work is required to establish whether there is potential to work collectively with Universities or if a more practical approach is to work with them individually. The latter can be supported by reviewing the various services each University has detailed in the initial enterprise research mapping work.  |
| 4.3 Identify or create equivalent mechanisms to work with city-region based Colleges.   | This will require initial work to establish any current mechanisms where the city region FE Colleges come together to discuss enterprise related activities. If not, consideration should be given to convening an initial meeting of this nature between the FE sector and the city-region local authorities.  |

<sup>2</sup> This was identified in the final Enterprise portfolio research report as a useful KPI not currently measured at city-region level.

|   |   |
|---|---|
| <p>4.4 Develop an initial template to identify why local authorities and HE/FE institutions should work more closely with each other on the city-region agenda – summarising respective contributions and expectations.</p> | <p>This is envisaged as a simple resource that seeks to establish at a top level the rationale for local authorities and HE/FE institutions to work together on enterprise related issues across the city-region. It could be based on identification of what respective parties identify and measure as 'success'. It is likely a separate template may be required for Universities and Colleges.</p> |
| <p>4.5 Based on this, identify early practical ways to build further linkages and joint initiatives – including the potential to build upon and geographically extend current good practice.</p>                            | <p>This would be focused on any 'early wins' identified that could strengthen development of the City Region Enterprise and Jobs Hub concept.</p>   |

## **Indicative timescales**

This plan is premised on the initial establishment of a Glasgow City Region Intelligence Hub as being the key front end development to support the enterprise early action plan. This will provide the energy, focus and some of the key resources to progress implementation. It will ensure the detail of city-region developments and new service approaches are designed from evidence based research and the identification of best practice from elsewhere.

Responsibility for progress on developing this Hub and the other directly enterprise related actions in this plan will be the responsibility of the City Region Economic Delivery Group. Consequently, actions by this group require to be sequenced and prioritised. It is recommended that the immediate focus is on quickly establishing the Intelligence Hub in some form, and thereafter ensuring its initial focus supports the other areas of action in this plan.

The related development plan for the Intelligence Hub seeks to establish this resource in some form from summer 2017 and, based on this, indicative timescales for advancing the actions detailed above are suggested in the chart overleaf.

| <b>ACTION AREA 1 - COMMITMENT TO, DEFINITION, AND COMMUNICATION OF A SINGLE ENTERPRISE OFFER FOR THE CITY REGION</b>  |               |                |               |               |               |               |               |               |                 |               |
|---|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
|   | <b>Aug 17</b> | <b>Sept 17</b> | <b>Oct 17</b> | <b>Nov 17</b> | <b>Dec 17</b> | <b>Jan 18</b> | <b>Feb 18</b> | <b>Mar 18</b> | <b>April 18</b> | <b>May 18</b> |
| 1.1 Define a City Region Business Support Pathway framework.  |               |                |               |               |               |               |               |               |                 |               |
| 1.2 Populate the framework with common services currently available to businesses by all 8 local authorities – aligning definitions where services are similar but differently articulated.   |               |                |               |               |               |               |               |               |                 |               |
| 1.3 Identify other current enterprise services delivered by more than one, but not all local authorities.   |               |                |               |               |               |               |               |               |                 |               |
| 1.4 Identify services specific to only 1 local authority and consider whether these are scale-able/transferable across the city-region.   |               |                |               |               |               |               |               |               |                 |               |
| 1.5 Invite other key partners to add relevant services available consistently across the city-region in the context of the support framework.   |               |                |               |               |               |               |               |               |                 |               |
| 1.6 Agree an initial version of a single enterprise offer for the city region.  |               |                |               |               |               |               |               |               |                 |               |
| 1.7 Agree future communication of the common CR offer to (a) all service delivery practitioners operating at CR level, and (b) existing businesses already based in CR, potential new businesses, and businesses considering expanding or relocating into the CR. |               |                |               |               |               |               |               |               |                 |               |
| 1.8 Identify actions to increase the commonality of the support offer across the city-region, and the consequences of this in terms of joint CR funding, design, procurement and delivery.  |               |                |               |               |               |               |               |               |                 |               |

| <b>ACTION AREA 2 - DEVELOPMENT OF A GLASGOW CITY REGION BUSINESS GATEWAY SERVICE</b>  |               |                |               |               |               |               |               |               |                 |               |
|---|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
|   | <b>Aug 17</b> | <b>Sept 17</b> | <b>Oct 17</b> | <b>Nov 17</b> | <b>Dec 17</b> | <b>Jan 18</b> | <b>Feb 18</b> | <b>Mar 18</b> | <b>April 18</b> | <b>May 18</b> |
| 2.1 Audit existing local authority approaches to Business Gateway delivery including: service descriptors; budget allocations; delivery locations; staffing allocations etc.  |               |                |               |               |               |               |               |               |                 |               |
| 2.2 Identify potential early options to procure specialist external Business Gateway support services at the city-region level.   |               |                |               |               |               |               |               |               |                 |               |
| 2.3 Clarify and agree the scope of local authority powers to re-design the Business Gateway to a customised city-region model.  |               |                |               |               |               |               |               |               |                 |               |
| 2.4 Identify contractual end points in terms of current local area delivery models, and align these with proposed changes to a city-region model.   |               |                |               |               |               |               |               |               |                 |               |
| 2.5 Identify future 'central' support arrangements in the context of a city-region model and the future relationship with the National Business Gateway Support Unit.   |               |                |               |               |               |               |               |               |                 |               |
| 2.6 Identify options of a single management point for a future City Region Business Gateway service.  |               |                |               |               |               |               |               |               |                 |               |
| 2.7 Undertake a comprehensive review of the role and expectations of the collective resources available to the city-region to support Business Gateway services in the context of the Regional Economic Development strategy. Identify and agree a new city region designed service, and its positioning within the future single enterprise offer considered in action area 1. |               |                |               |               |               |               |               |               |                 |               |



| <b>ACTION AREA 3 - ACTION AREA 3: DEVELOPMENT AND PROMOTION OF AN ENTERPRISE ASSET MAP/DIRECTORY</b>   |               |                |               |               |               |               |               |               |                 |               |
|--|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
|  | <b>Aug 17</b> | <b>Sept 17</b> | <b>Oct 17</b> | <b>Nov 17</b> | <b>Dec 17</b> | <b>Jan 18</b> | <b>Feb 18</b> | <b>Mar 18</b> | <b>April 18</b> | <b>May 18</b> |
| 3.1 Establish the initial Asset Directory scope ie what should be included.  |               |                |               |               |               |               |               |               |                 |               |
| 3.2 Review existing secondary data eg Enterprise Review service map, Invest Glasgow publications, other local directories and promotional materials.   |               |                |               |               |               |               |               |               |                 |               |
| 3.3 Populate the initial draft directory with information available, and circulate this to local authorities and key partners for comment, additions etc.  |               |                |               |               |               |               |               |               |                 |               |
| 3.4 Consider the format/channels for communication of the Directory in the context of its various audiences/users (a) all service delivery practitioners operating at CR level, and (b) existing businesses already based in CR, potential new businesses, and businesses considering expanding or relocating into the CR. |               |                |               |               |               |               |               |               |                 |               |
| 3.5 Brand, launch and promote initial Directory.   |               |                |               |               |               |               |               |               |                 |               |
| 3.6 Agree mechanisms and responsibilities for updating and maintaining Directory accuracy.   |               |                |               |               |               |               |               |               |                 |               |

| <b>ACTION AREA 4 - A REGION WIDE BUSINESS DEVELOPMENT INITIATIVE TO ENGAGE AND CONNECT FURTHER WITH RESOURCES AND ACTIVITIES IN THE HE/FE SECTOR</b>   |               |                |               |               |               |               |               |               |                 |               |
|--|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
|  | <b>Aug 17</b> | <b>Sept 17</b> | <b>Oct 17</b> | <b>Nov 17</b> | <b>Dec 17</b> | <b>Jan 18</b> | <b>Feb 18</b> | <b>Mar 18</b> | <b>April 18</b> | <b>May 18</b> |
| 4.1 Engage with and indicate initial city region interest with the Scotland wide 'University Research and Communications Directors Group'.   |               |                |               |               |               |               |               |               |                 |               |
| 4.2 Identify the scope to work with Universities as a group or individually – initially through reviewing the information in the enterprise research service mapping.  |               |                |               |               |               |               |               |               |                 |               |
| 4.3 Identify or create equivalent mechanisms to work with city-region based Colleges.  |               |                |               |               |               |               |               |               |                 |               |
| 4.4 Develop an initial template to identify why local authorities and HE/FE institutions should work more closely with each other on the city-region agenda – summarising respective contributions and expectations. |               |                |               |               |               |               |               |               |                 |               |
| 4.5 Based on this, identify early practical ways to build further linkages and joint initiatives – including the potential to build upon and geographically extend current good practice.                            |               |                |               |               |               |               |               |               |                 |               |

## **Delivery and resources**

The suggested way forward is premised at this stage as having very minimal direct financial implications for partner authorities. The main resource demand initially will be the in-kind contribution of officer resources, which as indicated may require full or part time secondments. These may be accessed through application of the wider city-region 'distributive leadership model' agreed by the Cabinet in June 2016.

The time commitments involved in this work are substantial, but they are consistent with the overall priority all the local authorities have now signalled for a city-region approach. In addition, they should not be viewed as 'additional' commitments but rather part of the process of evolving existing service delivery mechanisms within a city-region context. It is suggested as part of the process to ensure the evolution from 'City Deal' to the wider concept of 'City Region' agreed by the Cabinet.

The resources that could be marshalled through the proposed City Region Intelligence Hub cannot be underestimated in this context. As the related development paper on this issue identifies, these could be from a combination of:

- full/part time/short term secondments of relevant staff identified within local authorities
- incorporation of the Clyde Plan team within the new Hub
- identification and incorporation of identified SPT research and intelligence capacity within the new Hub
- existing or potential new resources which may be accessed through the University sector
- in the longer term, incorporation of some current PMO resources within the Hub
- Scottish Government resources
- partner resources in Scottish Enterprise, Skills Development Scotland etc

These resources will seek to support a much wider range of activity than contained in this action plan. But these developments have the potential to create a mechanism to harness new dedicated city-region capacity – raising the profile of new aspirations, and creating the capacity to progress tangible action. It is a key reason why this plan identifies the establishment of this Hub as the immediate priority action.

The city-region approach signalled in this plan should offer the scope for some savings through economies of scale, but it suggested authorities should be cautious in projecting the level of these in the short term.

## **Related developments and Action Plan communication**

Progressing this plan will sit alongside a range of other related developments. These include completion and initial application of the of the Regional Economic Development Strategy, further work to advance the city-region skills plan, and the further development of partner engagement in governance structures. In addition, the further evolution of the action areas above will require consideration of City Region co-ordinating capacity. These go beyond the scope of this plan, and may lead from the final outcomes of the wider review of national enterprise agencies.

A final key action area is the wider communication of, and engagement in, this Action Plan. The scope and ambition it signals is not yet fully understood at all levels within constituent local authorities. Moving forward as suggested is not a re-presentation of the status quo, but a much more fundamental step change in service design, delivery and anticipated outcomes. It follows the logic of the city-region proposition into tangible action.

An inevitable consequence is that some aspects of the future development process will not be simple or straightforward. But the outcome focused logic of a city-region approach cannot lose momentum due to challenges in changing processes and current delivery models. Moreover, it is increasingly likely any attempt to slow progress on this basis will be superseded by decisions taken elsewhere.

**14<sup>th</sup> November 2016**

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|-------------------------|---|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy and Resources Committee</b>   | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Head of Organisational Development, Human Resources and Communications</b> | <b>Report No:</b>  | <b>HR/04/17/AW</b>     |
| <b>Contact Officer:</b> | <b>Allan Wilson</b>   | <b>Contact No:</b> | <b>712022</b>          |
| <b>Subject:</b>         | <b>People and Organisational Development Strategy 2017-2020 - Update</b>      |                    |                        |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to update Members on the key actions planned over the next few months to support Council's People and Organisational Development Strategy 2017-2020. The priority actions will focus on the significant workforce implications arising out of the government settlement announcement which has resulted in an increased funding gap for 2017 - 2020.

## 2.0 SUMMARY

- 2.1 The Organisational Development Strategy 2017-2020 was formally approved by the Policy and Resources Committee in September 2016. The Strategy was designed to support the range of planned transformation and change management projects and to ensure the required skills are in place to deliver these and the required savings.
- 2.2 It is recognised that the period 2017-2020 will be extremely challenging for the Council and it is therefore more important than ever to ensure that we have a strategy and workforce plans in place, which will drive and deliver change across services while ensuring our employees continue to be motivated, sufficiently trained, qualified and experienced to deliver quality services which meet current and anticipated service needs.
- 2.3 With an estimated funding gap in the region of £14.5 million for 2017/19 the Council will require to focus on a programme of service reduction, stopping services and reducing the size of the workforce. It is estimated that there will be a reduction of staff in the region of 175 – 300 FTE for the period 2017/19. In addition the Council will also look at programmes to investigate options for sourcing services externally and shared services both of which will have staffing implications.
- 2.4 Although the Council has successfully managed workforce reductions in recent years it is recognised that the scale of workforce reductions over the next three years will be far greater than previously required. Accordingly, it is vital that detailed workforce plans reflect the planned workforce changes ensuring that any loss of skills does not have a negative impact on the Council's ability to deliver services and its significant programme of change.
- 2.5 Delivery of the key actions over the next few months will be taken forward in consultation with the Trades Unions through the Joint Budget Group and with the workforce. The Corporate Workforce Planning and Development Group will have a key role in developing workforce plans ensuring a consistent implementation of People and Organisational Development Strategy and key actions across the Council.

### **3.0 RECOMMENDATIONS**

3.1 It is recommended that the Policy and Resources Committee:

- a) note the key workforce planning actions outlined in section 5 of this report which will support the Council to manage the workforce implications required to address the projected funding gap and also to support our employees through the next period of significant change, and;
- b) note the intention to undertake a 'soft' voluntary severance trawl in key targeted areas where there may be potential for workforce reductions.

**Steven McNab**  
**Head of Organisational Development,**  
**Human Resources and Communications**

## 4.0 BACKGROUND

- 4.1 The Council has recognised the importance of supporting employees through periods of sustained change and this has been demonstrated through the delivery of two Organisational Development Strategies from 2009 and the recent development of a People and Organisational Development Strategy for 2017-2020. It recognises that in order to deliver on the Council's policy ambitions in a climate of reducing resources, the Council will need a workforce that is developed appropriately and remains engaged, and motivated.
- 4.2 In order to support the large range of transformation and change management projects, Inverclyde Council formally introduced an Organisational Development Strategy in 2009, shortly after the successful introduction of Single Status. Since then the Council has continued to give Organisational Development (OD) a prominent role, placing a high value on OD and workforce planning activity. The 2009-2012 strategy was followed by our second OD strategy 2013-2016 which continued to ensure that positive people management and workforce planning initiatives were supported, introduced and recognised as playing a valuable role in achieving key Council priorities and objectives and securing high service delivery standards.
- 4.3 The 2017-2020 strategy which was formally agreed by the Committee in September was developed in consultation with all services which has helped to provide a baseline assessment against the key objectives within the Corporate Statement and Corporate Directorate Improvement Plans. Stakeholder engagement has included workshops with the Extended Corporate Management Team, Heads of Educational Establishments, Service Managers and feedback from the recent Employee Opinion Survey. Consultation on the development of this strategy has also taken place with the Trades Unions and the Corporate Workforce Planning and Development Group which has representation from all Directorates of the Council.
- 4.4 With an estimated funding gap in the region of £14.5 million for 2017/19 the Council will require to focus on a programme of service reduction, stopping services and reducing the size of the workforce. It is estimated that there will be a reduction of staff in the region of 175 – 300 FTE for the period 2017/19. In addition the Council will also look at programmes to investigate options for sourcing services externally and shared services both of which will have staffing implications.
- 4.5 Although the Council has successfully managed workforce reductions in recent years it is recognised that the scale of workforce reductions over the next three years will be far greater than previously required. Accordingly, it is vital that detailed workforce plans reflect the planned workforce changes ensuring that any loss of skills does not have a negative impact on the Council's ability to deliver services and its significant programme of change.
- 4.6 The Council is pursuing an ambitious and wide ranging agenda through the recently refreshed and approved Corporate Directorate Improvement Plans (CDIP). One of the greatest challenges in the coming years is to continue to deliver high quality services to our customers in extremely challenging financial circumstances. The delivery of the objectives within our CDIPs will require the commitment and hard work of the Council's workforce.
- 4.7 In addition, the Council and its partners are operating in an environment dominated by a public sector reform agenda, involving anticipated changes in legislation and policy which directly affects the way the Council services are delivered in the future and will make new demands on the skills and capabilities of our workforce. It is essential therefore that the People and Organisational Development Strategy and workforce plans for the next three years respond to these challenges, equip its managers and workforce to enable the Council to continue to work corporately and effectively to deliver on its policy ambitions.
- 4.8 The key actions being progressed during 2017 are highlighted in section 5 of this report. The delivery of the key actions over the next few months will be taken forward in consultation with the Trades Unions through the Joint Budget Group and with the workforce. The Corporate Workforce Planning and Development Group will have a key role in developing workforce plans ensuring a consistent implementation of People and Organisational Development

Strategy and key actions across the Council.

## 5. Key Workforce Planning Actions – 2017

5.1 The priority workforce planning actions for 2017 will focus on addressing the significant workforce implications arising out of the poorer than anticipated settlement announcement resulting in an increased funding gap 2017 - 2020. The key actions are set out below against the four key themes of the People and Organisational Development Strategy.

### 5.1.1 Theme 1 – Organisational Development (Planning for the Future)

#### Outcomes – What we plan to achieve

*Excellence in people & performance management and organisational design. To continue to identify current and future workforce challenges and solutions.*

#### Key Actions for 2017:-

##### a) Workforce Profiling of Potential Saving Areas

As part of the recent budget consultation exercise views were sought from the community on the services which we provide on a discretionary or enhanced basis. This has allowed areas to be identified where services could be reduced or stopped to achieve targeted savings. Detailed workforce profiling in these areas will be progressed to identify the potential employee impact of any savings and how best to plan and manage the implementation should savings in these areas be agreed. Workforce profiling will include looking at the age profile, skills, vacancies, number of temporary employees etc. Some of this data is currently available through the workforce information and activity reports which are issued to managers on a quarterly basis.

This information will be critical in assisting discussions with the Trades Unions at the regular Joint Budget Group meetings around areas where savings may be agreed.

##### b) Workforce Planning Matrix

Working with the Change Management Directorate Groups and members of the Corporate Workforce Planning and Development Group an updated workforce planning matrix will be developed to support services to take steps today to ensure we:

- Have the right **people**
- In the right **place**
- With the right **skills**
- At the right **time**
- For the right **cost**

This will cover key areas of organisational development, leadership & employee skills development, recruitment & retention and pay & benefits. The key purpose will be to maximise strengths and opportunities and counteract weaknesses and threats.

It should be noted that significant progress has already been undertaken within the Health & Social Care Partnership to develop a detailed workforce plan which should be submitted to the IJB for approval in the spring 2017.

##### c) Targeted Voluntary Severance Trawl

A number of targeted voluntary severance trawls have taken place over the past few years to help facilitate a reduction in workforce numbers. Given the forthcoming council elections this year and the projected budget gap of £14.5 million from 2017/19 there will be a requirement for the new Council to quickly consider budget saving proposals in order to give sufficient lead in time to release employees on voluntary severance and to facilitate any necessary skills transfer.



In order to gain an understanding of employee intentions and to support workforce planning around potential savings areas, it is proposed that a 'soft' voluntary severance trawl is considered in appropriate areas where employees will be asked to express an interest or not in voluntary severance. This will be for indicative purposes only, with no commitment either way and employees will not be provided with any provisional calculations.

The Council has recently reviewed its Voluntary Severance Policy and reduced the provision available to employees in order to better manage early departure costs.

d) **Effective HR Policy Development & Implementation**

Effective HR policy development and implementation will play a key role in improving the performance of our people. A review is currently underway of our Supporting Employee Attendance Policy with the Trades Unions with a view to implementation later this year. Supporting employee attendance is a major focus for the Council and will continue to be so in future years to ensure acceptable levels of service delivery and minimise the impact of absenteeism on other employees. In times of economic constraint, managing the costs of absence becomes even more important. The Council's redeployment policy will also be a key document in managing the workforce challenges ahead.

5.1.2 **Theme 2 – Employee Skills Development, Leadership, Succession Planning (Employees our most Valuable Resource)**

**Outcomes – What we plan to achieve**

Ensuring our employees are sufficiently trained, qualified and experienced and our leaders are developed to lead, motivate and inspire to deliver quality services which meet service demands.

**Key Actions for 2017:-**

a) **Performance Appraisal Process & Future Skills Requirement**

The Council has in place a robust performance appraisal process, a key part of which is identifying training needs now and for the future and the creation of individual development plans to meet these needs. Refresher training will be arranged for employees and managers and guidance will be issued and promoted to ensure our performance appraisal process is as effective as possible and supports succession planning across the Council.

b) **Identification of Skills Gaps and Meeting Learning & Development Needs**

Key learning and development needs identified through the performance appraisal process require to be collated via the Corporate Workforce Planning & Development Group. This information will be analysed by the Council's Organisational Development Team and used to develop and deliver Corporate Learning & Development events and make enhancements to our e-Learning programmes.

c) **Leadership Development Events**

A Leadership Development Event was held last year which was attended by over sixty senior managers and head teachers. The focus of the event was improving employee performance and engagement in challenging times. The evaluation of the course by participants was very positive with many putting into practice the learning gained at the event. It is proposed that a similar leadership development event will be arranged for later this year which will focus on addressing the key leadership challenges ahead and the 'Delivering Differently in Inverclyde' transformation/change management programme.

### 5.1.3 Theme 3 – Employer of Choice (Continuous Improvement)

#### **Outcomes – What we plan to achieve**

*To enhance our reputation as an employer of choice and as a Local Leader on innovative and modern employment practices, attract future and retain existing employees by promoting Inverclyde Council as a great place to live and work.*

#### **Key Actions for 2017:-**

##### a) Recruitment & Selection Policy and Employee Induction

The Council is in the process of developing a new 'Recruitment and Selection' policy which will aim to ensure the Council can attract and appoint highly skilled, flexible and motivated employees who can meet future needs of the community of Inverclyde. It is intended that this revised policy will be implemented along with a new and improved induction programme for new starts joining the Council.

##### b) Healthy Working Lives Gold Award

The Council currently holds the Healthy Working Lives Gold Award and will be reassessed later this year. The Council aims to continue to demonstrate its long term commitment to the health and wellbeing of employees by retaining the 'Healthy Working Lives' Gold Award.

##### c) Modern & Innovative HR Policies

During 2017 the Council will continue to review and introduce Modern & Innovative HR Policies which support new, more efficient ways of working. The aim will be to build on the encouraging results coming out of last year's Employee Opinion Survey and from our latest attendance management statistic which follows a positive downward trend.

### 5.1.4 Theme 4 – Fairness & Equality

#### **Outcomes – What we plan to achieve**

*Continue to work with our community partners to promote equality, dignity and respect and ensure our employees, customers and partners are treated fairly and with respect at all times. Ensure equality requirements are met through our grading and pay model and job evaluation processes.*

#### **Key Actions for 2017:-**

##### a) Job Evaluation

The Council has agreed and implemented the 3<sup>rd</sup> Edition of the Scottish Councils Job Evaluation Scheme in partnership with the Trades Unions. Implementation is now being progressed along with the transfer of all historical job evaluation data onto a new electronic format. The ongoing maintenance of Job Evaluation Scheme will continue to be monitored in partnership with the Trades Unions to ensure all equality requirements are met.

##### b) Equality, Diversity and Respect at Work

A review is currently underway to strengthen the Council's Equal Opportunities policy demonstrating the Council's commitment to fairness and equality. In addition it is intended to introduce a Respect at Work policy for our employees during 2017. Equality is embedded in all Council policies and procedures. The Council will continue to ensure that following the introduction of the equality legislation, relevant policies, processes and training will be reviewed and amended to ensure compliance.

### c) Equality Impact Assessments

Equality and Diversity issues continue to be a high priority for the Council so all employees, customers and partners are treated fairly and with respect at all times. It is essential, during the period of significant change ahead, that we maintain a focus on our commitments and have processes in place to meet our responsibilities and to monitor the impact on our staff and our workforce profile.

### d) Equality and Diversity Training

The planned transformation and change management projects to support the achievement of budget savings will require strong awareness of equality responsibilities across the Council. Specific Equality and Diversity training is available to all employees of the Council in both a classroom style environment and through e-learning. Equality and Diversity is also mainstreamed throughout the Council's learning and development programmes which will continue to be promoted throughout 2017.

## 6.0 COMMUNICATION STRATEGY

- 6.1 To embed the People and Organisational Development Strategy a key development is the ongoing communications of the strategy. A new communications mechanism has been developed – Insider Council Update. This publication will be produced after each full Council meeting to highlight some key decisions from the meeting. It will also be used as a regular update sent to all employees to highlight people and organisational development issues and subjects highlighted in the strategy.
- 6.2 Insider Council Update is published and distributed online through email and ICON, the Council intranet. It is also sent to Heads of Service to arrange direct distribution to employees without access to email or PCs to further encourage direct communications to employees outside of the desk-based services. A copy of the strategy itself will be produced and distributed to all service managers at the start of 2017 to highlight their key role in the delivery of it.

## 7.0 PROGRESS REVIEW

- 7.1 This report outlines some key actions for 2017 which will support the Council to manage the workforce implications required to address the projected funding gap and also to support our employees through the next period of significant change. It is important that senior managers continue to be accountable and take responsibility for their role in implementing the key actions. The strategy and the underpinning action plan will both be live documents subject to regular review to ensure that the most important actions are addressed.
- 7.2 The Council's Workforce Planning & Development group will contribute to the development and monitoring of the key actions outlined above and within the wider strategy. Progress reports will continue to be brought to the Corporate Management Team and the Policy and Resources Committee.

## 8.0 PROPOSALS

- 8.1 It is proposed that the Policy and Resources Committee note the key actions planned during 2017 which will focus on the significant workforce implications arising out of the poorer than anticipated government settlement announcement, resulting in an increased funding gap 2017 - 2020.

## 9.0 IMPLICATIONS

### Finance

- 9.1 N/A

## 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

- 9.2 None - agreed themes and work streams will continue with due regard to legal requirements. Full consultation with Legal Services will be sought as required.

## Human Resources

- 9.3 Additional resources will be made available to the Head of Organisational Development, Human Resources and Communications to provide support for Services and staff as proposals for reductions are developed and, where approved by Members, ultimately implemented.

## Equalities

- 9.4 Has an Equality Impact Assessment been carried out?

YES (see attached appendix)

NO - will be completed as required for specific topics

## Repopulation

- 9.5 N/A

## 10.0 CONSULTATIONS

- 10.1 This strategy and key actions has been developed following consultation with the full Extended Corporate Management Team (ECMT) and Trades Union colleagues.

## 11.0 LIST OF BACKGROUND PAPERS

- 11.1 N/A

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|                         |   |                    |                        |
|-------------------------|---|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>   | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Head of Organisational Development, Human Resources &amp; Communications</b> | <b>Report No:</b>  | <b>HR/03/17/AR</b>     |
| <b>Contact Officer:</b> | <b>Angela Rainey</b>  | <b>Contact No:</b> | <b>Ext 2756</b>        |
| <b>Subject:</b>         | <b>Recruitment &amp; Selection Policy</b>                                       |                    |                        |

---

## 1.0 PURPOSE

- 1.1 The purpose of this report is to seek the approval of the Policy & Resources Committee on the revised Recruitment and Selection Policy which has been updated in line with legislative changes and best practice. The revised policy also proposes some amendments to the recruitment process for Chief Officers.

## 2.0 SUMMARY

- 2.1 Over the years the Recruitment and Selection Policy has been regularly updated in line with legislative changes. The revised policy attached at Appendix 1 has been updated to reflect all the legislative changes and has been modernised to ensure it aligns with today's best practice.
- 2.2 The policy emphasises Inverclyde Council's commitment to promoting fair, consistent and safe recruitment and selection practices and to ensuring all employees have the necessary skills, aptitudes and knowledge to deliver an excellent standard of customer service to the residents of Inverclyde.
- 2.3 The key aims of the policy are to ensure that the principles of fair, consistent and safe recruitment and selection are understood by applicants and Council employees and to ensure the best candidate for the post is appointed based on relevant skills, expertise and qualifications. Operational guidelines for employees and managers have also been updated to reflect the revised policy.
- 2.4 The revised policy also incorporates the changes agreed by the Committee last year in relation to the gender balance of recruitment panels reinforcing that every effort should be made to ensure that interview panels are balanced with at least one male and one female.
- 2.5 It is proposed within the revised policy that amendments are made to the composition of the recruitment panel appointing the Chief Executive and that appointment decisions for all Chief Officers are made based on a majority vote.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Policy & Resources Committee:
- approve the revised Recruitment & Selection Policy outlined at Appendix 1, and;
  - note that procedural guidelines on the application of the policy will be available for employees and managers.

**Steven McNab**  
**Head of Organisational Development,**  
**Human Resources and Communication**

## **4.0 BACKGROUND**

- 4.1 Over the years the Recruitment and Selection Policy has been regularly updated in line with legislative changes. The revised policy attached at Appendix 1 has been updated to reflect all the legislative changes and has been modernised to ensure it aligns with today's best practice.
- 4.2 The policy emphasises Inverclyde Council's commitment to promoting fair, consistent and safe recruitment and selection practices and to ensuring all employees have the necessary skills, aptitudes and knowledge to deliver an excellent standard of customer service to the residents of Inverclyde.
- 4.3 The key aims of the policy are to ensure that the principles of fair, consistent and safe recruitment and selection are understood by applicants and Council employees and to ensure the best candidate for the post is appointed based on relevant skills, expertise and qualifications. Operational guidelines for employees and managers have also been updated to reflect the revised policy.
- 4.4 The revised policy also incorporates the changes agreed by the Committee last year in relation to the gender balance of recruitment panels reinforcing that every effort should be made to ensure that interview panels are balanced with at least one male and one female.
- 4.5 It is proposed within the revised policy that amendments are made to the composition of the recruitment panel appointing the Chief Executive and that appointment decisions for all Chief Officers are made based on a majority vote.

## **5.0 KEY CHANGES**

- 5.1 Outlined below are the key changes in the revised Recruitment and Selection Policy.
  - 5.1.1 The recruitment & selection policy is multi-faceted and previously had separate protocols for safe recruitment, advertising, Local Government Employee & Teachers and recruitment of Chief Executive & Chief Officer posts. These protocols have now been amalgamated into the Recruitment and Selection Policy and associated procedures and any differences for each group are reflected throughout.
  - 5.1.2 In 2010 anti-discriminatory legislation was changed with the introduction of the Equality Act (2010) which amalgamated all previous anti-discrimination acts such as the previous Disability Discrimination Act (1995) and Race Relations Act (1976). References to legislation have been updated within the policy to reflect the Equality Act (2010) and ensure Inverclyde Council is fully compliant with these legislative requirements.
  - 5.1.3 Although Inverclyde Council's Recruitment and Selection Policy has not significantly changed, the introduction of the online recruitment portal in June 2008 has provided significant changes to the way in which Inverclyde Council administer recruitment and selection procedures. The Recruitment and Selection Policy and accompanying procedures have been updated to reflect the impact of this change on the way in which vacancies are advertised and the changes directly affecting applicants, recruiting managers and Human Resources.
  - 5.1.4 In 2010 Inverclyde Council introduced a competency framework which links to the performance appraisal process for employees. These competencies should also underpin each stage of the selection process, from preparation of the job description and person specification to shortlisting, testing and interviewing. Guidance on competency based interviews has been in place since 2010 however the Recruitment and Selection Policy has now been updated to reference this approach.
  - 5.1.5 The revised policy proposes that amendments are made to the composition of the recruitment panel appointing the Chief Executive. Currently the Chief Executive is appointed by all Members of the Council. It is proposed within the revised policy that the Chief Executive will be appointed by a recruitment panel of eight Elected Members, all with equal voting rights. The make-up of the panel will be in accordance with the principle of political balance. This takes account of

feedback received from Members regarding the recent recruitment process and effectively would mean that the shortlisting panel for the Chief Executive's recruitment last year would now be the appointment panel. It is considered that a reduced number of panel members would help to streamline the process where all panel members can be involved in agreeing the requirements and standards for the position, agree the person specification and assessment criteria in advance and all receive appropriate recruitment training, for example interviewing skills, relevant legislation including the requirements of the Data Protection Act and the Equality Act. Another issue is that the number of Elected Members will be increasing in May. The proposal to have a reduced number of Elected Members on the recruitment panel is in line with arrangements in other Councils.

- 5.1.6 The final proposed amendment to draw to the Committee's attention is the proposal to move away from the requirement for two-thirds majority and confirm that appointment decisions for all Chief Officers are made based on a majority vote of the panel. This proposed change is also based on feedback from Members on the process last year. Appointment decisions based on a majority vote is consistent with the process for the recruitment of other posts within the Council.

## 6.0 PROPOSALS

- 6.1 It is proposed that the Policy & Resources Committee agree the revised policy outlined in Appendix 1 and note that the policy will be kept under review and revised as and when necessary to reflect any changes in legislation.

## 7.0 IMPLICATIONS

### Finance

- 7.1 Financial Implications:

| 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 As outlined in the report.

### Human Resources

- 7.3 As outlined in the report.

### Equalities

- 7.4 Has an Equality Impact Assessment been carried out?

YES

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**

7.5 N/A

### **8.0 CONSULTATIONS**

8.1 Trades Unions have been consulted on the policy and feedback has been incorporated.

8.2 The Workforce Planning & Development Group has been consulted on the policy and feedback has been incorporated.

8.3 Equality groups have been consulted on the policy and feedback has been incorporated.

### **9.0 LIST OF BACKGROUND PAPERS**

9.1 Appendix 1 – Policy



*Organisational Development, Human Resources & Communications*

# RECRUITMENT AND SELECTION POLICY

Produced by:

Organisational Development, Human Resources & Communications  
Inverclyde Council  
Municipal Buildings  
GREENOCK  
PA15 1LX

January 2017



**INVERCLYDE COUNCIL IS AN EQUAL OPPORTUNITIES EMPLOYER**

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**Document Control**

| <b>Document Responsibility</b>                  |
|---|
| <b>Service</b>                                  |
| Organisational Development, HR & Communications |

| <b>Change History</b> |              |   |
|-----------------------|--------------|---|
| <b>Version</b>        | <b>Date</b>  | <b>Comments</b>   |
| 1                     | Feb 1998     | Committee approval  |
| 1                     | Oct 2009     | Paragraph on the checking of professional registers.  |
| 2                     | January 2017 | Legislative – Equality Act 2010<br>Update following introduction of online recruitment portal<br>Inclusion of Competency Based Interviews<br>Separation of policy and procedure to two documents<br>Approved by the Policy and Resources Committee on <date>. |

| <b>Distribution</b>                    |              |                 |
|--|--------------|-----------------|
| <b>Name</b>                            | <b>Title</b> | <b>Location</b> |
| Corporate Directors & Heads of Service | TBC          |                 |
| Trade Unions                           | TBC          |                 |
| ICON                                   | TBC          |                 |
|  |              |                 |

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## **PART 1: RECRUITMENT & SELECTION POLICY**

### **1 INTRODUCTION**

#### **1.1 General**

- 1.1.1 Inverclyde Council is committed to promoting fair, consistent and safe recruitment and selection practices and to ensuring all employees have the necessary skills, aptitudes and knowledge to deliver an excellent standard of customer service to the residents of Inverclyde.
- 1.1.2 In addition, it is also recognised there is a need to balance internal career progression with attracting applicants from out with the Council. The Council recognises the importance of ensuring that all sections of the community it serves are fairly represented within its workforce. Pro-active measures will be taken to ensure that minority groups are encouraged to seek employment with the Council.
- 1.1.3 This policy and accompanying procedures have been developed in full consultation with the Corporate Management Team, Heads of Service, Trade Union Representatives, Inverclyde Council on Disability (ICOD), Your Voice, Inverclyde Community Care Forum (ICCF) and Inverclyde Council's Children's Rights & Information Officer.

#### **1.2 Equality & Diversity**

- 1.2.1 Inverclyde Council is an equal opportunities employer. The aim of the Council's policy is to ensure that no job applicant or employee receives less favourable treatment on any grounds including sex, gender reassignment, sexual orientation, marital or civil partnership status, race (nationality, ethnic or national origins), religion or belief, disability, age, pregnancy or maternity leave, trade union membership, caring responsibilities, background or social status or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. The Council is committed to equality throughout all its functions and policies and is aware of its legal obligations in relation to the Equality Act (2010). Accordingly, this policy has undergone a full 'equality impact assessment'.
- 1.2.2 In some circumstances, where there is a genuine occupational requirement, the Council may target a particular sector in terms of age, gender or race for a particular post. Such instances are rare and will only occur after careful consideration of the specific needs of the vacancy being filled and in accordance with equality legislation.
- 1.2.3 This policy should be considered in conjunction with Inverclyde Council's Equality and Diversity Policy.

#### **1.3 Disability Confident**

- 1.3.1 The Council recognises its social, moral and statutory duty to employ people with disabilities and will do all that is practicable to meet this responsibility. On the 4<sup>th</sup> November 2016, Inverclyde Council signed up to the Disability Confident Scheme. Disability Confident employers are those who have identified and removed barriers in the recruitment of disabled people, tapped into the support available, and successfully offered an opportunity to or hired local disabled job seekers.

- 1.3.2 All applicants invited to interview are asked to inform Organisational Development, Human Resources & Communications of any assistance required to help them attend or fully participate in the interview process, for example, such as access ramps, large print material or a signer.

#### **1.4 Armed Forces Covenant**

- 1.4.1 As part of our commitment to the Armed Forces Covenant, Council Managers will give positive consideration to shortlisting veterans for posts where they meet the essential criteria of the post. In addition the Council will publicise through recruitment materials (advertisements, job packs) its support for reservists, highlighting that applications from reservists are particularly welcome.

## **2 PURPOSE**

2.1 The purpose of this Policy is to:

- ensure that the principles of fair, consistent and safe recruitment & selection are understood by applicants and employees
- ensure the best candidate for the post is appointed based on skills, expertise and qualifications
- establish corporate standards in Recruitment and Selection in relation to Inverclyde Council's core competencies
- ensure that all applicants, including those who are unsuccessful, have a positive experience
- support managers and supervisors in achieving these standards
- develop employees and improve career progression and succession planning
- promote equality of opportunity and greater diversity within the workforce
- ensure the authority complies with UK and European legislation
- ensure transparency in the Recruitment and Selection process.
- improve employee retention
- manage the time taken and reduce the cost to fill a vacancy
- attract and recruit a greater number of minority groups at all levels within the authority
- minimise recruitment and selection complaints

2.2 Monitoring arrangements are in place to facilitate the measure of these objectives. Information is collated from response to advertisements, applications received, candidates shortlisted or not shortlisted, candidates interviewed or not interviewed, candidates appointed, and timescales in the recruitment process.

## **3 APPLICATION & SCOPE**

- 3.1 This Policy applies equally to all employees and applicants for posts, whether permanent, fixed term, or temporary, irrespective of grade, or profession. A separate Policy applies to the recruitment and selection of the Chief Executive and Chief Officers and is outlined in Part 2.
- 3.2 The policy also applies to the recruitment to supply teaching or casual/sessional work registers. A separate protocol is available which covers the circumstances for engagement of casual/sessional workers.

- 3.3 All existing Council employees, modern apprentices, supply and casual (sessional) workers are entitled to apply for internal vacancies. This includes agency workers who have been on the same assignment for a period in excess of 12 weeks.
- 3.4 Organisational Development, Human Resources & Communications reserve the right to withhold or withdraw any vacancy for redeployment, at any stage of the Recruitment and Selection Process including up to where an appointment has been recommended, as per the Council's Redeployment Policy.
- 3.5 Unless there are exceptional circumstances, existing employees who are employed by the Council on a permanent basis and who are appointed to a temporary or fixed term post within the Council should always be given the right of return to their substantive post. However this right of return is not an automatic entitlement and employees must always discuss this with their current line manager before accepting a move to another post. In exceptional circumstances where a manager believes they are unable to give an employee the right of return to their original post, approval must be sought from the Head of Organisational Development, Human Resources & Communications. As above this must be discussed by the manager with their employee before accepting a move to another position.

#### **4 RESPONSIBILITIES**

- 4.1 The Head of Organisational Development, Human Resources & Communications is responsible for the maintenance of the policy and reviewing the recruitment process and supporting policies and guidance. Organisational Development, Human Resources & Communications will continuously monitor recruitment processes to ensure that they are non-discriminatory.
- 4.2 The Chief Executive, Corporate Directors and Heads of Service are required to familiarise themselves with the policy and procedures and ensure that it is known to all Council employees within their area. The Chief Executive, Corporate Directors and Heads of Service must also ensure the competence of all employees who make recruitment decisions within their area. Heads of Service and Service Managers are also responsible for ensuring that those employees without access to ICON receive details of the Internal Vacancy Bulletin via an alternative method, i.e. staff notice board.
- 4.3 All employees involved in the Recruitment and Selection process are bound by the Data Protection Act, the Council's Information Governance Framework and the Council's Code of Conduct.

#### **5 ADVERTISING**

- 5.1 In the first instance, recruiting managers are expected to check the central redeployment register to identify any potential matches to their vacancy prior to commencing with the recruitment process.
- 5.2 Posts may be advertised internally and externally simultaneously where the internal labour market is likely to produce a limited response, or where the Council desires to attract a wider field of applicants.

- 5.3 All vacancies (whether restricted internally or opened externally) will be placed on the Scottish Local Government's National Recruitment Portal <https://www.myjobscotland.gov.uk/councils/inverclyde-council/jobs/mjsint>). This application standardises the information available from all job applications making it easier to compare like with like and ensures that the relevant information is obtained. Organisational Development, Human Resources & Communications, in consultation with the Head of Service will determine whether it is also necessary to advertise the post via another source e.g. press publications, job centres or utilising a recruitment agency.
- 5.4 Vacancies are also included in the Council's Internal Vacancy Bulletin (IVB) which is distributed to Council locations to place on their employee notice boards. The IVB is also sent directly to those employees on the redeployment register and employees on maternity leave.
- 5.5 Normally any applications received after the closing date will not be accepted as it is the responsibility of the applicant to ensure that their application has been completed before the closing date.
- 5.6 As an equal opportunities employer, Inverclyde Council positively promotes all forms of flexible working and further details are contained within our Family Friendly and Work-Life Balance Policy. As the majority of Council posts can be considered suitable for job share, candidates can choose this option at the application stage. Where a post is deemed not suitable for job share, then the recruiting manager should discuss this with Organisational Development, Human Resources & Communications and the Head of Service. If agreed, the post will be advertised as being unsuitable for job share at the advertising stage.
- 5.7 All received applications should be submitted using the Scottish Local Government's National Recruitment Portal. Paper applications or Curriculum Vitae (CVs) will not be accepted. In exceptional circumstances alternative arrangements for application will be made.

## 6 JOINTLY FUNDED POSTS (HSCP)

- 6.1 There may at times be posts which are jointly funded by a partnership organisation. For this reason the recruitment & selection process may differ slightly for this type of vacancy in relation to both new and backfilled posts.
- 6.2 The ownership of the recruitment & selection process for this type of post may rest with either of the parties jointly responsible for the post. Applicants will therefore be subject to the recruitment & selection policy & procedures of the organisation responsible for filling the vacancy.

## 7 RECRUITMENT PROCESS

- 7.1 Anyone involved in the recruitment process who has a personal relationship with a candidate, or may be in a position to exercise favouritism, should remove themselves from the process. Where there is any doubt they should take no part in the shortlisting and interview process.
- 7.2 Where practicable, anyone directly involved in the appointment process who is also listed as a referee for any candidate he/she must either decline from acting as a referee or take no further part in the interview process.



## **8 INTERVIEW PANELS**

- 8.1 In respect of the Council's Equality & Diversity Policy, every effort should be made to have an appropriate panel composition in relation to the gender of the candidates to be interviewed. It is the Council's policy to make every effort to ensure that interview panels are balanced with at least one male and one female member where possible.
- 8.2 In appointment panels, for which recruitment is delegated to officers, it is the role of the Chairperson to ensure that appointments are run in accordance with the Recruitment Procedure and all attempts are made to achieve a gender balance on interview panels.
- 8.3 Where the Recruitment Panel consists of a panel of elected members and/or parent councils, such appointment panels should strive for gender balance and both male and female recruiters should be on each Panel or where that is not practicable, an HR representative/other officer of appropriate gender should be in attendance to advise the Panel.
- 8.4 There may be occasions where an elected member panel composition is fixed based on the principle of political balance and a gender mix may not be possible. In circumstances where it is not possible to have a gender mix on an elected member recruitment panel an additional officer of appropriate gender should attend the panel in an advisory or observing capacity to ensure transparency in the recruitment process.

## **9 CANVASSING OF ELECTED MEMBERS OR EMPLOYEES**

- 9.1 The canvassing of Elected Members or employees of the Council, directly or indirectly, in connection with any appointment being made by the Council, shall disqualify the candidate. An Elected Member or employee of the Council shall not attempt to secure an appointment with the Council nor recommend any person for such an appointment or promotion. However, this shall not prevent an Elected Member or employee giving a written reference of a candidate's ability, experience or character where such a reference is requested by the Council. Accordingly, a candidate may list an Elected Member as a referee.

## **10 POSITIVE ACTION**

- 10.1 The Council follows the principles of 'positive action' as outlined in the Equality Act 2010. This can be applied during the recruitment and selection process when a tie breaker situation arises between two (or more) candidates of equal merit. Positive action allows an employer to make an appointment based on a particular protected characteristic possessed by a candidate. This decision should only be based on the evidence of an under-representation of a particular group or tackling disadvantage within the workforce.
- 10.2 This process must only be used in consultation with the Head of Organisational Development, Human Resources & Communications.

## 11 POLITICALLY RESTRICTED POSTS

- 11.1 Some posts in the Council are politically restricted by virtue of the Local Government & Housing Act 1989 and the Local Government Officers (Political Restrictions) Regulations 1990.
- 11.2. Where a political restriction applies this means that the applicant will not be permitted to be involved in, or may be restricted, in political interests or associations. If the post being applied for is politically restricted this will be shown on the job advert. If you are unsure whether this applies to you or a post you wish to apply for, please contact Organisational Development, Human Resources & Communications.

## 12 SAFER RECRUITMENT CHECKS

- 12.1 The Council carries out certain employment checks to determine the suitability of candidates for a post, for example:
- Confirmation of Right to Work in the UK
  - PVG Registration/Standard/Basic Disclosure Check
  - Pre-Employment Health Check
  - References - two references (one for internal candidates if moving from one Service area to another) will be requested and one should be from the current line manager
  - Confirmation of qualifications required to meet the essential criteria on the person specification - relevant qualifications will be viewed at interview.
- 12.2 Although these checks will be carried out prior to appointment there may be exceptional occasions where an offer of employment is offered subject to satisfactory checks. All safer recruitment checks must be satisfied otherwise an offer of employment may be withdrawn.

## 13 RE-EMPLOYMENT

- 13.1 There are additional Inverclyde Council restrictions over the potential re-employment of individuals who have benefited from an early departure package. The decision to re-employ officers immediately after they take redundancy or early retirement has been subject to criticism by Audit Scotland and Managers need to be aware of this and the public perception of the use of public funds in making decisions on re-employment.

The Council will not normally re-engage an employee who has benefited from an early departure package in a similar role or as a consultant within 12 months of leaving. It is acknowledged, however, that employees may apply for other advertised vacancies during this time. This does not apply in respect of sessional/supply work.

## 14 COMPLAINTS

- 14.1 The Council will endeavor to respond to any concerns the employee or applicant has concerning any aspect of the Recruitment and Selection process. A complaint concerning non-appointment should be submitted within **7 days** of notification of the outcome of an interview using the Recruitment and Selection Complaints Procedure.

## **PART 2: RECRUITMENT & SELECTION POLICY (CHIEF EXECUTIVE & CHIEF OFFICERS)**

### **1 INTRODUCTION**

#### **1.1 General**

- 1.1.1 Inverclyde Council is committed to promoting fair, consistent and safe recruitment and selection practices and to ensuring all employees have the necessary skills, aptitudes and knowledge to deliver an excellent standard of customer service to the residents of Inverclyde.

#### **1.2 Aims of Policy**

- 1.2.1 The aims of the policy are to ensure that the principles of fair, consistent and safe recruitment and selection are understood by applicants and Council employees and to ensure the best candidate for the post is appointed based on relevant skills, expertise and qualifications. It is to be used in conjunction with the Authority's General Policy & Procedures on Recruitment & Selection.

#### **1.3 Key Principles**

##### **1.3.1 Equality & Diversity**

Inverclyde Council is an equal opportunities employer. The aim of the Council's policy is to ensure that no job applicant or employee receives less favourable treatment on any grounds including gender, gender reassignment, sexual orientation, marital or civil partnership status, colour, race, nationality, ethnic or national origins, religion or belief, age, pregnancy or maternity leave, trade union membership, caring responsibilities, background or social status or is disadvantaged by conditions or requirements which cannot be shown to be justifiable.

##### **1.3.2 Gender Balance**

In respect of the Council's Equal Opportunities Policy, every effort should be made to have an appropriate panel composition in relation to the gender of the candidates to be interviewed. It is the Council's policy to make every effort to ensure that interview panels are balanced with at least one male and one female member.

In appointment panels, for which recruitment is delegated to officers, it is the role of the Chairperson to ensure that appointments are run in accordance with the Recruitment Procedure and all attempts are made to achieve a gender balance on interview panels.

Where the Recruitment Panel consists of a panel of elected members and/or parent councils, such appointment panels should strive for gender balance and both male and female recruiters should be on each Panel or where that is not practicable an HR representative/other officer of appropriate gender should be in attendance to Advise the Panel.

There may be occasions where an Elected Member panel composition is fixed based on the principle of political balance and a gender mix may not be possible. In circumstances where it is not possible to have a gender mix on an elected member recruitment panel an additional officer of appropriate gender should attend the panel in an advisory or observing capacity to ensure transparency in the recruitment process.

## 2 COMPOSITION OF PANELS

### 2.1 Chief Executive Post

2.1.1 The Chief Executive will be appointed by a recruitment panel of eight Elected Members, all with equal voting rights. The Council Leader will chair the panel.

### 2.2 Director Posts

2.2.1 For each Director post, a panel comprising the Council Leader plus 5 Elected Members, along with the Chief Executive, all with equal voting rights to be used. The Council Leader will chair the Panel.

2.2.2 The Elected Members on the panel should include the committee chairperson(s) with whom the Director will primarily work. This means, for purposes of clarification, that if there are 3 Director posts, then there could be three appointment panels, each with a different composition.

### 2.3 Head of Service Posts

For Heads of Service appointments the Chief Executive chairs the panel which should comprise:

- The Chief Executive
- The Director who is line manager
- One other Director as agreed by Corporate Management Team
- Three members of the Council, including relevant chairperson

All with equal voting rights

**Note** For the Chief Executive and all Chief Officer Posts, where members have representation on recruitment panels, this should be in accordance with the principal of political balance.

An HR Advisor would also be present on the appointment panels, in an advisory capacity.

Elected members will not be involved in the selection of Third Tier posts i.e Service Manager level or below

### 2.4 The table below summarises the composition of recruitment panels for senior management appointments.

| Level of Post                          | Council Leader | + Members     | Officers   |
|--|----------------|---------------|--|
| Chief Executive                        | Yes*           | Seven Members | None   |
| Director                               | Yes*           | Five members  | Chief Executive  |
| Head of Service                        | No             | Three members | Chief Executive*<br>Line manager<br>Plus<br>One other Director |
| Service Manager (3 <sup>rd</sup> Tier) | No             | No            | Director<br>Line Manager<br>+ HR Rep                           |

\*Chair of appointment panel  
HR = Human Resources

### **3 RECRUITMENT OF SENIOR MANAGEMENT STAFF TO HSCP JOINT POSTS**

#### **3.1 General**

3.1.1 With the creation of the HSCP and the Integration Joint Board (IJB), the composition of recruitment panels for joint appointments has been refreshed and is detailed below

3.1.2 The composition of the recruitment panel for the appointment to the position of Corporate Director, (Chief Officer) HSCP is as follows:

- Two Councillor members from the Inverclyde IJB
- Two Greater Glasgow & Clyde non-executive members from Inverclyde IJB
- The Council Chief Executive
- The Chief Executive of the Greater Glasgow & Clyde Health Board

The chairperson of the appointment panel would normally be the chairperson of the IJB.

3.1.3 The composition of the recruitment panel for the appointment to the position of HSCP Head of Service is as follows:

- Two Councillor members from the IJB
- Two Greater Glasgow & Clyde non-executive members from Inverclyde IJB
- The Council Chief Executive or their representative
- The Chief Executive of the Greater Glasgow & Clyde Health Board or their representative
- Corporate Director / Chief Officer HSCP

The chairperson of the appointment panel would normally be either the Council Chief Executive or Health Board Chief Executive.

3.1.4 The ownership for the recruitment & selection process of this type of post may rest with either of the parties jointly responsible for the post. Applicants will therefore be subject to the recruitment & selection policy & procedures of the organisation responsible for filling the vacancy.

### **4 SELECTION PROCEDURES TO BE FOLLOWED BY PANELS**

#### **4.1 Process**

4.1.1 All appointment panels for Chief Executive and Chief Officer Posts will go through a process of selection by secret ballot, with the chair of the panel moving through successive ballots (when required) which eliminate the candidates(s) with the smallest or smaller vote until a majority is achieved. It being noted that in the event of equality voting there is no casting vote available to the chair and in this eventuality it would be for the chair to determine whether or not to have any further voting procedures.

4.1.2 Candidates will be selected for final interview on the basis that they are considered

suitable for appointment to the post.

- 4.1.3 The selection panels will be involved in the short-leeting process. Shortlisting for interview will be based on the essential and desirable criteria for the post as set out in the person specification ensuring that the process is free from discrimination.
- 4.1.4 The format of the recruitment interview should involve candidates delivering a short presentation on a given topic, followed by a series of set questions.
- 4.1.5 The use of Peer Panel Appraisal from staff who will be working with and to the new post-holder should be part of the recruitment process for Chief Officer appointments. This will provide additional information for the interview panel to consider and weigh in the balance when selecting the individual for appointment.
- 4.1.6 Consideration may also be given to the use of an assessment centre process (for example, occupational personality questionnaires) for Chief Executive and Director level appointments.

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|                         |   |                    |                        |
|-------------------------|---|--------------------|------------------------|
| <b>Report To:</b>       | <b>Policy &amp; Resources Committee</b>   | <b>Date:</b>       | <b>31 January 2017</b> |
| <b>Report By:</b>       | <b>Head of Organisational<br/>Development, Human Resources<br/>&amp; Communications</b> | <b>Report No:</b>  | <b>HR/05/17/BMcQ</b>   |
| <b>Contact Officer:</b> | <b>Barbara McQuarrie/Helen Watson</b>   | <b>Contact No:</b> | <b>Ext 2845</b>        |
| <b>Subject:</b>         | <b>Defence Employer Recognition Scheme</b>  |                    |                        |

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to inform Members of work being undertaken, by the Council as an employer, to support the Armed Forces community and seek the approval of the Policy & Resources Committee to apply for the MoD Employer Recognition "Gold Award" as set out in Appendix 1 to this report.

## 2.0 SUMMARY

- 2.1 The Council has signed an Armed Forces Covenant, which is a commitment by the Council, working with other service providers, to support existing and past service personnel and their families. Alongside the covenant is an Employer Recognition Award scheme. The Defence Employer Recognition Scheme recognises and rewards UK employers for their support to Defence personnel. The scheme encompasses Bronze, Silver and Gold awards for employer organisations that pledge, demonstrate or advocate support to Defence and the Armed Forces community, and align their support with the Armed Forces Covenant.
- 2.2 Details of the criteria to achieve the different levels of the award are attached as appendix 1. Having reviewed the support currently offered by the Council, in consultation with the Veteran Support Adviser, it is the view of the Veterans Support Working Group that we are already at Silver level and should bid for the Gold Award.
- 2.3 Inverclyde Council has a record of being supportive towards the armed forces and participating in the MOD Employer Recognition Scheme will be a continuation of this support and reflective of the range of activities that are supportive of Defence issues that the Council is engaged in.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Policy & Resources Committee:
- Note the support already provided to the Armed Forces through the Council's employment policies and practices
  - Approve the inclusion in our Recruitment Procedures that Managers give positive consideration to leaving veterans for posts where they meet the essential criteria of the post
  - Give approval to officers to apply for the MoD Employer Recognition Gold award, and implement any changes necessary to meet the criteria for receiving this award, subject to such changes not having financial implications that are not contained within existing agreed budgets

- d) Note that publicity material has been developed to raise awareness of the support and services available to defence personnel
- e) Approve the Reserve Forces Training & Mobilisation Policy (attached at appendix 2) which will consolidate the current Inverclyde Council terms and conditions and statutory entitlements for reservists.

**Steven McNab**  
**Head of Organisational Development,**  
**Human Resources and Communication**



## 4.0 BACKGROUND

- 4.1 In 2012 the Council signed an **Armed Forces Community Covenant**, which was a commitment by the Council, working with other service providers, to support existing and past service personnel and their families. A working group was established and has been taking forward a range of actions to support the Covenant.

Subsequently, an **Armed Forces Corporate Covenant** was introduced which is a commitment by employers to support the armed services. In particular, it relates to an employer's support for reservists, and for providing employment opportunities for people leaving the armed forces. The Corporate Covenant and Armed Forces Community Covenant aligned in July 2016 with agreements now known as the Armed Forces Covenant

The Corporate Covenant introduced an Employer Recognition Award scheme details of which are below.

- 4.2 The Defence Employer Recognition Scheme recognises and rewards UK employers for their support to Defence personnel. The scheme encompasses Bronze, Silver and Gold awards for employer organisations that pledge, demonstrate or advocate support to Defence and the Armed Forces community, and align their support with the Armed Forces Covenant.

It is the view of the Veterans Support Working Group that Inverclyde Council is already at Silver level and that we should bid for the Gold award. The criteria for Gold is detailed below:

### Gold Award Holders

'Proactively advocate and support defence, communicating their commitment both to employees and the wider community through established policies and examples of support.

Are positive to service personnel during recruitment.

Enable reservists to fulfil their training and mobilisation commitments and demonstrate significant support for Cadet Instructors, Armed forces Veterans (including wounded, injured and sick) and military spouses/partners.

Receive their award at a prestigious national event, receive gold logos for use on their materials and are listed on the Employer Recognition Scheme website.'

- 4.3 The Council does already provide considerable support to the Armed Forces through its employment policies:

- a) The flexible working policy ensures that the Council's legal responsibilities to reservists are fulfilled
- b) An additional 2 weeks paid leave is allowed to reservists in order to attend training for their military duties
- c) Although not explicitly targeted at service families, the Council's work life balance policies generally support people in managing circumstances that service families are likely to face
- d) Inverclyde Council's Special Leave Policy states:

### “17.8 Service in Non Regular Forces

An employee who is member of the non-regular forces and attends an annual training camp for a period of not less than a week will be granted special leave with pay equal to the period which the employee actually attends the camp, but not exceeding a period of 15 days and subject to the deduction of service pay and allowances received in respect of the period of special leave.

### 17.11 Additional Leave

Out with these provisions leave, with or without pay, may be authorised by the Director or Head of Service in conjunction with the Head of Organisational Development and Human Resources,

e.g. to allow duties or services of an honorary, charitable, philanthropic, or civil character to be undertaken e.g. election duties, parliamentary candidates, retained firefighters, to represent country in a sporting event; voluntary service overseas; visiting relatives overseas; serious illness of relative/partner where other domestic arrangements cannot be met.”

#### 4.4 Other services support/Council activities

- a) A Veterans Support Advisor (VSA) is employed by Inverclyde, Renfrewshire and East Renfrewshire Councils to improve access to council services for veterans, service personnel, reservists and their families. The VSA is responsible for the coordination of the delivery of the service, sharing expertise and minimising duplication across the 3 councils. The approach has been recognised at a national level and featured as best practice in a Scottish Veterans Commissioner report.

The Veterans Support Advisor is based in the Customer Service Centre one day a week and works closely with customer service colleagues. Awareness sessions have been delivered to a range of services across the Council, the third sector, Jobcentre Plus and the voluntary sector explaining Inverclyde Council's commitment to the Armed Forces Community Covenant and the specific support and considerable charity funding etc. that may be available, over and above statutory service provision. Referrals received by the Veterans Support Advisor from these services range from straightforward enquiries that can be handled simply by signposting customers to a relevant service or may be complex and multi-faceted requiring statutory services provided by the Council, NHS and MoD (Veterans Welfare Service – compensation and pension claims and their welfare role) as well the involvement of the third sector; these may include house visits with these agencies.

- b) A Veterans Support Operational Group (VSOG) has been established in Inverclyde to develop the service, share news and best practice and ensuring consistency within each service area. The group comprises representation from relevant services across the Council/HSCP with relevant external partners such as Inverclyde Housing Association Forum (IHAF) and The Trust. Members are the nominated point of contact within their service area to take responsibility for referrals handed off from the Veterans Support Advisor. Focused and ongoing training is delivered by the VSA allowing services to provide specialist support including assistance with funding applications, using her armed forces service expertise to enhance applications.
- c) Publicity material is being developed to raise awareness of the support and services available to defence personnel.

## 5.0 KEY CHANGES

- 5.1 In order to successfully apply for the Employer Recognition Gold Award, the Council will need to increase its activities to support the Armed Forces. Whilst not strictly prescribed, these activities may include:
  - (i) Using the Council's internal communications media to encourage staff and their families to consider becoming reservists
  - (ii) Publicising through recruitment materials (advertisements, job packs) that the Council supports reservists and welcomes applications from people who already are reservists
  - (iii) Holding events to celebrate the contribution of reservists
  - (iv) Providing advice to veterans and those about to leave the Armed Forces about working for the Council
  - (v) Asking Council staff through employee opinion surveys whether they feel the Council does enough to support reservists, veterans and the families of serving Armed Forces personnel
  - (vi) Demonstrating and publicising the Council's commitment, both locally and nationally, to supporting the Armed Forces as an employer.

5.2 Approve the inclusion in our Recruitment Procedures of an instruction that Managers give positive consideration to leaving veterans for posts where they meet the essential criteria of the post.

## 6.0 PROPOSALS

6.1 It would be our recommendation that the Policy & Resources Committee consider the recommendations detailed at paragraph 3.1.

## 7.0 IMPLICATIONS

### 7.1 Finance

Financial Implications:

| 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         |                |                  |                        |                               |                |

There are no financial implications arising directly from the recommendations in this report.

### 7.2 Legal

There are no legal implications arising directly from the recommendations in this report.

### 7.3 Human Resources

As outlined in the report.

### 7.4 Equalities

Has an Equality Impact Assessment been carried out?

YES

No Equality impacts have been considered and no negative impacts on any groups are anticipated as a result of the recommendations in this report

Joining the Employer Recognition Scheme can assist Inverclyde Council in meeting its duties to have due regard to the need to eliminate discrimination; promote equality of opportunity; foster good relations.

Although the Armed Forces community as such is not a protected group under the Equality Act, the community has a higher than average representation of vulnerable groups, particularly in relation to disability and age.

### 7.5 Repopulation

N/A

## **8.0 CONSULTATIONS**

8.1 Consultation has taken place with Councillor Dorrian, Armed Forces and Veterans Champion and it is also planned to consult with the trade unions, and the workforce planning group, as part of our normal consultative processes.

## **9.0 LIST OF BACKGROUND PAPERS**

9.1 Appendix 1.

# Defence Employer Recognition Scheme

## About the scheme

The Defence Employer Recognition Scheme (ERS) encourages employers to support defence and inspire others to do the same. The scheme encompasses bronze, silver and gold awards for employer organisations that pledge, demonstrate or advocate support to defence and the armed forces community, and align their values with the [Armed Forces Covenant](#).

The ERS is designed primarily to recognise private sector support although public sector organisations such as the emergency services, local authorities, NHS trusts and executive agencies are also eligible to be recognised.

Pledge your organisation's support via the bronze award or nominate an organisation for a silver or gold award via the links below.

## Bronze award

Bronze award holders:

- are self nominated by employers who pledge to support the armed forces, including existing or prospective employees who are members of the community
- promote being armed forces-friendly and are open to employing reservists, armed forces veterans (including the wounded, injured and sick), cadet instructors and military spouses/partners
- receive an electronic certificate and logos to display on their website, stationery and other collateral

[Nominate your organisation for a bronze award](#)

View the ERS [bronze award holders](#).

## Silver award

Silver award holders:

- demonstrate support for service personnel issues and employ at least one member of the armed forces community
- actively communicate and uphold a positive stance to their employees via established HR policies and procedures
- show flexibility towards annual training commitments and mobilisation of reservist employees and support the employment of cadet instructors, armed forces veterans (including wounded, injured and sick) and military spouses/partners
- collect their certificate at a regional silver awards ceremony, receive silver logos to display and are themselves displayed on the list of Employer Recognition Scheme award winners
- must be nominated for a silver award by a third party using the online nomination form
- are required to sign the [Armed Forces Covenant](#) and employ at least one individual from the covenant category that the nomination emphasises

ERS silver nominations for 2016 have now closed. If you would like to be informed when nominations open for 2017, please email [employerrelations@rfca.mod.uk](mailto:employerrelations@rfca.mod.uk).

View the ERS [silver award winners](#).

# Gold award

Gold award holders:

- proactively advocate and support defence, communicating their commitment both internally to employees and externally to the wider community through established policies and examples of support
- are positive to all service personnel during recruitment
- enable reservists to fulfil their annual training and mobilisation commitments and demonstrate significant support for cadet instructors, armed forces veterans (including wounded, injured and sick) and military spouses/ partners
- must be nominated for a gold award by a third party using the online nomination form
- collect their award at a prestigious national event, receive gold logos to display and are themselves displayed on the list of Employer Recognition Scheme award winners
- are required to sign the [Armed Forces Covenant](#) and employ at least one individual from the covenant category that the nomination emphasises

ERS gold nominations for 2016 have now closed. If you would like to be informed when nominations open for 2017, please email [employerrelations@rfca.mod.uk](mailto:employerrelations@rfca.mod.uk).

View the ERS [gold award winners](#).

## Nomination and award process

Employers can sign up themselves for the bronze award. A wide range of individuals may nominate an organisation for either a gold or silver award, including that organisation's employees who are reservists, armed forces veterans, spouses/partners or cadet instructors.

External nominations may also be made from a variety of sources, including an account manager within the Defence Relationship Management (DRM) organisation, a Regional Employer Engagement Director or the military unit of a reservist employed within an organisation. The nomination process requires nominees to state their relationship with the employer they are proposing.

Nominations will be validated to determine the level of defence personnel employment within the nominated organisation and to check that the organisation has signed the [Armed Forces Covenant](#).

Once the nomination has been validated it will be considered by a selection board at national level for gold awards and regional level for silver awards. The selection boards will be a panel chaired by a senior military officer and they will consider each nomination against the award criteria. Organisations selected for gold and silver awards will be formally notified in writing and invited to the relevant award event.



Ministry  
of Defence

Appendix 2

Version 1.0

Produced by:

*Human Resources*

Inverclyde Council  
Municipal Buildings  
GREENOCK

2016

# Inverclyde Council Reservists Policy



**INVERCLYDE COUNCIL IS AN EQUAL OPPORTUNITIES EMPLOYER  
THIS POLICY BOOKLET IS AVAILABLE ON REQUEST, IN LARGE PRINT, BRAILLE,  
ON AUDIOTAPE, OR CD.**

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## DOCUMENT CONTROL

| <b>Document Responsibility</b> |              |                           |
|--------------------------------|--------------|---------------------------|
| <b>Name</b>                    | <b>Title</b> | <b>Service</b>            |
|                                |              | OD, HR and Communications |
|                                |              |                           |
|                                |              |                           |

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| <b>Distribution</b>                    |             |                 |
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| <b>Name/ Title</b>                     | <b>Date</b> | <b>Comments</b> |
| Trade Union Liaison Group              |             |                 |
| Workforce Planning & Development Group |             |                 |
|  |             |                 |
|  |             |                 |
|  |             |                 |

*Distribution may be made to others on request*

| <b>Policy Review</b> |                           |                |
|----------------------|---------------------------|----------------|
| <b>Review Date</b>   | <b>Person Responsible</b> | <b>Service</b> |
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## **1. Introduction**

- 1.1 Inverclyde Council is committed to employing staff who are members of the Reserve Forces and they recognise the valuable contribution that Reservists make to the UK Armed Forces, their communities and the civilian workplace.
- 1.2 This policy is consistent and in accordance with the current legislative requirements and it is the responsibility of all employees to comply with this policy and be familiar with its contents and principles.

## **2. Purpose**

- 2.1 Inverclyde Council has pledged its support for members of, or those wishing to join the Reserve Forces and acknowledges the training undertaken by Reservists that enables them to develop skills and abilities that are of benefit to both the individual and their employer. This policy intends to define our obligations towards all employees who are members of the Reserve Forces.
- 2.2 The Council will not disadvantage those Reservists who notify the Council of their Reserve status or those Reservists who are made known to the Council directly by the Ministry of Defence (MoD).
- 2.3 The Council shall, subject to the provisions set out in Section 4, agree to release Reservists for attendance at Reserve Forces Training events where these take place on their normal working days.

The Council shall, subject to the provisions set out in Section 5 agree to the release of all employees mobilised for Reservist duties.

- 2.4 Inverclyde Council will continue to treat the contracts of employment of employees mobilised for Reserve Service as operable throughout the period of such service and there will be no loss of continuous service or service related benefits but refer to para 9.

## **3. Scope**

- 3.1 This policy applies to all employees of the Council.

## **4. Types of Reservist**

- 4.1 There are two main types of Reservist:
  - Volunteer Reservists - civilians recruited into the Royal Naval Reserves, Royal Marines Reserves, Army Reserve and Royal Auxiliary Air Force.
  - Regular Reservists - ex-regular servicemen who may retain a liability to be mobilised depending on how long they have served in the Armed

Forces.

The Reserve Forces Act 1996 also provides for other categories, such as:

- Full Time Reserve Service -Reservists who wish to serve full time with regulars for a predetermined period in a specific posting
- Additional Duties Commitment - part-time service for a specified period in a particular post
- Sponsored Reserves - These are personnel employed by a contractor to provide a service to the Ministry of Defence (MoD).
- High Readiness Reserves – These are Reserves, usually with a particular skill set, that are available at short notice (with written agreement from their employer)

## **5. Reserve Status Notification**

- 5.1 Reservists are required to inform their employer that they are a member of the Reserve Forces and the specific force that they belong to. This is so that the Council can provide the appropriate level of support to the Reservist. It also assists with resource planning during periods of leave e.g. training and/or mobilisation. The Council also recognises the additional skills and experiences that being a Reservist can bring to the Council and therefore it is useful for the Council to have an understanding of where these particular skills and experiences exist.
- 5.2 Reservist employees are also required to grant permission for the Ministry of Defence (MoD) to write directly to their employer. This is known as 'Employer Notification' and ensures the Council is made aware that the employee is a Reservist and the benefits, rights and obligations that apply.
- 5.3 The MoD will issue written confirmation to the employer informing them the employee is a Member of the Reserve Forces. The letter will provide detail of mobilisation obligations and rights as an employee; rights as an employer; and details of the financial assistance available if an employee is mobilised. Where possible, it will also provide details of any annual training commitments. The MoD will also send a follow-up letter each year to confirm that the information held is still accurate.
- 5.4 It is the responsibility of the Reservist to ensure their personal details are kept up to date e.g. if they change employer or leave their respective Reserve Force.

In any circumstance, the Reservist will not be disadvantaged as a result of notifying the Council of their Reserve status.

## **6. Training commitments and Time off**

- 6.1 The Council recognises the importance of the training undertaken by Reservists that enables them to develop skills and abilities that are of benefit to their respective Reserve Force, the individual and the Council

Reservists are typically committed to 24-40 days training per year. Training tends to take place 1 evening per week, over various weekends throughout the year and one 2 week training period also known as 'annual camp'. Training commitments vary but in most cases include:

- **Weekly training** - most Reservists train at their local centre for around two-and-a-half hours, one evening a week.
- **Weekend training** - all Reservists are expected to attend a number of training weekends which take place throughout the year.
- **Annual training** - a 2 week annual training course sometimes referred to as 'annual camp'. This may take place at a training establishment, as an attachment to a Regular Unit, a training exercise or a combination of any of these. Training normally takes place within the UK, although each year some Reservists train overseas.

- 6.2 An employee who is member of the non-regular forces and attends an annual training camp for a period of not less than a week will be granted special leave with pay equal to the period which the employee actually attends the camp, but not exceeding a period of 15 days and subject to the deduction of service pay and allowances received in respect of the period of special leave.

### 6.3 **Additional Leave**

Out with these provisions leave, with or without pay, may be authorised by the Director or Head of Service in conjunction with the Head of Organisational Development and Human Resources, in accordance with para 17.11 of the Conditions of Service.

- 6.4 Line Managers will where practicable facilitate work rosters to allow attendance at annual camp and other training commitments (e.g. weekly or weekend training sessions).

Reservist employees should give as much notice as possible of training commitments to allow appropriate planning for absences. Permission once given will not be rescinded unless there are exceptional circumstances.

## 7. **Mobilisation**

- 7.1 Mobilisation is the process of calling Reservists into full time service with the Regular Forces, in order to make them available for military operations. The maximum period of mobilisation will depend on the scale and the nature of the operation and is typically no longer than 12 months.

- 7.2 The Call-out papers for mobilisation are sent by post to the employer or sometimes delivered in person by the Reservist to their line manager. The documentation will include the call-out date and the anticipated timeline. Whenever possible, Defence aims to give at least 28 days' notice of the date that a Reservist will be required to report for mobilisation, although there is no statutory requirement for a warning period prior to mobilisation.

A period of mobilisation comprises three distinct phases:

- Medical and pre-deployment training;
- Operational tour;
- Post-operational tour leave

Pre-mobilisation – Line Managers should:

- Meet with Reservist to ensure all mobilisation paperwork completed (including pay, benefits & pension arrangements)
- Make a claim for financial assistance as appropriate (see s.12 of policy)
- Discuss any handover of work and return of equipment
- Arrangements for keeping in touch

During mobilisation – Line Managers should:

- Keep in touch with Reservist as arranged

Post-mobilisation – Line Managers should:

- Ensure both employer and reservist fulfill their return to work obligations (including reference to template letters)
- After care and support requirements

## **8. Applying for Exemption/Deferral/Revocation**

- 8.1 In all cases of mobilisation, the Council will release the Reservist to report for duty unless there are exceptional circumstances, whereby the decision and reasoning will be explained to the Reservist.
- 8.2 In such circumstances line managers have the right to seek exemption, deferral or revocation if the Reservist's absence is considered to cause serious harm to service delivery.

Definitions of 'harm' will vary from case to case, but may include;

- loss of reputation, goodwill or other financial harm
- impairment of the ability to produce goods or provide services
- harm to the research and development of new products, services or processes (which could not be prevented by the granting of financial

assistance under sections 83 and 84 of The Reserve Forces Act 1996).

- 8.3 Details of how to apply for exemption are included in the call-out pack. The application must reach the Adjudication Officer within 7 days of the Council receiving a call-out notice. If this timescale is not met, permission to make a late application will need to be obtained from the Adjudication Officer. The Reservist also has the right to apply for exemption or deferral if the call-out papers arrive at a difficult time.
- 8.4 If an unsatisfactory decision is received following the application for a deferral, the Council can appeal for a hearing by the Reserve Forces Appeals Tribunal. Appeals must reach the Tribunals Secretary within 5 days receipt of written notice of the decision. If the tribunal rejects the application for exemption or deferral, the Council will be required to release the Reservist for mobilisation.

## **9. Treatment of Terms and Conditions during mobilisation**

- 9.1 The Council will continue to treat the contracts of employment of employees mobilised for Reserve Service as operable throughout the period of such service and there will be no loss of continuous service or service related benefits

### **Pay**

The MoD will assume responsibility for the Reservist's salary for the duration of their mobilisation. They will pay a basic salary according to the Reservist's military rank. If this basic element is less than the Reservist receives from the Council, it is the Reservist's responsibility to apply to the MoD for the difference to ensure that they suffer no loss of earnings. This is known as a Reservist Award.

Where mobilisation occurs the employee will be given special unpaid leave of absence.

The Council is not required to pay the Reservist's salary during the period of mobilisation.

### **Benefits**

Contractual benefits that are suspended by the Council during mobilisation can be claimed by the Reservist as part of their Reservist Award. The Line Manager and Reservist should discuss any benefit arrangements during the pre-mobilisation meeting. This should cover those benefits which will be suspended and for any continuing benefits, arrangements should be made as to how these are paid.

## **Pension**

If the Reservist is a member of the Council pension scheme and the employer suspends the employer contribution, and the Reservist chooses to remain within it, then the MoD will make the employer contributions for the period of mobilisation, as long as the Reservist continues to make their personal contributions.

## **Annual Leave**

Reservists should be encouraged to take any accrued annual leave before mobilisation. The Council is not obliged to accrue annual leave for a Reservist employee during the period of mobilisation. Reservists accrue annual leave with the MoD whilst they are in full time service. When they demobilise, Reservists are entitled to a period of post-operational leave (POL). During this period they will continue to be paid by the MoD.

## **Dismissal/Redundancy**

A Reservist's employment cannot be terminated on the grounds of their military duties or their liability to be mobilised. To do so would be a criminal offence under s.17 of The Reserve Forces (Safeguarding of Employment) Act 1985.

Reservists can be included in the redundancy pool if this is necessary due to a downturn in business or closure of a department. However, all employees should be treated consistently, and redundancy criteria should not discriminate against Reservists on the grounds of their Reserve service or call-up liability.

## **Sick Pay**

Should a Reservist become sick or injured during mobilisation they will be covered by Defence Medical Services and any financial assistance will continue to be received (including pay) until demobilised. If the sickness or injury continues and this results in early demobilisation, the Reservist will remain covered by Defence until the last day of paid military leave.

After this time The Reservist will be covered by the Council sickness arrangements (in line with local policy).

## **10. Return to work**

10.1 Both the Reservist and their employer have obligations under The Reserve Forces (Safeguarding of Employment Act) 1985 regarding the return to work process

### **10.2 Reservist:**

The Reservist must write to their employer by the third Monday after their last day of military service making their request to return to work and suggesting a

date which should fall within 6 weeks of their last day of full-time service .This letter formally starts the return to work process.

They are also encouraged to informally contact the employer to discuss their return to work at the earliest opportunity, whether via a letter, a meeting or a telephone call. The formal application must be made in writing for it to be valid under the Act.

If a Reservist is not happy with the offer of alternative employment they must write to the employer stating why there is reasonable cause for them not to accept it. If a Reservist believes that an employer's response to their application denies their rights under the Safeguard of Employment Act 1985, an application can be made to a Reinstatement Committee for assessment. This committee will consider the Reservist's application and can make an order for reinstatement and/or compensation.

### 10.3 **Employer:**

The Employer has an obligation under Reserve Forces (Safeguarding of Employment) Act 1985 to reinstate the Reservist, where possible to their former role, and if not, to a mutually acceptable role on the same terms and conditions prior to mobilisation.

The Reservist should be reinstated within 6 weeks of the last day of their full-time service. They must be reinstated for a minimum period of 13, 26 or 52 weeks, depending on their length of service prior to mobilisation.

Sometimes Reservists may need refresher training when they return to work, or be given time to familiarise themselves with processes and procedures in the workplace. Financial assistance may be available for retraining if it is required as a direct result of their mobilisation, although applications cannot be made for training courses that would have taken place anyway. Evidence of costs will be required in addition to evidence that the Reservist could not reach the required standard by any other means, such as workplace experience.

## 11. **Aftercare**

11.1 A Reservist returning to work will benefit from a smooth re-integration into the workplace/team. The following should be considered as part of this process:

- The need to update on changes and developments in the Council.
- The need to offer specific refresher training where it is sought/considered necessary.
- Where the job duties have changed since mobilisation a period of skills training may be required to assist with new aspects of the job.
- Whether the reservist can meet up with colleagues informally or socially before or after return to work to prevent any feeling of



- dislocation, if this is sought.
- Reasonable time off to seek therapeutic treatment if required.

## **Performance Review**

Line managers who carry out Performance Review meetings with a Reservist should be aware that Reserve Forces activities undertaken by an individual (either through training or mobilisation) bring essential skills into the workplace such as leadership, communication, team working and organisational ability, which ultimately lead to improved performance in the workplace.

## **12. Financial Assistance**

12.1 Financial assistance for employers in the event of an employee who is a Reservist being mobilised is governed by the Reserve Forces (Call out and recall) (Financial Assistance) Regulations 2005. These cover additional costs above the normal earnings of the called-up Reservist associated with replacing that employee. There are 3 types of award available:

### **One-off costs**

- Agency fees, if a recruitment agency or employment agency is used to find a temporary replacement; or Advertising costs
- No financial cap on claims, but any claim must be supported by relevant documentation

### **Recurring costs**

- Overtime costs, if other employees work overtime to cover the work of the Reservist [by the amount that such costs exceed earnings of the Reservist]
- Costs of temporary replacement [by the amount that such costs exceed earnings of the Reservist]

The maximum claim available is £110 per day (£40,000 per annum). Claims can be made for every normal working day that the Reservist is away on service. An application for one-off costs and recurring costs must be made within 4 weeks of the end of full time Reservist service.

### **Training award**

If a returning Reservist has to undertake additional training as a direct result of their mobilisation (routine training excluded), then the Council can make an application for the financial assistance.

## **13. Further information**

Further sources of guidance and information can be obtained from the following:

- Defence Relationship Management  
<https://www.gov.uk/government/groups/defence-relationship-management>

Helpline: – 0800 389 5459. This is a free telephone helpline open during office hours where advice and guidance can be obtained on training, mobilisation and employment issues.

- Royal Navy website [www.royalnavy.mod.uk/the-fleet/maritime-reserves](http://www.royalnavy.mod.uk/the-fleet/maritime-reserves)
- Army website: [www.army.mod.uk/join/20233.aspx](http://www.army.mod.uk/join/20233.aspx)
- Royal Air Force website [www.raf.mod.uk/rafreserves](http://www.raf.mod.uk/rafreserves)

#### **14 Equality Impact Assessment**

- 14.1 This policy has been impact assessed in line with the Councils obligation to comply with the Equality Act 2010.

#### **15 Monitoring and Review**

- 15.1 This policy will be monitored and reviewed regularly as it is applied, and in line with any legislative changes relating to equality and diversity in the workplace.