1. Can you describe the approach that your local authority has taken to both short-term and long-term budget planning since the onset of the financial crisis? For example, has your local authority taken a “zero-based” approach, or has it set out a range of options for savings? Please supply any relevant supporting documentation, for example copies of any budget planning exercises etc.

Over the past number of years the Council has continued to develop its approach to both short term budgeting and medium and longer term financial planning.

Looking over the long term, the Council has developed long term financial planning models which have assisted in providing a perspective of how the Council’s baseline financial landscape is likely to develop in the absence of any mitigating measures and responses being put in place by the Council.

The process assists the Council to identify its key longer term financial risks and to place an estimated financial quantum around that risk based on the best information and forecasts that are currently available to the Council. The model is used as a means of identifying the most significant financial risks and is not a long term budgeting tool. In response, the Council is able to maintain visibility of its key risks and put in place appropriate strategies to mitigate their potential long term financial consequences. By way of example, waste management and the impact of socio economic and demographic factors were two key risks identified which have long term mitigation strategies in place in the form of a Strategic Waste Strategy to deliver a sustainable long term replacement for the landfill of waste and a range of preventative spend programmes around children services and older people services as a means of both delivering better outcomes but also to dampen future demand led cost growth driven by socio economic and demographic pressures.

The Council also has in place a medium term financial strategy as part of its framework of financial planning arrangements. The medium term strategy is a critical document and provides a strategic medium term framework which establishes overall financial direction and parameters to support the Council to move forward and deliver against its key policy objectives and priorities. The development of the financial strategy is supported by the Council’s shorter term budget planning system and longer term financial planning and modelling process referred to above. The financial strategy seeks to integrate the outputs from these key activities to provide a financial framework which over the medium term will;

- guide and inform key financial planning principles,
support long term financial sustainability of the organisation and avoid short term focused decision making,

allow the identification of the critical workstreams to support the both the delivery of the annual budget setting requirement and medium term changes to the Council’s financial and service structures.

A copy of the Council’s current approved medium term financial strategy is attached for reference. As can be seen by reference to the document, the strategy has established a range of key financial planning principles which provide a framework to support and guide the Council’s shorter term budget setting process which is normally focused over a 2 – 3 year period, principally driven by Comprehensive Spending Review cycles and the availability of Government Grant figures. The strategy sets a clear financial direction for the Council, establishes a range of key financial planning principles, seeks to support both short term financial stability and long term financial sustainability of the Council whilst at the same time making a clear commitment to redistributing resources to support the Council’s outcomes in the areas of key priority.

As part of this strategic framework, the Council has not adopted any zero based budgeting approaches but has put in place a range of strategic workstreams to support the delivery of significant and sustainable savings over the medium term. These strategies have included a debt smoothing strategy, a commitment to a corporate transformation project, the delivery of a strategic approaches to procurement, establishment of a corporate business support function etc. Such strategies continue to be complimented by a commitment to delivering savings through an ongoing efficiency and savings programme based around smaller scale projects and programmes. These strategies have delivered significant savings for the Council over recent years and have been critical in supporting the Council to both protect key priority areas of service but also to support the release and redistribution of resources to invest in the delivery of key priorities and outcomes.

2. Can you describe the consultation that your local authority undertook on your budget plans, both with stakeholders, and the general public?

Over recent years, and in common with many other local authorities, the Council has put in place significant communication arrangements to support engagement with the general public in the context of the scale of financial challenge which the Council has faced and the difficult choices that have required to be taken. In addition, the Council’s budget decisions have been significantly policy driven, reflecting the core priorities and key outcomes identified in its Council Plan and Community Plan, which are underpinned by a significant level of consultation and engagement with the general public, key community groups and key public sector partners.
3. How have the outcomes of your consultation fed into and influenced your budget plans?

As referred to above, the Council’s budget plans have been significantly driven by its agreed policy objectives and priorities, the development and agreement of which are underpinned by significant consultation and engagement with the public, stakeholders and partners. This link between agreed policy objectives and priorities and budget plans has directly influenced a wide range of key budget decision, including for example decisions to:

- protect to a greater extent from savings the provision of priority areas of service within Education and Social Work, and
- direct and redistribute resources to support investment in schools, leisure facilities, children residential facilities, roads infrastructure, the economy and job and services to support the most vulnerable in our society.

4. What involvement has there been from external consultants/advisers in your budget planning, and what influence has this involvement had on your final plans?

There has been no involvement of external consultants/advisors in the Council’s budget planning process. In the very recent past there has been limited high level engagement made with an external consultant as part of utilising a budgeting framework developed by the consultant. This framework was used as part of initiating a refresh of the Council’s shorter term budget strategy and was used specifically to assist in identifying a long list of options for the identification of potential areas of savings which were subsequently progressed internally within the Council.
General Fund
Medium Term Financial Strategy
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Executive Summary

This financial strategy provides a strategic medium term framework which establishes overall financial direction and parameters to support the Council to move forward and deliver against its key policy objectives and priorities. The development of the financial strategy is supported by the Council’s shorter term budget planning system and longer term financial planning and modelling process. The financial strategy seeks to integrate the outputs from these key activities to provide a financial framework which over the medium term will:

- guide and inform key financial planning principles,
- support long term financial sustainability of the organisation and avoid short term focused decision making,
- allow the identification of the critical workstreams to support the both the delivery of the annual budget setting requirement and medium term changes to the Council’s financial and service structures.

Strategic Context

The Economy and Public Sector Finances

It is clear that economic conditions continue to be ever more fragile and challenging, both within the UK, across the eurozone and globally. Consequently, forecasts of economic recovery and future growth prospects in the UK economy, especially over the medium term, are extremely uncertain and forecasts over the short to medium term continue to be downgraded from those set only in March of this year by the Office of Budget Responsibility (OBR). What is becoming increasingly certain is that the recovery of the UK economy is very likely to take longer than previously anticipated and will extend well beyond the term of the current comprehensive spending review period for public expenditure which ends in 2014/15.

Given this weaker than anticipated outlook for recovery, over the medium term the UK government will be faced with difficult policy choices to deliver against their fiscal and economic targets. The extent to which the UK Government rely on further and possibly deeper austerity measures to achieve their target is not at this stage clear and will not become clearer until the next comprehensive spending review period covering 2015/16 onwards. If they remain committed to attaining a balanced budget by the end of 2016/17, it would appear inevitable that the austerity programme across public sector expenditure will continue.

For the purposes of this financial strategy, it is assumed that the UK Government austerity programmes will last another 5 years and the direct impact on the Council’s finances will be experienced through reductions in the level of government grant (both revenue and capital) the Council receives from the Scottish Government to deliver services.

National Policy Drivers

The Council is and will continue to operate in a public sector environment which is subject to a range of ongoing change and reform driven by both the Scottish Government and UK Government policy direction. These changes and reforms will have significant implications for the Council, from an operational perspective and in terms of potential financial implications. As with the economic conditions, there remains much uncertainty in many respects over the scale, scope, shape and timing of many of the potential changes. It is however clear that the landscape of public services will be subject to considerable change over the period of this medium term strategy.
From both a service and financial planning perspective, the Council needs to remain alert to, informed of and appropriately engaged in the public sector reform agenda and ensure that shorter term financial and budget strategies make appropriate provision for both negative financial consequences which may arise from the changes and service changes which the Council may be required to put in place to appropriately support the Renfrewshire community.

**Council Strategic Priorities**
The Council Plan is an important document which sets out what the Council is aiming to achieve. The existing plan covers the period 2007 – 2012 and sets out how the Council planned to respond to key challenges which the Council envisaged it would be faced with over this period. Since this plan was published the Council and the environment in which it operates in has in many respects, changed significantly. Limited future resources represent an even bigger challenge than that which was envisaged in 2007. The Council continues to face significant socio-economic and demographic challenges and supporting local economic regeneration and prosperity has become an increasingly challenging issue, in particular supporting those aged 16-25. The existing Council plan is nearing the end of its five year timeline and work is ongoing to develop what the future priorities of the Council will be.

From the perspective of the medium term financial strategy, whatever the Council identifies as its key priorities over the medium term, the strategic financial implications remain the same. Moving forward the Council will be faced with a reducing level of resource to deliver its desired outcomes and in the absence of resource growth to support new priority areas any investment which the Council wants to direct towards priority service areas, will require to be funded by resources released and redirected from elsewhere within existing budgets.

Over the medium term, resource redistribution to support investment in priority outcomes will be a key strategic financial planning principle which will underpin the Council’s shorter term financial planning arrangements.

**General Fund Revenue**

**Long Term Financial Landscape**
Over recent years the Council has developed longer term financial planning arrangements which look to forecast forward over a 10 year time horizon. The principle objective of the process is to support the development of a long term perspective of the Council’s potential financial landscape to support longer term service planning and development.

Even in a stable economic and financial environment, long term forecasting involves uncertainty, which increases as each year of the model extends out towards the ten year time horizon. In the current climate, this uncertainty has grown significantly due the expanding range of increasingly uncertain variables.

Nevertheless, the development of a long term financial model is still viewed as a valuable exercise. In particular, it provides assistance in identifying the key long term financial risks which the Council is likely to be faced with over the long term based on what is known in the present day and informed judgements about the future. These risks remain focused on demand led cost growth arising from socio-economic and demographic pressures, sustainable long term environmental and waste management solutions, volatility in utility costs and reducing levels of financial resources.
In response to these longer term risk, the Council will as part of the medium term financial strategy ensure that longer term strategies are developed and in place to mitigate the development of the negative impacts of these key financial risks.

Medium Term Revenue Strategy
The Council continues to maintain a stable financial position, providing a firm basis from which to move forward and plan for the challenges that it will face over the medium term.

Financial Resources and Income
Future Government revenue grant is planned to reduce by 0.6% and 0.5% respectively over the next two years. These reductions will not be confirmed until December of this year at the earliest and the Council will require to remain alert to the risk that given the poorer than anticipated performance of the UK economy, these figures may ultimately be revised downwards with negative financial consequences for the Council.

Looking into the medium term beyond 2014/15, it is likely that the grant position for the Council will continue to reduce. However it becomes increasingly difficult to forecast with any degree of certainty in the current climate. However, both the Governor of the Bank of England and a range of external commentators do not envisage the squeeze on public sector finances coming to an end any earlier than 2018.

It is planned that the Council’s Government Revenue Grant will be subject to annual reductions stretching to 2017/18 and that the reductions in the period 2015/16 – 2017/18 may be materially more significant than planned reductions already announced by the Scottish Government.

Council Tax represents the other major source of income which is at the Council’s disposal to fund the net cost of service delivery. It is anticipated that a policy direction which will seek to maintain the ongoing freeze in Council Tax levels will be in place for the foreseeable future. In addition, it is recognised that the Council performs highly relative to its peers in collection performance and there remains only limited scope for delivering continued improvement. Further, it is recognised that in the current economic climate growth in the Council Tax base through new housing development is likely to remain depressed over the period.

It is assumed for the purposes of this medium term financial strategy that budgeted Council Tax income will remain broadly static over the course of this strategy period.

Future Cost and Service Pressures
In addition to the anticipation of the Council having less resources at its disposal year on year over this medium term planning period, it is also anticipated that the Council will continue to face a wide range of significant cost pressures each year arising from a range of pressure areas including:

- Rising levels of unemployment and poverty.
- Socio-economic and demographics pressures, Environmental and Waste Management
- National Policy and Legislative changes
- Pay Pressures
- General Non Pay Inflation
- Contractual commitments
- Other general cost pressures

In addition to these cost pressures, the Council has a range of key strategic priorities, objectives and outcomes which it will be focused upon achieving over the medium term. To support the delivery of these, there will be a range of investment priorities which will emerge and be identified over the coming years, both revenue resources and capital investment needs. Despite operating in the
context of reducing resource availability over the medium term, the Council will want to see resources directed to support these priority areas. In the absence of resource growth over the period, it is therefore clear that to support such strategic objectives will require significant redistribution of resources.

Moving forward, a key medium term financial planning principle will be a need to deliver budget savings at a level which will address both the budget deficit and resources to re-invest in priority areas for the Council.

Future Baseline Budget Deficit
The future medium term horizon is the most uncertain and almost certainly the period of greatest change that the Council has ever faced in its history. It is therefore extremely difficult to forecast with any significant degree of confidence a likely budget deficit for each of the next five years.

The Council will continue to face significant cost pressures year on year. In the absence of any mitigation measures, these annual cost pressures could range between £10m - £15m per annum.

At present and based on the known Scottish Government planning figures for 2013/14 - 2014/15, the Council will lose almost £4m of grant over the next two years. Moving beyond this time period into the next CSR period, it becomes significantly less certain. However, it is highly likely that resources will continue to reduce and each 1% reduction in grant each will cost the Council around £4m.

For shorter term planning purposes, it is assessed that over the next two years, the Council is likely to face a gross baseline budget deficit of approximately £16m before recognising the financial costs of any identified investment objectives in priority areas for the Council.

Medium Term Mitigation Strategies
The Council already has in progress a range of key strategic medium and longer term strategies that are focused on mitigating cost growth and or delivering efficiency savings, whilst in many respects seeking to deliver better outcomes and services for the people of Renfrewshire. The development and implementation of these strategies will over the medium term mitigate and reduce the level of the annual baseline funding gap which the Council will face as it addresses shorter term budget planning, ultimately reducing the level of budget savings that the Council will be required to deliver each year.

A key planning principle of this financial strategy is that the following strategic response will be progressed to mitigate or offset as far as is possible, the financially unsustainable cost growth which it is anticipated that Council will face over the medium term and that financial planning should progress on the basis of prioritising, where required, investment need in these key areas

- Preventative spend and early intervention initiatives across the full range of client groups being served by the Council designed to mitigate the unsustainable long term demand led cost growth, especially within the context of Social Work related services
The Council remains committed to service modernisation and transformation as a means of delivering both cost savings and improving services to our customers and will continue to progress the next phase of the transformation programme.

Delivery of the medium term Debt Smoothing Strategy will continue to be progressed with the intention of delivering long term revenue budget savings and overall levels of debt which are financially sustainable into the medium to long term in the context of reducing resource availability.

Delivery of the Long Term Waste Management Strategy will be progressed to ensure the Council has in place a clear strategic option that will provide a financially sustainable long term waste management solution and ensure the Council is appropriately positioned to meet its long term waste obligations and Government targets.

In addition to larger scale transformation and modernisation, the Council will continue to be committed to an ongoing efficiency programme to draw in savings from a wide range of smaller scale projects and programmes to cumulatively deliver significant savings to support the shorter term budget planning process. In addition, the Council will continue to progress programmes which will review service level spend in the context of the Council’s new priorities and where required will look to dis-invest and redirect resources to priority investment where this is appropriate.

Reserves Strategy
The maintenance of reserves remains a key strategic aim within the context of the Council’s financial strategy. It is recognised reserves play an important role in both supporting the key objective of seeking to maintain financial stability for the Council but also in terms of delivering change and transformation.

Unallocated Reserves
Unallocated reserves represent a key protection mechanism for the Council providing it with financial resilience, ensuring there remains a source of uncommitted funds that are available to manage unexpected financial demands without disrupting the ongoing delivery of services.

At present, the Council’s core budget strategy places no reliance on unallocated reserves, which in the current climate is appropriate and is a financial planning principle which the Council should seek to maintain over this medium term period.

The current level of year end unallocated general reserves of approximately £6 million represents around 1.5% of the Council’s net expenditure. In the current context, this would provide the Council with the minimum acceptable level of coverage during 2012/13 and moving forward given the forecast financial climate, it would be recommended that the Council plan to ensure that unallocated general working balances do not fall below this level and that they are kept under ongoing review to ensure an appropriately prudent level is maintained, particularly if the level of financial risk which the Council is facing increases sufficiently to warrant an increase in the level of unallocated reserves.

Earmarked Reserves
The Council has made extensive use of earmarked and specific reserves as a key mechanism to support medium and longer term financial planning arrangements. By definition, these reserves retain approved resources that are intended to fund specific commitments at a relevant point in the future. They will remain an important mechanism which will allow the Council to manage available resources on a flexible basis between financial years and over both the medium and longer term, ensuring that achieving best value
Medium Term Financial Strategy

Medium Term Financial Strategy drives the application of financial resources and that financial resources are applied in a manner which best support the Council to achieve its strategic objectives.

A key financial planning principle will be that over the medium term the Council’s core budget will not be underwritten by the use of unallocated reserves and that £6 million represents the minimum level which unallocated reserves should be maintained and should be subject to ongoing review to assess any requirement to bolster the level in the context of the risk profile the Council faces in the future.

Non Housing Capital Investment
At present the Council has a medium term capital investment programme covering the period 2012/13 – 2014/15 which will seek to deliver over £140 million of investment.

In January 2010, the Council considered its medium term investment programme from 2011/12 – 2013/14, in the context of the beginning of the UK Government’s austerity. At that time, it was envisaged that capital grant from the Scottish Government would be subject to cuts which would last at least over the spending review period 2011/12 – 2013/14 and most likely beyond that.

The Council carefully considered its strategy for future investment programmes beyond those already approved, to ensure they remained affordable and deliverable within the Council’s resources over the medium term, and to avoid making long term financial commitments which put unnecessary additional pressure on the General Fund revenue account through increasing debt charges. In this context the Council approved the adoption of the following principles to assist in future capital spending and borrowing decisions:-

- Controlling Future Borrowing - new capital spending would be restricted to the level of capital grant received from the government, with no general unsupported borrowing being undertaken in order to help continue to manage borrowing within affordable limits.
- The Council committed itself to a financial planning principle that the limited level of future years capital grant, would be prioritised in the first instance to support adequate maintenance and renewal programmes across the Council’s asset base, to protect recent investment in schools, care homes and office accommodation, and to maintain infrastructure to a reasonable standard.

These principles have underpinned the capital investment programme which over the course of 2010/11 - 2011/12 has delivered £78 million of investment with at least a further £140 million planned to be delivered by 2014/15. In addition, over the course of the actual period to 2011/12 and planned period to 2014/15, the Corporate Debt Smoothing Strategy is supporting a reduction in the Council’s level of outstanding debt and associated annual debt charges to the revenue account, contributing directly to the saving requirements of the Council.

In the context of the anticipation of the Council continuing to face major financial challenges over the medium term, it is intended that the medium term strategy will continue to recognise the relevance of this approach and will progress on the basis of the following financial planning principles:

- No general unsupported borrowing will be undertaken by the Council with requirement for any new borrowing being underpinned by specific investment cases which are capable of delivering efficiencies to support the annual costs of the associated borrowing or those costs being supported by savings delivered through the Council’s wider budget planning process.
• Future years capital grant funding will continue to be prioritised in the first instance to support ongoing lifecycle maintenance and renewal programmes across the Council’s asset base.

• Funding of the Council’s investment programme can continue to be supported by capital receipts generated by the sale of surplus assets. However, spending commitments will only be taken forward on the basis of receipts that have been received and banked by the Council with no reliance being placed in the future generation of receipts to support committed programmes.

• The Council will continue to actively pursue other sources of funding to maximise support for investment opportunities including external grant funding sources, partner contributions and where appropriate bid funds which may become available through the Scottish Government and other sources.

• The Council will continue to progress the principles of the Debt Smoothing Strategy and utilise existing resources to support the continued reduction in the Council’s longer term debt profile to deliver sustainable longer term revenue budget savings which arise from the requirement to fund the associated annual debt charges.

Conclusions
The medium term financial outlook for the Council remains significantly challenging and will continue to be a period of contraction in the resources that will be available to the Council to deliver services. It is also likely to be a period of significant change to the public sector landscape whilst at the same time the Council moves into a period underpinned by new priorities and objectives that will be developed with partners as part of the new Council Plan.

Over the medium term the Council will inevitably be faced with a requirement to deliver significant year on year budget savings just to balance the budget and before any investment in priority areas can be supported. The new Council plan will provide a helpful focus for difficult decisions that will be faced over the coming years but the delivery of core services will need to be balanced with the resources available to the Council and a focus on the prioritisation of resources will become increasingly important for the Council.

Such is the medium term financial outlook, the Council is required to adopt a strategic approach to its financial planning arrangements over this period and to guard against decisions that are focused on short term challenges. The key financial planning principles outlined in this strategy will assist in maintaining a strategic focus and supporting workstreams that will support the long term financially sustainability of services.
Part 1
Introduction
1. Introduction

1.1 Purpose of the Financial Strategy

This financial strategy provides a strategic medium term framework which establishes overall financial direction and parameters to support the Council to move forward and deliver against its key policy objectives and priorities. The development of the financial strategy is supported by two existing key areas of activity:

- **The basic financial planning and control system** – the Council has well established budget planning and controls systems which have proved critical in supporting ongoing financial stability for the Council, particularly over recent years as financial challenges have increased significantly. This is focused on shorter term challenges for the Council, typically one year detailed budget with 1 – 2 year forward looking forecasts depending upon the current stage in the financial settlement cycle. The emphasis of this work is primarily to ensure fundamental stewardship requirements are met in relation to the Council’s finances i.e. legal requirement to set a balanced budget, responding to year on year changes, support the delivery of short term service and Council objectives and controlling annual expenditure within agreed limits.

- **Longer term financial modelling** – over recent years the Council has developed longer term financial modelling arrangements which look to forecast forward 10 years. The principle objective of the process is to support the development of a long term perspective of the Council’s potential baseline financial landscape i.e. if the Council was to do nothing to change and merely look to meet increasing demand pressures and new burdens. Based on what is currently known at present and informed views of how this will change in the future, this financial modelling supports the identification of key underlying financial risks for the Council. In response, the Council is in a position to assess the significance of the key risks and build in longer term strategies to mitigate the development of the negative impacts of these key risks.

1.2 The medium term financial strategy seeks to integrate these key activities through;

- enhancing, developing and extending the key outputs from the shorter term financial planning arrangements,
- incorporating the key identified financial risks and the associated mitigation strategies that emerge from the longer term financial planning arrangements
- integrating these in a medium term financial planning context alongside the Council’s key policy objectives and priorities, providing a clear picture of how the financial structure of the organisation is planned to change over the medium term and what the associated key activities are in order to support the Council to achieve the delivery of the corporate objectives.

1.3 The strategy itself provides a framework which over the medium term will:

- guide and inform key financial planning principles,
- support long term financial sustainability of the organisation and avoid short term focused decision making,

- allow the identification of the critical workstreams to support the both the delivery of the annual budget setting requirement and medium term changes to the Council’s financial and service structures;
Part 2
Strategic Context
2. Strategic Context

2.1 National Context

2.1.1 Economic Conditions and Future Prospects

As a public sector organisation, predominantly funded through the provision of central government grant, the performance and future prospects of the UK economy has a direct influence on the current and future financial well being of the Council.

Since the onset of the global economic crisis in 2007, the UK economy continues to face major challenges and if anything, these challenges have continued to grow in their severity. In 2010, the incoming UK government set medium term fiscal targets of

- Balancing the UK budget by the end of 2014/15; and
- To see Public Sector Net Debt falling by 2015/16

As part of their economic and financial recovery plan, significant austerity measures have been introduced across UK public spending. In addition to reductions in public spending, a key element of the recovery programme was anticipated growth rates in the wider UK economy. During the course of 2011, economic growth was much weaker than expected, primarily due to higher levels of inflation squeezing household and consumer spending.

Consequently, in November 2011 the UK Government, through the Office of Budget Responsibility (OBR), significantly revised downwards their future economic growth prospects. Table 1 below provides a summary of the revised forecasts produced by the OBR between the March 2011 budget and March 2012 budget.

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<th>Office of Budget Responsibility</th>
<th>GDP Growth Forecast</th>
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<tr>
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<tr>
<td>Nov 2011</td>
<td>0.7</td>
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<tr>
<td>March 2012</td>
<td>0.8</td>
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As a consequence, the process of fiscal consolidation and period of planned reduction in public sector expenditure has been pushed out for a further two years to 2016/17. In addition, it should be recognised that these remain forecast for economic growth and therefore are subject to a range of assumptions which as time moves on, in what is a period of unprecedented economic uncertainty, can be subject to material change. Indeed the OBR in March of this year stated that:-

“There is huge uncertainty around all public finance projections, especially over this time horizon. We stress-test the Government’s chances of achieving the targets using
sensitivity and scenario analysis. A significant risk to achieving the mandate is that potential output turns out to be lower at the end of the forecast than we currently assume.”

To emphasize this point and the potential risks associated with the economic growth prospects, forecasts from independent economists, have on average been consistently less optimistic than the OBR and over the recent past the actual growth achieved in the economy has continued to undershoot previous OBR projections.

In March 2012, the OBR acknowledged that the biggest risk to their forecasts remained the situation in the eurozone. Their central forecast assumed that the euro area finds a way through its current problems and that policymakers find a solution that delivers sovereign debt sustainability and the normal operation of the financial sector. However, OBR at that time acknowledged that the underlying situation remained fragile and will take time to resolve.

In many respects, the risks associated with this fragility significantly deepened during the first half of 2012/13 with the eurozone crisis becoming increasingly volatile and the contagion effect of the sovereign debt crisis deepening and spreading beyond Greece to Portugal, Spain and Italy.

The significant uncertainty created by the eurozone crisis has had a consequential impact on the UK economy with economic growth undershooting forecasts. The Office for National Statistics confirmed that the fall in GDP of 0.3 per cent in both 2012 Q1 and the fourth quarter of 2011, placing the UK economy officially into a second recessionary period following the 2009 recession, the so called ‘double dip recession’.

The delivery of a long term sustainable solution to the eurozone crisis remains unclear at present and consequently the degree of uncertainty over the period of recovery for the UK economy becomes increasingly acute. In a recent Treasury Select Committee hearing in June, the Governor of the Bank of England indicated that his view of the period of recovery for the UK economy was expanding all the time and that the period of financial pain would extend to at least another five years.

It is therefore clear, that economic conditions continue to be ever more fragile and challenging, both within the UK, across the eurozone and globally. Consequently, forecasts of economic recovery and future growth prospects in the UK economy, especially over the medium term are extremely uncertain and forecasts over the short to medium term continue to be downgraded from those set only in March of this year by the OBR. What is becoming increasingly certain is that the recovery is very likely to take longer than previously anticipated and will extend well beyond the term of the current comprehensive spending review period for public expenditure which ends in 2014/15.

2.1.2 Future of UK Public Finances

As outlined above, the future prospects for public sector finances, rests very much upon wider economic prosperity. The anticipated return to growth from the 2009 recession which was anticipated to accompany the UK Government’s austerity programme has stalled and the economy has once again slipped backwards into recession. Future prospects for recovery to positive and sustained growth appear to be weak and uncertain. Given this weaker than anticipated recovery in economic growth, over the medium term the UK
government will be faced with difficult policy choices if they are to deliver against their fiscal and economic targets.

The extent to which the UK Government rely on further and possibly deeper austerity measures to achieve this 2016/17 target is not at this stage clear and will not become clearer until the next comprehensive spending review period covering 2015/16 onwards. If they remain committed to attaining a balanced budget by the end of 2016/17, it would appear inevitable that the austerity programme across public sector expenditure will continue.

For the purposes of this financial strategy, it is assumed that this will last for at least the next 5 years. The impact on the Council will be felt predominantly through the level of government grant (both revenue and capital) the Council receives from the Scottish Government to deliver services and the potential impact on this is discussed further in section 3 below.

2.1.3 National Policy Drivers

Public Sector Reform in Scotland

The Scottish Government have clearly intimated a commitment to public sector reform across Scotland with the aim of creating a clearer, simpler and more effective public sector, freeing local agencies and front-line workers to focus on delivering public services.

Christie Commission’s Report on the Future Delivery of Public Services – the report, commissioned by the First Minister and led by Dr Campbell Christie CBE, on the future delivery of public services in Scotland, was published in late June 2011. The report made recommendations for the

increased empowerment of individuals and communities by involving them in the design and delivery of the services they use and transferring assets to community ownership where appropriate. It made further wide-reaching recommendations regarding improved integration of service provision, preventative spending and improved efficiency by sharing services wherever possible.

In September 2011, the Scottish Government published their formal response to the Christie Commission report, laying out their intended approach to public sector reform. The Scottish Government approach reflects the key themes and aims of the Christie Commission's report and is built on four key pillars of reform:

- a decisive shift towards prevention;
- greater integration of public services at a local level driven by better partnership, collaboration and effective local delivery;
- greater investment in the people who deliver services through enhanced workforce development and effective leadership; and
- a sharp focus on improving performance, through greater transparency, innovation and use of digital technology.

Already there are a range of major strategic changes being implemented by the Scottish Government which have major service and potential financial implications for the Council. Over the medium term, planning for and managing their impact at both a service level and from a financial perspective will remain a key strategic objective for the
Council. The major changes arising from the Scottish Government’s reform agenda includes:

(a) National Police & Fire Services

The Scottish Government are during 2012/13 progressing plans to establish a National Police Force and National Fire & Rescue Service. This represents a major shift in resources from local government and the Council will remain actively engaged in national groups established to assist the Government in managing the transition to ensure the financial interests of the Council are protected and that from the perspective of the Renfrewshire community, mechanisms and structures exist to ensure the new service engages effectively and can be appropriately accountable at a local level.

(b) Health and Social Care Integration

In December 2011, the Cabinet Secretary for Health and Wellbeing announced plans to potentially integrate health and social care services for adults in Scotland. The key aim of this development is to improve the quality and consistency of care for older people through closer partnership working between health and social care services. Consultation on the draft legislation has now been issued, with much of the finer detail of practical implementation still to be developed. Should this potential policy change move forward in whatever form or shape it may take, it will, given the scale of the resource potentially involved, present the Council with significant opportunities, uncertainties, and challenges. Senior officers are working nationally, and at a local level with colleagues to consider the practical application of the legislation in Renfrewshire, which may potentially have a significant impact financially, structurally and from a governance perspective.

(c) Early Intervention & Prevention

As part of setting their budget over the spending review period 2012/13 – 2014/15, the Scottish Government have started to formally earmark resources within National Change Fund arrangements. These Change Fund arrangements are focused on supporting early intervention and prevention activities across both older people and children’s services. As part of medium term financial planning arrangements, the Council will seek to take maximum advantage of opportunities that are available to access resources to support early intervention and prevention activities. As detailed later in this strategy document, the Council is already well advanced in developing and implementing early intervention and prevention mechanisms within older people and children’s services as a key strategic response to mitigating medium and longer term demand led cost pressures on budgets as well as delivering improved outcomes for the people of Renfrewshire.

(d) Self Directed Support Legislation

The Self Directed Support Bill was published in March 2012, and Scottish Government is currently working on the supporting guidance. The Bill proposes to place a duty on local authorities to offer those assessed as needing care four options for the delivering this;

- Receive a direct payment to purchase care, or to employ a personal assistant independently
- The cared for person chooses the support and the council makes the necessary arrangements.
Medium Term Financial Strategy

- Allow the council to continue to select and organise the care arrangements as before
- A combination of the above

While existing legislation already allows for direct payments, nationally there have been relatively low levels of take-up. The new duty will have significant practical and financial implications for the Social Work service in terms of changes in assessment and care management approaches, in the provision of appropriate advice and support to service users and the infrastructure needed to support the range of individual options which will be taken up. The shape and cost of services is likely to change as service users and carers opt for personalised support rather than traditional buildings based and other services, with a potential for a consequential impact on the workforce and on the financial viability of services delivered from existing property assets. The Council is currently planning for effective implementation of all aspects of the Bill, which is expected to pass through Parliament with an implementation timetable starting in 2013.

Welfare Reform

A major plank of the UK Government’s austerity programme is a reduction in the cost of the welfare system driven by the biggest reform since the second world war. The reform agenda is well underway and will continue over the medium term. The significance of the proposed changes cannot be under-estimated and will present the Council with major service and financial challenges, both in terms of financial and service impacts directly on the organisation and in terms of the impact on citizens across Renfrewshire and the consequential implications this has for the Council.

Externally, Council officers are involved in a wide range of national joint agency groups, both at a Scottish Government and UK Government level, and will continue through these groups to influence the delivery of the changes in a way which seeks to mitigate negative aspects of the changes on both the Council and individual citizens. Locally and internally within the Council, significant corporate working arrangements have been established to ensure that a co-ordinated, appropriately resourced and pro-active approach is taken to manage the ongoing and impending significant change programme the Council and local partners will face over the medium term. In addition, the medium term financial strategy and plans will require to appropriately recognise that delivery of the reform agenda by the UK Government will bring material financial pressures to bear on the Council through a range of ways, including for example:

- Reduction in funding associated with the abolition of Council Tax Benefit and replacement with a local Council Tax Reduction scheme
- Pressures on Housing Services associated with a wide range of changes to Housing Benefits including significantly the transition of Housing Benefit into the new single Universal Credit benefit payment, a single benefit payment that will be paid directly to individuals
- Changes in scale and nature of services which the Council will be responsible for delivering with the abolition of Housing and Council Tax Benefits
- Demand for increased support and welfare related services from the Council from individuals and families
as they struggle to cope with the speed, scale and complexity of changes that will impact on them through the reform process and the increased expectation the reforms will place on individuals to take increased responsibility for managing their own affairs.

- Challenges to support the local economy to be in a position to provide opportunities and employment to provide Renfrewshire citizens with clear avenues of opportunity to move into work and out of benefit.

2.2 Council Strategic Priorities

2.2.1 The Council’s Plan is an important document which sets out what the Council is aiming to achieve. The existing plan covers the period 2007 – 2012. The plan set out how the Council planned to respond to key challenges it envisaged it would be faced with over this period including issues such as an ageing and static population, limited resources, the varied needs and expectations of customers and the importance of sustainable development. The plan also outlined information on many of the key projects and initiatives that the Council sought to deliver over this period and also how the work which the Council would undertake over this period would be closely linked with the priorities which had been agreed with key community planning partners.

2.2.2 Since this plan was published in 2007, the Council and the environment in which it operates in has, in many respects, changed significantly. As is outlined in this report, limited financial resources represents an even bigger challenge than that which was envisaged in 2007. The Council continues to face significant socio-economic and demographic challenges and supporting local economic regeneration and prosperity has become an increasingly challenging issue, in particular for those aged 16-25

2.2.3 The existing Council Plan is nearing the end of its five year timeline and work is ongoing to develop what the future priorities of the Council will be. In some respects they may be similar to those which the Council sought to address during 2007 – 2012 and will complement the priorities which are agreed with community planning partners through the Community Plan.

2.2.4 From the perspective of the medium term financial strategy, irrespective of what the Council identifies as its key priorities over the medium term, the strategic financial implications remain the same. Moving forward the Council will be faced with a reducing level of resource to deliver its desired outcomes. Consequently, and in the absence of new resources any strategic investment which the Council wants to direct towards priority service areas, will require to be funded by resources released and redirected from elsewhere in the existing budget. Over the medium term, resource redistribution will therefore be a key strategic principle and consideration which will underpin the council financial planning arrangements.
Part 3
General Fund
Revenue
3. **General Fund Services**

3.1 **Long Term Financial Landscape**

3.1.1 Over recent years the Council has developed longer term financial planning arrangements which look to forecast forward over a 10 year time horizon. The principle objective of the process is to support the development of a long term perspective of the Council’s potential baseline financial landscape i.e. if the Council was to do nothing to change and merely look to meet increasing demand pressures and new burdens.

3.1.2 Even in a stable economic and financial environment, long term forecasting involves uncertainty, which increases as each year of the model extends out towards the ten year time horizon. In the current climate, this uncertainty has grown significantly due the expanding range of increasingly uncertain variables. As such, it is recognised that as we move further into the forecasting period, the value of what the financial model suggests carries an increased degree of risk and uncertainty.

3.1.3 Nevertheless, the development of a long term financial model is still viewed as a valuable exercise. In particular, it provides assistance in identifying the key financial risks which the Council is likely to be faced with over the long term based on what is known in the present day and informed judgements about the future. In response, the Council is in a position assess the significance of the key risks and develop and take forward longer term strategies to mitigate the development of the negative impacts of these key financial risks.

3.1.4 Detailed below are the **key financial risk factors** that have been drawn from the long term financial modelling process.

**Socio-economic and Demographic Pressures**

The long term financial modelling identified significant long term cost increases linked to predicted demand led growth for services arising from social-economic and demographic pressures, in particular within Social Work related services. At a broad level, the costs associated with Social Work related services were forecast to increase at around 6% per annum due to inflationary pressures but more significantly due to increased demand, in particular in the following areas.

- In relation to **children and young people**, Renfrewshire continues to have higher than the national average of number of children requiring to be looked after by the local authority, within the local context of significant deprivation and high incidence of families impacted by drug and alcohol abuse. Figures produced in February 2012, show that across Scotland the percentage of looked after children was 1.256%; in Renfrewshire the figure was 2.23%, the third highest rate in Scotland. Social Work services in Renfrewshire work with over 1500 children and their families. As at March 2012, there were 771 children and young people looked after within Renfrewshire, 326 of whom were in foster or residential care placements with the remainder looked after in their own home or with relatives. Despite population projections over the next ten years forecasting a relatively static pre-five and school age population for Renfrewshire, social-economic factors linked primarily to deprivation and
substance abuse are driving a continued increase year on year in demand for looked after children.

- The Social Work service currently supports 529 adults under the age of 65 in the community and in supported and residential accommodation at a cost of around £21 million. Given medical advances, there are a growing number of adults with a range of disabilities and life limiting conditions who are able to live longer, more independent lives in the community. The complex nature of the conditions can mean that very intensive support is required to sustain independent living. There are currently around 140 service users whose individual packages of care each have an annual cost of more than £50k, with the highest being over £300k. The service faces challenges in resourcing this level of support for the numbers of adult service users with complex conditions, in particular given the number of clients are forecast to increase year on year into the future.

- Demographic trends both nationally and within Renfrewshire are forecasting an ever increasing elderly population. The increasing numbers of frail older people requiring a range of supports to continue to live independently in their own homes, and, where this is no longer possible, requiring residential or nursing care, is recognised and well documented. The position in Renfrewshire is illustrated in the tables below.

This shift in demographics has very significant implications for the management of services for older people, particularly care at home, and residential and nursing home places.

Environmental and Waste Management

Previous long term financial modelling had suggested that the Environmental Services budget could potentially be subject to average annual cost pressures of around 5% per annum over a ten year period. This was principally being driven by forecast pressures on waste disposal costs associated with the ongoing impact of the landfill tax escalator, increases in disposal contractor costs and the potential impact of future landfill tax penalties. It is recognised that the risks associated with landfill penalties has now subsided following the indefinite suspension by
the Scottish Government. However, the scale of the medium and longer term financial risk associated with environmental and waste management remains significant given the revised zero waste targets which the Scottish Government have placed on the Council and the requirement to effectively end any use of landfill as a waste management solution by 2020. The requirement to develop a long term environmentally sustainable and financially affordable waste management solution remains a key risk for the Council, both from a financial perspective and from a reputational perspective.

**Volatility in Utility Costs**

It is extremely difficult to model future energy prices given the level of volatility in this market – energy is a true commodity. In the past the prices of utilities have fallen from previous highs associated with unprecedented oil prices, but recently there has been significant increases in the costs of both gas and electricity in the domestic market.

Putting volatility issues to one side, the important aspect to recognise is that price increases over the recent past have materially increased the financial significance of energy and fuel costs. The volatility makes it difficult to predict over even the short term with any great degree of accuracy, however there is a general consensus the era of relatively cheap energy is a thing of the past. The financial significance of energy costs is therefore unlikely to diminish, which when combined with the financial impact periods of volatile increases can have, energy represents a key corporate supply and financial risk which will require careful management both now and into the future.

**Future Financial Resources**

The key financial resource available to the Council remains central government grant which funds over 80% of the Council’s annual net revenue expenditure. As indicated earlier in the report, in the context of the recovery of the UK economy the future prospects for public sector finances in both the UK and Scotland remain increasingly poor, particularly when viewed over the medium term. It is also widely anticipated that once the reduction in public finances reaches its lowest point, it is likely to be followed by a period of flat or very shallow growth. As discussed later in the report, how this will ultimately feed through to the Council in the form of reductions in government grant, is difficult to forecast with any degree of certainty and it will ultimately be influenced by a wide range of variables, some of which will be determined by government policy decisions at both a UK and Scottish Government level.
Medium Term Financial Strategy

3.2 Medium Term Revenue Strategy

3.2.1 Overview of Current Financial Position

The delivery of effective financial management across the Council has always remained a key corporate objective. It is recognised that delivering effective financial control on a day to day basis and ensuring adequate and sustainable financial planning by the Council are key to ensuring the Council retains financial stability and sustainability to allow it confidently and effectively move forward and plan for the delivery of its key corporate objectives.

The overall year-end financial position for the Council at 31 March 2012 was in line with the assumptions set out in the Council’s budget report for 2012/13. This confirmed the availability of resources to be carried forward to fund the Invest in Renfrewshire programme, and the other items of one-off investment, including the CCTV project which the Council had committed to as part of setting the 2012/13 budget. In line with financial plans, the Council continues to have approximately £6 million in unallocated reserves and there is currently no dependence on the recurring use of reserves to support the Council’s core budget. As detailed further on in this report, in the context of the Council’s existing financial climate, this is the minimum level at which the Council would want to see its unallocated reserves. To date, during the course of 2012/13, budget monitoring confirms ongoing financial stability across all services with no material areas of cost pressure that is not currently being managed within existing approved resources. The Council continues therefore to operate from a stable financial position, providing a firm basis from which to move forward and plan for the continuingly difficult financial challenges that it will face over the medium term.

3.2.2 Future Government Revenue Grant

2013/14 and 2014/15 are years 2 and 3 of the current comprehensive spending review (CSR) cycle in Scotland, and in December 2011 Scottish Government provided all Councils with ‘indicative’ grant figures for these two years as part of the financial settlement. As reported to Council in December 2011, the Council’s grant is currently expected to reduce by 0.6% and 0.5% in these years. These are the grant figures assumed in our shorter term financial planning assumptions, but remain subject to potential revision by the Scottish Government when the grant settlement is confirmed in December 2012.

As outlined earlier in this report, there remains major uncertainty in relation to even the short and more significantly the medium term prospects for the UK economy, particularly in the context of the ongoing and as yet unresolved financial crisis in the eurozone. Consequently there remains significant risk of change to both the UK and Scottish Government budgets covering the period 2013/14 – 2014/15 as a result of external factors, and the Council needs to remain alert to the possibility of further reductions in its grant support over this two year period. This is one of the biggest short term financial risks to the Council at this stage, due to the level of uncertainty and the Council’s inability to influence the outcome.

Looking beyond the existing CSR cycle into the medium term to 2017/18, the likely grant position for the Council becomes increasingly uncertain and will be influenced by a wide range of variables. It is for example anticipated that as is currently the case, the Council will remain on or close to the grant floor in the local government grant distribution process due primarily to its demographic position relative to
the rest of Scotland. However future grant prospects for the Council will be more significantly influenced by the performance of the UK economy and the extent to which it recovers and moves back into a period of sustained growth, but also political spending decisions taken at both a UK and Scottish Government level in relation to the allocation of public sector resources, and in particular the extent to which the NHS budget receives ongoing real terms protection moving into the future, by both the UK and Scottish governments.

As referred to earlier in the report, both the Governor of the Bank of England and external economic commentators are already forecasting continuing pressure on public spending at a UK level at least through to 2018. It is therefore highly probable that the Council will face at least five years of annual reductions on government grant, both on revenue and capital spending.

Such is the level of uncertainty it is difficult with any degree of confidence to take a medium term planning view over the level of future reductions in government grant levels for the Council. Assuming the current Scottish Government planning figures for 2013/14 – 2014/15 are able to be maintained, the prospects for the period 2015/16 – 2017/18 appear to be less favourable and the Council is likely to face continued year on year percentage reductions in government grant over the next CSR period at levels that will be materially more significant relative to those planned for over the next two years.

3.2.3 Future Council Tax Income

Council Tax charges have remained at the same level since 2007/08 and it is the stated manifesto objective of both the Scottish Government and the Council administration for the freeze on Council Tax to remain in place. For the purposes of this medium term strategy, it is assumed that the freeze on Council Tax charges will remain in place for the foreseeable future.

Over the past number of years, the Council has re-organised how it approaches and manages the collection of Council Tax debt through the creation of the Corporate Finance Recovery Team which focuses on collecting outstanding debts in a more corporate and focused manner. This has yielded significant improvements in Council Tax collection levels which has supported a significant increase in the level of budgeted Council Tax income and assisted in protecting the level of budget savings that have been required from front line service delivery. Although the delivery of continued year on year improvement in collection performance remains a key objective for the Council, the level of deliverable improvement in budgeted Council Tax yield is diminishing and becoming more difficult to attain. For the purposes of medium term financial planning, it is assumed that there is limited scope for further material improvement in collection yield over the medium term and that in the current economic climate maintaining existing performance and budget yield will remain the key objective.

In terms of the Council Tax base, it is envisaged that prospects for any material change over the medium term in the actual number of chargeable dwellings within Renfrewshire remains low. The private sector housing development market remains in a depressed state with relatively low level of activity across Renfrewshire. Coupled with increasing levels of households qualifying for single person discounts, the overall impact has been a relatively static Council Tax base within Renfrewshire. For medium term planning purposes, it is assumed that the Council Tax base is likely to remain relatively static over the period,
although this will be kept under close review to assess any indication of the beginning of a sustained recovery in the housing market across the Council area.

Taking into account an anticipation of an ongoing freeze in Council Tax levels, that there remains only limited scope for delivering continued improvement in collection performance and that the Council Tax base itself is likely to be broadly static or with relatively low levels of growth over the period, it is assumed that budgeted Council Tax income will remain relatively static over the course of this strategy period.

3.2.4 Future Cost and Service Pressure

Socio-economic and Demographic Pressures

As outlined earlier in the longer term financial modelling section, socio-economic and demographic pressures remain a key financial risk for the Council. Consistent with many other local authorities, the Council has been making provision over recent years to take account of this cost pressure rising demands on services. Historically, this has been of the order of £3 million per year, and it is assumed that in the absence of any major response from the Council, an annual cost pressure of at least this magnitude would continue to be experienced.

Environmental and Waste Management

Over the medium term the Council will continue to face year on year costs pressures associated with environmental and waste management. As referred to earlier in the report, the scale and significance of this pressures has to some extent reduced in the shorter term with the effective suspension by the Scottish Government of land fill penalties. Over the course of this strategy, it is assumed that the annual cost pressure will arise from the landfill tax escalator which based on current UK Government assumptions, will cost the Council around £0.5 million per annum.

National Policy and Legislative Changes

National policy and legislative changes, arising from both UK and Scottish Government level, are by nature uncertain and subject to change. In particular, in the current context there is a higher potential for unexpected changes in policy direction and associated financial consequences given the challenges national governments will face to balance national budgets, which may necessitate decisive measures which are implemented over shorter periods of time than would otherwise have been experienced in the past.

There are a range of known changes, the impact of which is not yet known and a range of potential changes which for example are under active consideration by national governments. Both represent areas of potential risk and uncertainty for the Council which will require careful pro-active monitoring and where appropriate engagement. Key areas which are known at present include:-

- Structural reform of public services in Scotland has already commenced with the planned transfer of responsibility for Police and Fire Services from local government to a new national Police Force and new national Fire & Rescue Service from the 1st April 2013. It is assumed that there will be no detriment to the Council in the removal of police and fire funding from the local government settlement, the details of which are subject to current discussions through COSLA with government officials. In addition, the Scottish Government are
actively consulting on the future integration of Health and Social Care Services, which may result in significant changes for the Council, in terms of how it provides a range of key services and the financial arrangements that underpin them. Again it is assumed that although it is likely to involve significant change, there is no detrimental financial impact of whatever changes may emerge following the period of consultation.

- The impact of Self Directed Support is as yet unknown and therefore represents an area of risk and uncertainty for the Council that over the coming months will require careful monitoring and assessment and any emerging impact fed into the shorter term budget planning cycles.

- Government Pension reform is focused on making public sector pension provision more affordable and financially sustainable. However, there are key changes which represent significant financial risks for the Council as an employer. Firstly, auto enrolment is a UK Government policy which will be introduced from 1st April 2013. This will require the Council to automatically enrol employees into the pension fund with the onus on the employee to indicate a desire to opt out. In addition, this opt out requirement requires to happen at specified periodic intervals and will also be required each and every time an employees pay changes. The policy objective is to encourage individuals to enter occupational pension schemes and make provision for their retirement. It is difficult to assess the impact of this change but it is anticipated that an increased proportion of the workforce will over time participate in the pension scheme and the Council will face increasing costs associated with employer pension contributions. Again, the impact of this will require to be carefully monitored and appropriate provision built into shorter term budget planning cycles as the known financial costs begin to emerge. Secondly, and more significantly, the pension fund arrangements for local government employees are “contracted out” schemes which result in national insurance savings for both the employee and the employer. The UK Government are currently consulting on potentially changing this status, which if implemented would result in a significant additional national insurance cost for the Council. The outcome of the consultation is at this stage far from clear as is the timing of any potential implementation. However, if implemented the potential cost could run to several million pounds. As such, the potential implementation represents an area of significant financial risk that needs to be taken into account as a potential future cost looking forward into the short to medium term.

- Welfare Reform - The potential scale of the financial consequences for the Council arising from changes to the welfare and benefits system continue to emerge. Whilst there will be growing pressures on the Housing Revenue Account (HRA) as a result of changes to the housing benefits system beginning in April 2013, there are also significant immediate pressures on the General Fund. From April 2013 the existing council tax benefit scheme which is administered and delivered by local government on behalf of the Department for Works and Pensions (DWP) will be abolished and responsibility transferred to local government for the administration of a locally based council tax reduction scheme. In addition, elements of the existing social fund operated by the DWP will transfer to local government. In both instances, the transfer of responsibility will be
accompanied by funding transfers to the Scottish Government and ultimately to local government and the Council. However, the Council will face immediate financial cost pressures arising from the costs of delivering the new devolved services, particularly in the case of the Council Tax scheme where it is expected that the funding transfer will be at least 10% less than the cost associated with the existing scheme. In addition, it is anticipated that over the course of the next five years the Council is likely to be faced with the likelihood of increasing demands as the impact of the UK Government’s welfare reform agenda moves through to full implementation over the medium term.

The Council’s understanding of the direct financial consequences on its budget and the impact of collateral cost pressures emerging from increased demand for services, will continue to develop over the coming years. However in the short term over the next two years, there will be immediate pressures potentially in the region of £2 million - £3 million.

**Pay Pressures**

Whilst there is currently a pay freeze in place for both local government employees and teachers for 2012/13, there is no agreement at this stage on pay awards for 2013/14 and 2014/15. The Chancellor has assumed a 1% increase in his settlement for Scotland, and similarly the Cabinet Secretary in Scotland has indicated that he expects any pay award in the next two years to be ‘modest’. For financial planning purposes, the Council’s financial strategy assumes a 1% award for both years at a cost of approximately £5 million. Moving beyond 2014/5, it is clearly more difficult to predict what likely pay awards will be. However, given the negative prospects for UK public finances are likely to continue into the medium term, it is difficult to envisage any significant pay awards over this period and modest levels of annual pay award increases represent the most probable scenario.

**General Non Pay Inflation**

Exceptional inflationary pressures, such as utilities fluctuations and contractually committed annual cost uplifts are specifically accommodated for in the Council’s budget planning arrangements. Historic practice within the Council is that any impact of general non pay inflation is managed by Directors on a bottom line basis. Given general inflationary pressure in the economy is beginning to return to more stable longer term planning levels, it assumed that over the medium term there will be a continuation of this historic practice. Taking account of the general economic pressures being experienced in the community, and by users of the services, there is also an assumption of no increases on fees and charges for both 2013/14 and 2014/15. Looking beyond that period, the Council will need to continue to assess the ongoing pressures upon the community and users and the extent to which general price increases would be appropriate.

**Contractual Increases and Other Cost Pressures**

The Council has a range of contractual commitments which are subject to annual cost increases and in addition will face general unavoidable cost pressures that will emerge over the course of any financial year from a range of factors. Directors are expected to work hard to mitigate as far as possible the impact of general cost pressures without creating financial management risks. However in general, it is normal for such cost pressures to require unavoidable budget adjustments in the region of £3m - £4m per annum and it is assumed that over the course of this strategy a
similar level of adjustment will be required on an annual basis.

3.2.5 Funding Council Priorities

The Council has a range of key strategic priorities, objectives and outcomes which it will be focused upon achieving over the next 5 years. To support the delivery of these, a range of investment priorities will emerge and be identified over the coming years, both revenue resources and capital investment needs.

Despite operating in the context of reducing resource availability over the medium term, the Council will want to see resources directed to support these priority areas. In the absence of resource growth over the period, supporting such strategic objectives will require significant redistribution of resources. Moving forward therefore, a key medium term strategic assumption will be a need to deliver levels of budget savings which will support addressing both the baseline budget gaps which arise from reducing resources and base budget cost pressures, but also a need to release resources to re-invest in priority areas for the Council moving forward.

3.2.6 Future Baseline Budget Deficit

The future medium term horizon is the most uncertain and almost certainly the period of greatest change that the Council has ever faced in its history. It is therefore extremely difficult to forecast with any significant degree of confidence a likely funding gap for each of the next five years.

The Council will clearly continue to face significant cost pressures year on year. In the absence of any mitigation measures, these annual cost pressures could range between £10m - £15m per annum.

At present and based on the known Scottish Government planning figures for 2013/14 - 2014/15, the Council will lose almost £4m of grant over the next two years. Moving beyond this time period into the next CSR period, it becomes significantly less certain. However, it is highly likely that resources will continue to reduce and at a higher level, with each 1% reduction costing the Council around £4m.

For shorter term planning purposes, it is assessed that over the next two years, the Council is likely to face a baseline budget deficit, after taking account of debt smoothing savings, of approximately £16m across the two years. This is before recognising the financial costs of any identified investment objectives in priority areas for the Council.

Moving into 2015 - 2018 it becomes more difficult to identify a suitable planning figure. However, for strategic planning purposes, the Council should plan for significant year on year gross budget deficits. It would for example not be unrealistic for these to be in the region of £15m in each of these three years.

The nature of this medium term financial outlook means that the Council needs to adopt a strategic and sustainable plan linked to the delivery of core priorities to preserve the Council’s financial resilience and protect priority services from reactionary short term budget measures over the next five years.
3.2.7 Medium Term Mitigation Strategies

The Council already has in progress a range of key strategic medium and longer term strategies that are focused on mitigating cost growth and/or delivering efficiency savings, whilst in many respects seeking to deliver better outcomes and services for the people of Renfrewshire. The development and implementation of these strategies will over the medium term mitigate and reduce the level of the annual baseline funding gap which the Council will face as it addresses shorter term budget planning, ultimately reducing the level of budget savings that the Council will be required to deliver each year.

Preventative Spend and Early Intervention

The Council has and will continue to face significant and long term cost pressures arising from local and national socio-economic circumstances, and of demographic change and growth. In the absence of any measures to mitigate these pressures, the cost of services and in particular Social Work related services would continue to grow at an unsustainable rate.

A key strategic response from the Council has focused on the development of a strategy which will seek to mitigate this future cost growth through a wide range of measures which seek to shift resources away from delivering services which manage consequences to those which look to intervene earlier and prevent future demand for more expensive services, whilst at the same time delivering better outcomes for the people the Council is trying to support.

This is a challenging strategic objective and it is recognised that in many of the examples outlined in Appendix 1 of this report, the nature of shift in service provision will require simultaneous investment in new service provision to allow the process of dis-investment to commence.

The Scottish Government have provided Change Fund resources to support such preventative and early intervention work for Older People Services and Early Years. Equally, in setting the 2012/13 budget the Council has earmarked approximately £1.3 million of recurring resources to provide match funding contributions to support programmes to access these national change fund resources. Moving forward, a key strategic objective will be for the Council to ensure appropriate resources are made available within the recurring revenue resources to adequately support such programmes, to support the longer term strategic objective of shifting service provision to those that will be more financially sustainable in the long term whilst delivering better customer outcomes.

Service Transformation

The Council has been successful over recent years in driving forward an internal transformation programme, “Transforming Renfrewshire” which has delivered major business change across all services, simplified business processes and service structures and enhanced the effective use of ICT. In addition, significant strides have been made to develop and enhance corporate approaches to procurement, the provision of business support functions and the management of the Council’s physical assets. Taken together, these key transformation programmes have delivered the significant efficiency savings that were envisaged in the original business case estimates and which have assisted the Council to protect front line services from greater budget savings over this period.
The existing transformation programmes are nearing completion and a key strand of the delivery of further strategically driven savings will be a new second phase of transformation and modernisation for the Council. This will maintain focus on how the Council can continue to develop internally, by doing things better, more quickly, reducing duplication and better utilising ICT etc but will also begin to extend in its scope and become more outward looking. This will involve for example examining how the council delivers services, considering alternative options and new delivery approaches including the potential benefits that can be secured by working with other partners.

In a similar vein to preventative spend and early intervention, service transformation and modernisation in most circumstances require pump prime investment. The Transforming Renfrewshire Programme has provided precedent and confidence for the Council of a transformation programme which has delivered on its forecast budget savings in return for the committed up-front investment and moving forward the Council’s medium term financial planning will recognise the need for a commitment to appropriately resource ongoing strategic investment to facilitate the drive for modernisation and transformation programmes.

Treasury Management and Debt Smoothing Strategy

Over the past number of years the Council has been developing and implementing a debt smoothing strategy as a key strategic plank of addressing the significant level of budget savings that it has been required to deliver. This strategy involves a range of targeted actions which have included examining the Council’s debt structures and repayment profiles, optimising the management of borrowing and investment strategies to minimise interest rate exposure and targeting planned debt repayments. In combination, these measures have facilitated the delivery of a significant and sustainable year on year reduction in the Council’s annual debt costs. It is intended to maintain delivering this strategy moving into the medium term, albeit it is recognised that the delivery of new savings across each of the next 5 years are likely to be more substantial in the first three years of this medium term strategy.

Efficiency Programmes and Priority Based Budgeting

As part of short term budget planning, the Council has continued to deliver efficiency savings arising from a wide range of specific workstreams taken forward on both a corporate basis and by individual services. These savings have arisen from for example specific service reviews, service redesign programmes, streamlining management and supervision structures, reducing discretionary spending, growing income sources etc. The use of a wider efficiency and savings programme which will draw from a wide range of smaller scale projects and programmes will continue to be utilised as a key mechanism to drive out cumulatively significant levels of savings and will complement the larger scale strategic workstreams. The exact level of savings targeted each year through this means will be determined as part of the development of the shorter scale budget strategy development.

Long Term Waste Management Strategy

As identified earlier in this report, the delivery of a long term waste solution remains a key objective for the Council. Although the risk of landfill penalties has subsided for the time being, the landfill tax escalator remains a key cost pressure which will add in the region of £2.5 million in recurring cost over the next 5 years if the Council continues...
to landfill at the present rate. In addition, as a waste disposal option, landfill from a regulatory perspective has a limited life and as such the Council requires to develop and implement a long term alternative to ensure it is able to meet its obligations under the Scottish Government’s Zero Waste Plan and to ensure it is not financially exposed and reliant on seeking a short term solution from an external provider.

In response the Council has been actively progressing a Long Term Waste Management Strategy to ensure that a strategic best value solution is identified. As part of preparing for the implementation of the identified solution arising from this strategy development, the Council a number of years ago earmarked £2.5 million of recurring revenue resources to support the long term delivery of the strategy. In the intervening period, these resources have supported the delivery of improvements to the Council’s recycling rates and reduction in levels of landfill waste, with the residual annual funding being diverted each year to an earmarked fund which will be available to support capital or up-front investment requirements that may be associated with the preferred solution. It is intended that over the course of the following years this strategic approach is maintained.

In the meantime, the Council is continuing to progress the development of the Clyde Valley Waste programme which will seek to progress a major collaborative waste project to deliver economies of scale at a level which will allow the programme to collectively deliver a better value waste solution than the Council could deliver on an independent basis. The identification and delivery of the preferred solution will provide a strategic response and long term mitigation to the growing annual costs of waste disposal and ensure the Council is in a position to meet its obligations in relation to future waste targets.

3.2.8 Reserves Strategy

The maintenance of reserves remains a key strategic aim within the context of the Council’s financial strategy. It is recognised reserves play an important role in both supporting the key objective of seeking to maintain financial stability for the Council but also in terms of supporting the delivery of change and transformation.

Unallocated General Reserves

Unallocated reserves represent a key protection mechanism for the Council providing it with financial resilience, ensuring there remains a source of uncommitted funds that are available to manage unexpected financial demands without disrupting the ongoing delivery of services.

There is no absolute level of unallocated general reserves which is appropriate, rather the level should reflect the ongoing context in which the Council is operating, the degree of uncertainty it is facing and indeed potential risk that may arise. It is therefore important that the level of unallocated general reserves is reviewed on a regular basis to ensure it remains appropriate and that any requirement to increase the level due to changing circumstances is identified early and planned for as part of the annual budget setting process.

As referred to earlier, the economic climate remains significantly fragile and uncertain, with no likelihood of short term improvement and looking ahead in terms of the remaining years of the spending review period covering 2013/14 – 2014/15, there is little prospect of the level of uncertainty improving. The Council is also faced with the ongoing challenge to deliver further recurring budget savings over the medium term as part of a continuing process to
realign Council spending with available resources and it is recognised that this brings with it additional risk, particularly in the context of the level of savings the Council has already delivered to date.

At present, the Council’s core budget places no reliance on general unallocated reserves, which in the current context is an appropriate strategy and is a principle which the Council should seek to maintain moving forward over this medium term period.

The current level of unallocated general reserves is approximately £6 million and represents around 1.5% of the Council’s net expenditure. In the current context, this would provide the Council with the minimum acceptable level of coverage during 2012/13 and moving forward given the forecast financial climate, the Council should plan to ensure that unallocated general working balances do not fall below this level. They should also be kept under ongoing review to ensure an appropriately prudent level is maintained, particularly if the level of financial risk which the Council is facing increases sufficiently to warrant an increase in the level of unallocated reserves.

Earmarked General Reserves & Specific Reserves

The Council has made extensive use of earmarked and specific reserves as a key mechanism to support medium and longer term financial planning arrangements. By definition, these reserves retain approved resources that are intended to fund specific commitments at a relevant point in the future. They remain and important mechanism which allows the Council to manage available resources on a flexible basis between financial years and over both the medium and longer term, ensuring that the Council appropriately plans for its financial commitments over the long term and that the application of financial resources are driven by decisions underpinned by best value and which best support the Council to achieve its strategic objectives.

The following are the key areas where the Council has and where appropriate, would intend to continue, to utilise earmarked reserves:

- Service Modernisation and Reform Fund (SMARF) – the Council has for a number of years established this fund in recognition of the ongoing requirement to drive forward a significant modernisation and reform agenda and that delivering such change requires up-front funding for such areas as ICT investment, adequately resourced project teams and in some instances a requirement to fund voluntary severance arrangements. As detailed earlier in this report, this agenda will remain a key objective for the Council and moving forward there will be a requirement to maintain resource availability to support change, reform and modernisation. A key financial consideration over the medium term will therefore be maintaining and replenishing the SMARF, subject to affordability constraints, with an appropriate level of resources to continue to support future transformation programmes.

- Long Term Reserves – the Council operates two reserves which are part of long term funding arrangements for major Council projects. The first relates to the future funding of the schools PPP project, for which a budgeted contribution is made each year from ongoing revenue and which is planned to be utilised from 2031/32 for the final five years of this project to replace Scottish Government Funding which is due to cease at the end of 2030/31. The second relates to the Waste Management Strategy for which annual contributions are made from existing waste
management revenue resources and which over the medium term will be released to support the delivery of the Council’s long term waste solution, the business case for which is currently under development with a number of other collaborating councils. Given their nature, it is anticipated that these funds will continue to operate over the period of this medium term strategy along with the planned ongoing annual contributions from revenue.

- Capital Funds – use is made of capital funds to earmark revenue contributions to capital projects. These funds are in some instances associated with specific investment programmes, for example the Building Better Communities Investment Programme but also a General Strategic Asset Management Fund which retains unallocated resources pending approval being secured to direct the resources to a particular project normally following consideration of strategic investment business cases. As plans and business cases develop and are approved, appropriate ongoing use will be made of capital funds to support the delivery of capital investment priorities.

- Year End flexibility – outwith the context of the Schools Delegated Management of Resources (DMR) arrangements, the Council does not operate a generic year end budget flexibility policy. By default, Service Directors are responsible for delivering services within the their approved bottom line revenue budget resources for the year, with no scope for any planned overspending and with under-spends returned to overall Council balances. It is however recognised that in some circumstances, and where the Council’s overall financial position allows, there is merit in applying a degree of year end flexibility, to support for example the delivery of a specific project, the full delivery of which may have been delayed during the course of the financial year. Over the course of this medium term strategy period, the Council intends to maintain this approach and continue to assess the justification and affordability for applying year end flexibility a case by case basis.
Part 4
Capital Investment Programme
4. Non Housing Capital Investment

4.1 At present the Council has a medium term capital investment programme covering the period 2012/13 – 2014/15. The table below summarises this investment programme which over the three year period will seek to deliver over £140 million of investment.

<table>
<thead>
<tr>
<th>Department</th>
<th>Programme 2012/13</th>
<th>Programme 2013/14</th>
<th>Programme 2014/15</th>
<th>Programme TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; Leisure Services:</td>
<td>17,932</td>
<td>9,060</td>
<td>11,920</td>
<td>39,722</td>
</tr>
<tr>
<td>Leisure Services Division</td>
<td>19,687</td>
<td>17,168</td>
<td>0</td>
<td>36,846</td>
</tr>
<tr>
<td>Renfrew Town Hall (Common Good)</td>
<td>387</td>
<td>0</td>
<td>0</td>
<td>387</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>3,762</td>
<td>1,560</td>
<td>1,560</td>
<td>6,882</td>
</tr>
<tr>
<td>Planning &amp; Transport:</td>
<td>4,009</td>
<td>602</td>
<td>95</td>
<td>4,606</td>
</tr>
<tr>
<td>Planning Division</td>
<td>9,023</td>
<td>5,802</td>
<td>4,250</td>
<td>18,075</td>
</tr>
<tr>
<td>Roads Division</td>
<td>11,203</td>
<td>9,268</td>
<td>5,005</td>
<td>25,466</td>
</tr>
<tr>
<td>Policy and Resources (Corporate Issues)</td>
<td>2,651</td>
<td>36</td>
<td>0</td>
<td>2,991</td>
</tr>
<tr>
<td>Social Work</td>
<td>1,007</td>
<td>816</td>
<td>340</td>
<td>5,226</td>
</tr>
<tr>
<td>Private Sector Housing Grant</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL GENERAL SERVICES PROGRAMME</td>
<td>68,912</td>
<td>45,489</td>
<td>26,170</td>
<td>140,271</td>
</tr>
</tbody>
</table>

4.2 In January 2010, the Council considered its medium term investment programme from 2011/12 – 2013/14, in the context of the beginning of the UK Government’s austerity programme which would see the commencement of sustained reduction in public spending and which would ultimately feed through to the Council as reduced levels of revenue and capital grant funding from the Scottish Government. At that time, it was envisaged that capital grant from the Scottish Government would be subject to cuts which would last at least over the spending review period 2011/12 – 2013/14 and most likely beyond that.

4.3 At that time the Council carefully considered its strategy for future investment programmes beyond those already approved, to ensure they remained affordable and deliverable within the Council’s resources over the medium term, and to avoid making long term financial commitments which put unnecessary additional pressure on the General Fund revenue account through increasing debt charges. In this context the Council approved the adoption of the following principles to assist in future capital planning, spending and borrowing decisions:-

- Controlling Future Borrowing - new capital spending would be **restricted to the level of capital grant received from the government**, with no general unsupported borrowing being undertaken in order to help continue to manage borrowing within affordable limits. Moving forward, borrowing for any new capital investment projects was considered and reviewed on a case by case basis, and any associated prudential borrowing was restricted to that which could be directly funded from efficiency savings generated from within the projects or from wider efficiency programmes as part of the overall budget strategy.

- Second, and in keeping with the Council’s Strategic approach to Asset Management and in view of the likely reduced resources available, the Council committed itself to a financial planning principle that the limited level of resources that would be available from future years capital grant, would be prioritised in the first instance to support adequate maintenance and renewal programmes across the Council’s asset base, to protect recent investment in schools, care homes and office accommodation, and to maintain infrastructure to a reasonable standard.
4.4 These principles have underpinned the capital investment programme which over the course of 2010/11 - 2011/12 has delivered £78 million of investment with at least a further £140 million planned to be delivered by 2014/15. In addition, over the course of the actual period to 2011/12 and planned period to 2014/15, the Corporate Debt Smoothing Strategy is supporting a reduction in the Council’s level of outstanding debt and associated annual debt charges to the revenue account, contributing directly to the saving requirements of the Council.

4.5 In the context of the anticipation of the Council continuing to face major financial challenges over the medium term, it is intended that the medium term strategy will continue to recognise the relevance of this approach and will progress on the basis of the following financial planning principles:

- No new general borrowing will be undertaken by the Council with requirement for any new borrowing being underpinned by specific investment cases which are capable of delivering efficiencies to support the annual costs of the associated borrowing or those costs being supported by savings delivered through the Council’s wider budget planning process.

- Future years capital grant funding will continue to be prioritised in the first instance to support ongoing lifecycle maintenance and renewal programmes across the Council’s asset base. As with revenue grant, capital grant funding from the Scottish Government for 2013/14 – 2014/15 are only planning figures at present and will not be confirmed until December of this year. Looking to 2015/16 and beyond, it is likely that as with future revenue grant, the level of capital grant available from the Scottish Government will be subject to a degree of reduction, potentially limiting the scope of lifecycle programmes that will be supportable from the funding and requiring a greater degree of prioritisation.

- Funding of the Council’s investment programme can continue to be supported by capital receipts generated by the sale of surplus assets. However, spending commitments will only be taken forward on the basis of receipts that have been received and banked by the Council with no reliance being placed on the future generation of receipts to support committed programmes.

- The Council will continue to actively pursue other sources of funding to maximise support for investment opportunities including external grant funding sources, partner contributions and where appropriate bid funds which may become available through the Scottish Government and other sources.

- The Council will continue to take progress the principles of the Debt Smoothing Strategy and utilise existing resources to support the continued reduction in the Council’s longer term debt profile to deliver sustainable longer term revenue budget savings which arise from the requirement to fund the associated annual debt charges.
Prevention & Early Intervention Programmes

Appendix 1
Child Care Services

1. Early Years Strategy

The Scottish Government’s Early Years Change Fund of £270m over the next 4 years will be used to support improvements in the future life chances of all of Scotland’s children. The change fund will support the work of a national Early Years Taskforce which will provide advice and guidance on the priorities and outcomes expected for children in their early years. The Council in setting its budget for 2012/13 earmarked £0.656 million of recurring resources as a match contribution to the allocation Renfrewshire will receive from the national change fund arrangements.

The priorities of GIRFEC (Getting it Right for Every Child) and the Early Years Framework will underpin the work of the national taskforce. A Renfrewshire Early Years Strategy Group is developing a strategy to ensure that the identified priorities and outcomes are implemented successfully at a local level. Effective partnership working between community planning partners and the integrated children’s services management team will be key to the delivery of the identified priorities and outcomes.

Renfrewshire’s Early Years Strategy Group will develop its strategy taking account of existing practice and recent positive developments such as those included in the Renfrewshire Children’s Services Partnership’s (RCSP) Achieving Step Change programme (see below). The focus of the initiatives which are developed from the strategy will be underpinned by the principles of early intervention and prevention which will support the delivery of better outcomes for the children of Renfrewshire but also mitigate against longer term growth in the demand for services.

2. Achieving Step change

This programme is a ground-breaking multi agency lottery funded initiative being taken forward by Renfrewshire’s Children’s Partnership with the long term aim of reducing spend on reactive services for children with high level need, whilst improving outcomes by refocusing services on early intervention and preventative activities for children and their families. The aim of the programme is to:

- develop a process to reduce the number of looked after children being accommodated by 50% by 2016 (new referrals)
- identify a portfolio of cost-beneficial, evidence-based programmes that will improve physical and mental health and behaviour in the targeted
- identify those targeted services in the areas of physical and mental health and behaviour which have not been proven to improve outcomes and decommission these.
- implement selected evidence-based programmes (EBPs) using the resource released from the de-commissioned services, together with exploring external funding opportunities.

The work being undertaken to analyse the needs of all young people in Renfrewshire is unprecedented in terms of the breadth and reach of the information being gathered, and quality of the data it has produced in determining where early and other targeted interventions should be directed to achieve the best outcomes. Several early intervention programmes are currently being implemented, in particular the universal positive parenting programme Triple P, and the targeted
programme Incredible Years. Work is progressing to introduce the Functional Family Therapy approach in partnership with the charity Action for Children, Family Nurse Partnership in collaboration with NHS colleagues.

There is national interest in the progress of the work being undertaken in Renfrewshire on both the Achieving Step Change programme and on Regional Childcare Commissioning and its implications for local decisions around future investment in early intervention activity and disinvestment in resource intensive reactive interventions which do not have positive outcomes for the young people concerned.

Renfrewshire leads the work on childcare commissioning on behalf of the six councils and two health boards which form the Clyde Valley Health and Social Care Collaborative. The government-funded Regional Childcare commissioning post is in place to explore opportunities to work in partnership to develop alternatives to existing provision in specialist areas which both represent better value and produce better outcomes for the young people involved. Work is progressing in relation to services for children with autism, alternatives to secure care for girls, and a specialist intensive fostering approach (Multi-dimensional Treatment Foster Care – MTFC) for young people at risk of going into residential schools or secure care. As a result, Scottish Government has agreed to fund the two year set up costs of a MTFC service locally, allocating £500k over two years to build up the specialist staffing complement required and establish the service. This should allow from year three, disinvestment in residential schools and secure care. Work to progress the other two workstreams on a collaborative basis is continuing.

3.  *Foster Care Costs*

The foster care budget, which also encompasses adoption and kinship care payments, has experienced significant growth and pressure on an annual basis due to the increasing in the cost of placements and longer than initially anticipated lengths of stay for some children in foster care.

The Council has been following a defined strategy to shift the balance of provision of foster carers away from external foster care, which is typically twice as expensive as Renfrewshire’s own foster carers, to predominantly foster carers recruited, trained and supported directly by the Council. Although the recruitment and vetting process is lengthy, this shift is already apparent, with consequential positive financial impacts, even though the overall number of looked after children has continued to increase.

4.  *Improvements to residential provision/reduction in use of residential schools*

For most children who need to be accommodated in local authority care, the best option is foster care, but this is not always possible due to carer availability or appropriate due to the needs of the young person. In these circumstances children are normally placed in residential care.

It is evidenced and recognised that better outcomes are achieved where the residential units are smaller and the staff ratios higher. These factors allow young people who are experiencing particular difficulties to remain within a residential unit and avoid having to be placed in external residential schools or secure accommodation at significant additional cost.

In recognition of this, the Council has been progressing a strategy to decommission beds across its residential estate in
order to invest in two new smaller replacement units and the upgrading of other existing units. The new units are expected to be operational from summer 2013.

In addition, to support care leavers to progress successfully to independent adult living, the arrangements for the construction of a 10 bedded Throughcare facility are well advanced, with an anticipated operational date of March 2013. This will assist in improving the outcomes for those young people whilst avoiding expensive external alternatives.

It is anticipated that once these improvements and additions to the estate are operational, savings will be deliverable from secure and non secure accommodation, and on external throughcare provision, which will assist in meeting future cost pressures.

5. Youth Justice Services

Addressing offending by young people has been an issue to which the local authority and the Scottish Government have given substantial attention over recent years. Within Renfrewshire the development of innovative solutions such as the restorative justice service delivered via RaMPS and the introduction of early intervention screening have contributed to a reduction in the number of young people involved in offending and referred to the Children’s Reporter. Further improvements can be made to the service but this will require commitment to disinvest from the current arrangements. The development of a Whole Systems Approach in collaboration with the police is being taken forward through the Government’s Reducing Reoffending Programme, and is anticipated to reduce spend in reactive work and expensive secure accommodation, whilst improving outcomes for young people.

Adult Services

1. Adult Care Places

A Case Review Team was created in late 2009 to take forward in depth reviews of complex care arrangements within the community. There are two significant benefits which arise from this work:

- The first is improved outcomes for service users as there is increased focus on ensuring that care arrangements produce skill development and re-ablement, and the opportunities this creates for service users to enjoy greater independence are taken before dependencies are created or perpetuated.

- The second benefit is significantly reduced cost to the Council, where this can be achieved safely and in line with up to date assessments of needs. While this approach is proving successful for the existing client base, further work is being progressed to manage the care needs of younger people and their families as they move into adulthood. Improved longevity, and therefore increasing numbers, and increased national and individual expectations combined with the very high costs related to caring for adults with very complex needs mean that this client group will continue to require significant long term Council investment. The success of the work of the case review team has however identified opportunities to safely reduce cost significantly contributing towards the management of future demographic led demand.
2. Day Services

Day services and supports are a key element in community care provision for learning and physically disabled adults and their carers, and for those with mental health problems. The redesign and modernisation of day services for adults with learning disabilities is currently well underway, incorporating two of the day services into the new community sports hubs at Paisley and Linwood, retaining the existing specialist provision at the Anchor Centre, and establishing a new community network and intensive support service. A key aim of the redesigned service is to create capacity to support an increased number of service users within existing budget parameters, providing intensive services in house which are currently only available in expensive external provision.

Services for Older People

The Reshaping Care for Older People national programme is focused on shifting the balance of care by optimising independence and wellbeing for older people at home or in a homely setting, and away from the present level of investment in the much more expensive bed based provision in hospitals and care homes.

There is a focus on early intervention and prevention, including support for carers and work with local communities to build their capacity. The Scottish Government Change Fund is available over a four year period from 2011/12, to facilitate the further development of a range of community based social and health care services that is aimed at effecting this shift in the balance of care. In 2012/13 the allocation of £2.4m from the Scottish Government Change Fund has been augmented by the commitment by the Council of a contribution of £650k, providing a total of over £3m available to support such programmes.

Considerable work has been undertaken in partnership with NHS colleagues to enhance a range of community health and care at home services including specialist dementia and palliative care, to develop community capacity and to support carers. This work is being consolidated in 2012/13, and augmented by complementary investment in housing-related support. As part of the Change Fund plan the size, shape and focus of specialist housing (sheltered, very sheltered, extra care) will be examined to consider the relative impact of each model in allowing older people to live longer more independent lives in the community.

Similarly, care home provision will be examined to consider whether it could provide an effective transition from a hospital to a community, and in this respect if the current balance between residential and nursing care provision remains appropriate for the needs of the local community.

To achieve the shift in the balance of care, targets have been set in relation to bed days lost, with the recognition locally of the related need for stabilisation of admission rates to care homes and hospital. These continue to present significant challenges for the partnership. The pressure on the budget for care home places in particular remains acute and the shift from care home places to care at home support is essential in terms of longer term affordability.

The re-ablement service within the in-house care at home service, with integrated occupational therapist support, has now been rolled out. It aims to support people to remain as independent as possible for as long as possible at home, and reduce dependence on services through focussed interventions when they are first referred. This approach achieves better outcomes for service users while also reducing demand led cost pressure on the long term care at home service, and therefore will assist in managing demand for this service into the future.
Work is underway to develop a Joint Commissioning Strategy for Older People’s, as part of an overall strategic commissioning approach to the planning of Social Work services which will inform service development and management decisions for change fund and mainstream funding streams.