



Moray Council

Wednesday, 27 February 2019

NOTICE IS HEREBY GIVEN that a **Special Meeting** of the **Moray Council** is to be held at **Council Chambers, Council Office, High Street, Elgin, IV30 1BX** on **Wednesday, 27 February 2019 at 14:00.**

BUSINESS

1 Sederunt

2 Declaration of Group Decisions and Members Interests *

3 Resolution

Consider, and if so decide, adopt the following resolution:
"That under Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting for Item 7 of business on the grounds that it involves the likely disclosure of exempt information of the class described in the relevant Paragraphs of Part 1 of Schedule 7A of the Act."

4 2019-20 Budget 2019-22 Financial Plan 5 - 88

5 Treasury Management Strategy Statement and Prudential Indicators 89 - 116

6 Housing Revenue Account Annual Budget 2019 117 - 130

Item(s) which the Committee may wish to consider with the Press and Public excluded

7 Budget 2019-20 - Workforce Implications [Paras 1 and 11]

- Information relating to staffing matters;
- Information relating to any consultations or negotiations in connection with any labour relations;

Any person attending the meeting who requires access assistance should contact customer services on 01343 563217 in advance of the meeting.

GUIDANCE NOTES

- * **Declaration of Group Decisions and Members Interests** - The Chair of the meeting shall seek declarations from any individual or political group at the beginning of a meeting whether any prior decision has been reached on how the individual or members of the group will vote on any item(s) of business on the Agenda, and if so on which item(s). A prior decision shall be one that the individual or the group deems to be mandatory on the individual or the group members such that the individual or the group members will be subject to sanctions should they not vote in accordance with the prior decision. Any such prior decisions will be recorded in the Minute of the meeting.

THE MORAY COUNCIL

Moray Council

SEDERUNT

Councillor Shona Morrison (Chair)
Councillor Graham Leadbitter (Depute Chair)
Councillor George Alexander (Member)
Councillor James Allan (Member)
Councillor David Bremner (Member)
Councillor Frank Brown (Member)
Councillor Theresa Coull (Member)
Councillor John Cowe (Member)
Councillor Gordon Cowie (Member)
Councillor Paula Coy (Member)
Councillor Lorna Creswell (Member)
Councillor John Divers (Member)
Councillor Tim Eagle (Member)
Councillor Ryan Edwards (Member)
Councillor Claire Feaver (Member)
Councillor Donald Gatt (Member)
Councillor Louise Laing (Member)
Councillor Marc Macrae (Member)
Councillor Aaron McLean (Member)
Councillor Maria McLean (Member)
Councillor Ray McLean (Member)
Councillor Amy Patience (Member)
Councillor Derek Ross (Member)
Councillor Ron Shepherd (Member)
Councillor Sonya Warren (Member)
Councillor Walter Wilson (Member)

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REPORT TO: SPECIAL MORAY COUNCIL ON 27 FEBRUARY 2019

SUBJECT: 2019/20 BUDGET AND 2019-2022 FINANCIAL PLAN

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To set the level of Council Tax for 2019/20, to agree the Council's revenue and capital budgets for 2019/20 and to consider the council's Financial Plan for 2019-2022.
- 1.2 This report is submitted to the council in terms of the council's Administrative Scheme section (II) (1) relating to setting the Council Tax and section (II) (24) and (25) relating to the approval of the annual estimates of revenue and capital expenditure for all services.

2. RECOMMENDATION

- 2.1 It is recommended that the council approves (subject to the Scottish Budget being approved by Scottish Parliament on the 21 February 2018):
 - (i) An increase of 4.79% on Council Tax for 2019/20;
 - (ii) Provision of £5,153,000 for budget pressures as listed in APPENDIX 2;
 - (iii) Savings previously approved subject to consultation totalling £860,000 as listed in APPENDIX 3a and, where applicable, amended in APPENDIX 3b;
 - (iv) Savings totalling £2,101,000 as listed in APPENDIX 3b, subject to consultation for savings marked c;
 - (v) Use of general reserves of up to £3,312,000 to balance the budget;
 - (vi) Capital expenditure for 2019/2020 as set out in the indicative ten year Capital Plan in APPENDIX 4 and described in APPENDIX 5;
 - (vii) That preliminary work to revert to capital expenditure based on asset management principles rather than Make Do or Mend is commenced, with a view to implementing this in full by 2022/23;
 - (viii) Charges for harbours, leisure facilities and burial grounds, which form part of the proposed / agreed savings as listed in APPENDIX 6a, APPENDIX 6b and APPENDIX 6c respectively;
 - (ix) Not to lift residual (green) bins containing garden waste, in line with the existing refuse collection policy as it relates to contamination in recycling waste bins;

- (x) To join the Digital Office to support the development of digital services in Moray; and
- (xi) Promotion of e-billing for Council Tax as described in paragraphs 5.2.14 and 5.2.15.

2.2 It is recommended that the council notes:

- (i) The conditions placed on the council in terms of the settlement letter from the Cabinet Secretary for Finance and the Constitution; and
- (ii) That the budget is based on the figures issued by the Scottish Government in December 2018 and January 2019 and that the council's budget will be amended to reflect any changes made by the Scottish parliament when the Scottish budget is approved.
- (iii) That the Chair of Moray Integration Joint Board (MIJB) has written to the Chief Executive formally notifying him that MIJB anticipates an overspend of £1.5 million in 2018/19, which falls to be part-funded by the council.

3. BACKGROUND

- 3.1 The council's revenue and capital budgets for 2019/20 fall due to be considered in a continued period of reduced funding from central government at both a United Kingdom and Scottish level.
- 3.2 The council receives around 80% of its revenue funding from Scottish Government. Over the last nine years, this grant funding has increased marginally in cash terms, and by considerably less than the cost of new duties required of local authorities. Inflation increases for pay and prices and growth in demand for services in some areas have therefore had to be balanced by efficiency savings and cuts in services. As previously reported, the council has made savings totalling £42 million since 2010/11.
- 3.3 Although the proposed Scottish budget for 2019/20 was not announced until 12 December 2018, further cuts in local government funding were expected and the council has been preparing for these. The most recent report on the financial planning process was considered by the council on 23 January 2019. Milestones for the financial planning process for 2019/20 are set out in **APPENDIX 7**.
- 3.4 Although the Local Government settlement is for one year and much of the focus of financial planning has been on achieving a balanced budget for 2019/20, the Council has made progress in developing medium term financial planning. Of particular note in this regard is the Corporate Plan 2018-23, which was approved by Council on 14 February 2018; the approval of the Improvement and Modernisation Programme (26 September 2018 and 12 December 2018) and the approval of the Property Asset Management Appraisal by Council on 12 December 2018.

- 3.5 The council had general usable reserves of £17 million as at 31 March 2018, but part of those balances were ear-marked for specific purposes in 2018/19, as set out in the table below.

General Reserves	Committee Reference	Approved £000s	Revised Projection £000s
General Reserves @ 1 April 2018		17,095	17,095
LESS To balance the 2018/19 Budget	MC 14/02/18	4,726	
Budget reduction from variance report	MC 28/06/18	(137)	
		4,589	4,589
Funding from reserves approved in 2018/19:			
Benefits Welfare Reform	MC 28/06/18	8	8
Roads Maintenance	MC 28/06/18	231	231
Community Planning	MC 28/06/18	48	48
Syrian Resettlement Programme	MC 28/06/18	20	20
Elgin High School Replacement	MC 28/06/18	180	180
Building Financial Resilience	MC 28/06/18	5	5
Discretionary Housing Payments	MC 28/06/18	29	29
		521	521
Transformation	MC 12/12/18	700	28
Strain on the Fund Costs	MC 12/12/18	1,747	1,747
LESS Use of Capital Receipts		(500)	(500)
		1,947	1,275
Estimated Out-turn – Variance to be met from reserves		2,132	2,132
Landfill Tax		200	200
Projected Free Balance @ 31 March 2019		7,706	8,378

- 3.6 The council needs to retain a certain amount of free reserves in case of unforeseen contingencies or emergencies. The council's reserves policy as approved by Council on 31 October 2018 (paragraph 5 of the minute refers) is to hold £5 million as free reserves. This equates to around 2.5% of budgeted revenue expenditure on General Services.
- 3.7 The table above indicates that the council has flexibility to use £2,706,000 general reserves to balance the budget without breaching its reserves policy.

- 3.8 In the extremely challenging position in which the council finds itself consideration should also be given to breaching the reserves policy by up to £700,000, as agreed by Council on 23 January 2019. The overview at **APPENDIX 1** assumes that this will be done and that the reserves will be restored to policy position in 2021/22.

4. REVENUE BUDGET

- 4.1 The draft revenue budget for 2019/20 – 2021/22 is set out in **APPENDIX 1** to this report.
- 4.2 The starting point for the 2019/20 budget is the budget allocated to departments and loans charges for 2018/19. The brought forward Devolved School Management balance is removed and budgets adjusted to reflect the reinstatement of temporary savings and the full year effects of budget adjustments made for part of 2018/19 only. The resultant starting point for the 2019/20 budget is expenditure of £201,249,000.
- 4.3 Provision of £4,900,000 is made within the budget for pay awards and some other inflationary increases in expenditure.
- 4.3.1 The pay award for 2018/19 has not been agreed at the time of writing this report. The offer of a 3% increase for 2019/20 and 2020/21 has been used to develop the inflation provision and £4 million is included.
- 4.3.2 Other inflationary increases included are for PPP/PFI contracts, the Grampian Valuation Joint Board requisition, fostering fees and allowances, electricity and gas price increases and increase in landfill tax rates.
- 4.3.3 The increase in Non-Domestic Rate (NDR) poundage from 48p to 49p announced alongside the local government settlement has the effect of increasing NDR payable by the council by £90,000, and this sum is included within the provision for inflation.
- 4.4 The Capital Plan is discussed in section 6 of this report. The full year effect of borrowing in 2018/19 and the estimated impact of planned capital expenditure in 2019/20 are included in the draft revenue budget. This results in a year on year saving of £1 million, deriving from a change in application of general capital grant to fund capital expenditure according to the expected life of the asset (by shortest life first) and by capitalising interest on assets under construction. For comparison, the budget for loans charges in the draft budget for 2019/20 is around £2 million less than would have been the case had these accounting treatments not been adopted.
- 4.5 New burdens are created for local government by legislation passed by the Scottish Government. The general revenue grant funding notified in the draft settlement includes funding of £180,000 for the extension of the Carers' Act and £1,942,000 funding to be passed to Moray Integration Joint Board to fund growth in services. It is proposed that inflationary growth (pay award, National Care Home Contract) is covered by this sum, enabling the council to make a saving on its inflationary provision. Additional funding for free personal care for

under 65s is included in the settlement but allocation at individual local authorities is yet to be announced. An estimate of £582,000 is included. Estimates are also included for the following new burdens anticipated to fall in 2019/20: Barclay Review reforms to Non-Domestic Rates, which underpins an increase in the requisition from Grampian Valuation Joint Board, reinvigorating the Whole System Approach to Youth Justice, access to free sanitary products, child burials.

- 4.6 Provision is also made within the draft budget for budget pressures which are not funded by Scottish Government. Some of these have already been approved by council, some recognised as pressures in previous budget papers and some are newly emerging pressures. These are listed in **APPENDIX 2** to this report and total £5,153,000. There are other known potential budget pressures which have not been included, either where it has not been possible to assess the financial impact or where it is considered that the council can absorb the pressure within current budgets, as experience indicates that some budget pressures will be deferred or be lower than anticipated. The main budget pressures are discussed below.
- 4.6.1 Social Care – MIJB have officially notified the council of their anticipated overspend. On the assumption that this will continue in the short term, a budget pressure is noted.
- 4.6.2 Integrated Children's Services – the anticipated overspend on Out of Area placements has been reported in budget monitoring reports to council and Policy and Resources Committee. An overspend on continuing care is also anticipated. This is a new burden on the council which was not fully funded by Scottish Government. Further expenditure of £25,000 is projected to be required for Child Protection.
- 4.6.3 School roll numbers are projected to increase and a budget pressure based on the latest school census figures is included. Further pressures arise from the increase in class contact hours. The restructuring of the school week was anticipated to lead to a reduction in income to the school catering service and the full year effect of that is provided for. A revised contract for SEEMIS has been issued, with an increased cost of £7,000 for Moray in 2019/20.
- 4.6.4 Inflationary increases in software licences are not provided for and these are now outstripping the ability of the ICT service to absorb within renegotiated contracts. The pressure of £42,000 is based on anticipated expenditure for 2018/19.
- 4.6.5 Income is expected to be below targets in a number of areas and these are projected to be recurring variances: building standards fees, income for street naming and numbering, advertising on vehicles, industrial estate voids anticipated for two high rental properties with leases due to terminate in 2019.
- 4.6.6 The Local Plan examination falls due on a cyclical basis only and provision is required for 2019/20.

- 4.6.7 The impact of the reduction in the public service pension scheme discount rate is £1.8 million. This will be part funded by Scottish Government. The additional cost is included in full as a budget pressure but additional income is also forecast.
- 4.6.8 The budget for recharge to capital is based on a previous – higher – forecast capital plan and a budget pressure of £200,000 is included to reduce the budget for recharge of roads, engineering and property staff to the capital plan.
- 4.6.9 A temporary additional Community Support Officer post was approved to support Community Asset Transfer. The appointment was made during 2018/19 and the full year effect included as a budget pressure in 2019/20. Costs concomitant on the restructure of Economic Development and the extension of electronic document management were also approved by council.
- 4.6.10 Moray is the only council in Scotland which does not belong to the Digital Office, a Scottish Government sponsored body for supporting the development of digital services. Lack of membership is increasingly inhibiting discussion with other authorities about development of digital services in Moray. The annual cost of membership is estimated at £15,000.
- 4.6.11 In preparation for Moray Growth Bid additional resource of £30,000 is estimated to be required. This will be the subject of a separate report to council requesting release of funds if required.
- 4.6.12 The increase in the cost of paper and card recycling and in the cost of leachate has been reported to council and Policy and Resources committee in budget monitoring. It is anticipated that these costs will be recurring and a budget pressure totalling £183,000 has been included.
- 4.7 The council is looking ahead at a programme of Improvement and Modernisation to transform council services, and this is a key part of the council's medium term financial strategy. This requires investment and a sum of £2,672,000 is included for 2019/20, of which £1,500,000 is assumed to be funded from capital receipts under the recently given permission to use capital receipts to fund transformation of council services for the period from 2018/19 to 2021/22. This takes the total budgeted revenue expenditure for 2019/20 before savings to £213,703,000.
- 4.8 The bulk of the council's funding is from government grant, given as a combination of General Revenue Grant and Non Domestic Rates distribution. The local government settlement in December 2018 confirmed that funding for Discretionary Housing Payments (DHP), for the Teachers' Induction Scheme and Early Years Expansion are being held back by Scottish Government at present. An estimate has been made for Moray's likely share of the funding streams for DHP and Teachers' Induction, as the expenditure on these areas is included in the base budget. Increased funding for Early Years Expansion will be paid as specific grant (as in 2018/19) and applied to that workstream, and so no estimate of either income or expenditure related to Early Years is included in the figures in **APPENDIX 1**. Core Scottish Government funding of £153,056,000 is included, plus £2,777,000 for new burdens, and an estimate of £1,403,000 to part fund the increase in teachers' pensions arising from a

decrease in the pension scheme discount rate applied by UK Government totalling £156,654,000. This compares to total Scottish Government funding of £155,848,000 in 2018/19, plus £595,000 advance funding for 2018/19 paid in 2017/18 - £156,443,000 in total. It should be noted that there is an element of estimation involved in these figures. In particular, the funding for teachers' pensions will not be confirmed until after the UK Government's spring financial statement.

- 4.9 Under the terms of the local government settlement for 2019/20 the council is permitted to increase Council Tax by up to 4.79%, and a 4.79% increase has been included in the draft budget. This coupled with a rise in the Council Tax base is estimated to raise an additional £2,000,000 income. The impact on individual householders is set out below:

	Council Tax 2018/19	3% Impact Council Tax 2019/20	4.79% Impact Council Tax 2019/20
Band A	£802.75	£826.83	£841.20
Band B	£936.54	£964.63	£981.40
Band C	£1,070.33	£1,102.44	£1,121.60
Band D	£1,204.12	£1,240.24	£1,261.80
Band E	£1,582.08	£1,629.54	£1,657.87
Band F	£1,956.70	£2,015.39	£2,050.43
Band G	£2,358.07	£2,428.80	£2,471.03
Band H	£2,950.09	£3,038.59	£3,091.41

These figures do not include charges for water and waste water which are collected alongside Council Tax on behalf of Scottish Water, nor do they take into account any Council Tax Reduction, discount or exemption which may be due in individual cases.

- 4.10 Moray's Band D Council Tax for 2018/19 sits just below the Scottish average of £1,208. Comparisons with other councils are set out in the table below.

COUNCIL TAX BY BAND 2018-19

Scotland Average Band D Council Tax (based on total Band D Equivalents)	£1,208	
	Band D	%age of Scottish average
Eilean Siar	£1,086.36	90.2%
Orkney Islands	£1,100.00	91.4%
Dumfries & Galloway	£1,112.88	92.4%
Shetland Islands	£1,117.13	92.8%
North Lanarkshire	£1,130.94	93.9%
South Lanarkshire	£1,134.00	94.2%
Falkirk	£1,135.00	94.3%
Angus	£1,137.28	94.4%
Scottish Borders	£1,150.02	95.5%
West Lothian	£1,161.84	96.5%
East Lothian	£1,185.68	98.5%
Fife	£1,186.09	98.5%
East Renfrewshire	£1,194.57	99.2%
West Dunbartonshire	£1,197.89	99.5%
Renfrewshire	£1,199.63	99.6%
Moray	£1,204.12	100.0%
Aberdeenshire	£1,204.62	100.0%
East Dunbartonshire	£1,211.39	100.6%
Perth & Kinross	£1,216.00	101.0%
Clackmannanshire	£1,217.91	101.1%
North Ayrshire	£1,222.16	101.5%
South Ayrshire	£1,224.23	101.7%
Stirling	£1,232.91	102.4%
Highland	£1,233.82	102.5%
Inverclyde	£1,233.94	102.5%
Edinburgh, City of	£1,240.19	103.0%
Argyll & Bute	£1,249.00	103.7%
East Ayrshire	£1,261.40	104.8%
Dundee City	£1,278.00	106.1%
Midlothian	£1,283.00	106.6%
Glasgow City	£1,286.00	106.8%

Excludes Water and Sewerage

Source: As reported by the Local Authorities on the statistical return Council Tax Assumptions 2018

- 4.11 The resultant budgeted income to the council for 2019/20 plus use of reserves as discussed in section 3 of this report leaves a shortfall of income compared to expenditure of £10.3 million, which requires to be found from savings.

5. **SAVINGS**

- 5.1 In preparation for the budget, a suite of savings was discussed by the Council on 26 September 2018 and, following consultation, on 12 December 2018, when a range of savings were approved. A further suite of savings was discussed by the Council on 23 January 2019. A range of savings were approved, some of which were subject to staff consultation and those savings are brought back before council today with recommendations for amendment / approval as appropriate. All savings previously considered, totalling £7,924,000, are listed on **APPENDIX 3a**, with savings subject to consultation indicated (c).
- 5.2 Amendments to savings following consultation and further savings totalling £2,101,000 are presented to Council today. These are listed on **APPENDIX 3b** and discussed below.
- 5.3 Amendments arising following consultation:
- 5.3.1 Contractual over-time – historically contractual overtime has been used to cover out of hours duties for janitorial staff, including emergency call out, snow clearing, frost protection. The contracted hours are in excess of those regularly required and it is considered that contractual hours can be reduced and most circumstances accommodated within the reduced amount saving £14,000 in 2019/20 and £18,000 in 2020/21.
- 5.3.2 The library savings previously proposed for consultation included a programme of closures. This programme is now proposed to be amended, resulting in reduced hours at Burghead, Dufftown, Fochabers and Lossiemouth (previously proposed to be closed) and closure of Cullen and Tomintoul libraries. The revised proposals would reduce hours as follows:

Location	Current opening hours	Proposed opening hours	Saving £
Burghead	11	8	1,900
Dufftown	16	10	3,800
Fochabers	17	10	4,400
Lossiemouth	34	16	11,300
Total			21,400

This is a reduction of £76,000 from the previously proposed closure programme. It avoids repayment of European funding for the development of Learning Centres in these libraries

- 5.3.3 Active Schools – it is now proposed to remove 2 x 0.5 fte posts (one of which is vacant) from the staffing structures and to remove the rugby development budget of £2,000 as all rugby development work is now managed through the Moray Community Rugby forum. The acting up element of the post associated with the Leisure Review will be funded from funds for service transformation. This reduces savings by £33,000 in 2019/20 and £109,000 in 2020/21. The savings can be achieved without impacting on the level of grant provided by sportscotland.

- 5.3.4 Music Instruction – it is now proposed to restructure the service and increase charges by 20%. This will result in a reduction in savings of £14,000 in 2019/20 and £30,000 in 2020/21.
- 5.3.5 Some public conveniences currently attract NDR relief which will be lost on closure of these facilities. It is proposed that the subsequent reduction in savings of £21,000 is offset by savings generated from the re-valuation of Buckie Drifter for NDR of £22,000.
- 5.3.6 On 23 January 2019, the Council agreed to initiate a campaign to “use or lose” swimming pools. An indicative target of 300 additional Fit Life memberships was adopted. At close of play on 19 February, 440 additional membership applications had been received. Accordingly, there is no proposal to close any swimming pools as part of the 2019/20 budget proposals.
- 5.4 Further Savings
- 5.4.1 School advertising – it is no longer the practice to advertise vacant posts in newspapers and it is proposed that the budget is reduced by the amount of the resultant savings (£35,000).
- 5.4.2 Community Planning Partnership (CPP) – only the Police and the council currently provide funding for CPP. It is proposed that the council’s funding is reduced to the same level as that provided by the Police (£5,000), generating a saving of £13,000. The council will continue to support CPP through staff supporting the work of the partners.
- 5.4.3 Commercial harbour fees – commercial harbour fees have been reviewed and proposed fees are listed as **APPENDIX 6a** to this report. The proposed fees are estimated to generate additional income of £30,000 pa.
- 5.4.4 The previously postponed savings from reduction of hours cleaning schools is brought back for consideration.
- 5.4.5 Vacant post in Lifelong learning, Culture and Sport – the budget for a vacant post in this service had been held pending review. It is now proposed that this is taken as a saving of £25,000.
- 5.4.6 Following discussion with Moray Leisure Limited about the feasibility of reducing the operating grant from the Council by £60,000, this saving is now proposed.
- 5.4.7 Development Services – a review of management and support functions within this service indicates the potential to restructure with consequent savings estimated at £30,000, subject to job evaluation. It is also proposed that a vacant post in Business Gateway is removed, with additional support to Business Gateway provided from staff within Development Services, generating a saving of £24,000. These savings are subject to consultation with staff.

- 5.4.8 The budget for accessibility in schools is currently a revenue budget but historically the bulk of expenditure has been capital in nature and this is likely to continue. It is therefore proposed that the bulk of the budget is transferred into the capital programme, generating a revenue saving of £40,000. This is reflected in the draft capital plan.
- 5.4.9 It is proposed that the council does not uplift payment to MIJB for staff pay awards, National Care Homes contract (NCHC) uplift, or growth from children in transition to adults' services, in recognition that the council is passing on funding from Scottish Government of £1,942,000 for unspecified growth in social care service costs. The council has included £800,000 in its inflation provision for social care staff pay awards and NCHC uplift and this proposal would enable a saving of £800,000 against that provision. The council also recognises the projected 2018/19 overspend by MIJB as a budget pressure and it is proposed that the additional funding is used to absorb that budget pressure of £555,000. There is still a risk that the council will require to provide additional funding to meet any further overspend in 2019/20.
- 5.4.10 Further savings have been identified: national changes to the Landlord Registration process, resulting in the removal of 10% discount in fees (£6,000); Carbon Reduction Commitment (CRC) replaced by increased Climate Change Levy (CCL) at an estimated saving to the council of £100,000; savings from replacement light fittings in Forres Community Centre (spend-to-save project) - £2,000; Interest on Revenue Balances increased rate £95,000.
- 5.4.11 Further one-year savings of £120,000 accrue from the school transport contract, as the school year is one week shorter in 2018/19 due to increase summer holidays for that year.

A further one-off saving is proposed by removing the direct funding which the council gives to Community Councils (£16,000) for one year only. The council will still provide support via the Community Council Liaison Officer.

Grampian Valuation Joint Board is forecasting an underspend for 2018/19, expected to result in a refund of £13,000.

5.4.12 Council Tax E-billing

The Council Tax section issue around 44,000 bills on an annual basis to all households across Moray. In addition during the year, an estimated further 60,000 bills are issued for a variety of reasons including change of address, entitlement to or an adjustment to a reduction such as discounts, exemptions or Council Tax reductions. The costs associated with the production of a paper bill, including printing, enveloping and postage is circa 30p therefore the approximate annual cost is over £30,000.

- 5.4.13 It is planned to launch e-billing as part of this year's billing process with promotion of the scheme being promoted on the envelope. This is equivalent to a mailshot hitting every household at no extra cost. Uptake across Councils who already offer e-billing has been quite disappointing, although there does seem to be an improvement where some sort of incentives are offered. The most recent Scottish Council to offer an incentive was Argyll and Bute, offering as a prize a free year's Council Tax for the winner. In Moray five prizes of £100

one4all vouchers will be offered as an incentive, with draws being made in April, June, September, November and January. The objective is to maintain the promotion throughout the year with the cost of the incentive being less than a full year's Council Tax. One4all vouchers are currently used for Council long service awards and can be used for a wide variety of goods and services and a range of suppliers and retailers. Councillors, senior staff and their immediate households would be excluded from the prize draws.

5.4.14 Promotions to include:

- Social media advertising
- Press release
- Info on website and banner
- Info on interchange and banner
- Connect
- Contact Centre promotion and IVR messaging
- Tenant's Voice
- A4 posters in access points, libraries and leisure centres
- Advertise e-billing on envelopes of paper Council Tax annual bills and any bill issued by paper thereafter
- Incorporate option on change of address e-form
- Use prize winners draw to promote further
- Links in "myaccount" to other initiatives such as the brown bin sign up campaign

6. **CAPITAL BUDGET**

6.1 The council approved its latest Capital Strategy on 12 December 2018. The Strategy identifies the Council's capital investment objectives as ensuring an adequate suite of assets to deliver the Council's services, in accordance with the Council's policies, strategies and plans, and priorities, legislative duties and other requirements and identifies as a key consideration when developing the Capital Plan the requirements to provide new infrastructure and facilities to accommodate planned local developments. This is a move from previous Capital Strategies which have been primarily focussed on asset management and the need to invest in the Council's asset base to bring it up to or maintain it at the Council's approved standard for the asset type.

6.2 Accordingly, the Capital Plan is framed by the following drivers for expenditure:

- Local Development Plan and other council plans
- Asset Management Planning
- Expenditure arising from legislative requirements
- Improvement and Modernisation Programme / efficiencies
- Funded government priorities
- Other developments to meet Council priorities
- Responsive expenditure

- 6.3 A draft ten year capital plan is included as **APPENDIX 4** to this report. Expenditure of £72.6 million is proposed for 2019/20. This includes expenditure postponed from 2018/19 as a short term savings measure and expenditure deferred as approved by Council or Policy and Resources Committee in response to changing circumstances throughout the year. Expenditure under the draft plan and sources of funding are summarised below:

	Driver	£m	%age
1.	Local Development Plan and other council plans	9.6	13.2%
2.	Asset Management Planning	39.8	54.8%
3.	Expenditure arising from legislative requirements	13.2	18.2%
4.	Improvement and Modernisation Programme / efficiencies	1.4	1.9%
5.	Funded government priorities	4.4	6.1%
6.	Other developments to meet Council priorities	3.1	4.3%
7.	Responsive expenditure	1.1	1.5%
	Total	72.6	100%

	Funding	£m	%age
	Grant funding	24.2	33.3%
	Prudential borrowing	48.4	66.7%
	Total	72.6	100%

- 6.4 The council's borrowing must comply with the Prudential Code: this requires borrowing to be affordable and sustainable. As identified in a report to council on 30 March 2016 (paragraph 7 of the minute refers) the council's overall financial position is not sustainable and the capital plan for future years requires to be reduced; to achieve this the council must reduce its asset base, and this issue is addressed in the Property Asset Management Appraisal approved by Council on 12 December 2018.
- 6.5 As a temporary measure, the council adopted a Make Do and Mend policy (25 May 2016) to avoid abortive expenditure on assets which might be disposed of. This policy was intended as a temporary expedient. Following the approval by council on 12 December 2018 of the Property Asset Management Appraisal (PAMA) it is now considered appropriate to move away from this policy, as PAMA provides a more nuanced and tailored vehicle to avoid abortive spend.
- 6.6 In the case of the school estate a significant lead in time will be needed to move from Make Do and Mend to a developed asset management led programme of work based on updated conditions surveys and informed by the Transforming Education theme in the Improvement and Modernisation programme. Consequently a delay is shown in moving to implement this change in policy, which should however be fully implemented by 2022/23.

7. FUTURE YEARS

- 7.1 As noted in paragraph 3.6, the local government settlement for 2019/20 is a one-year settlement only. To assist in forward planning, projected budgets for 2020/21 are included in **APPENDIX 1**. This assumes that the savings approved for 2019/20 and 2020/21 are achieved and the rest of the budget rolled forward. With a provision for inflation and known budget pressures, this results in a shortfall of £10,000,000 in 2020/21: an underlying overspend of £3.6 million to be met from reserves in 2019/20 plus inflationary and other budget pressures anticipated in 2020/21 totalling £9 million, and a modest reduction in core government funding offset by £2 million full year effect of savings approved or under consideration for 2019/20. The Institute of Fiscal Studies recent report “The Outlook for the 2019 Spending Review” forecasts a modest cut in unprotected budgets or UK level for 2020/21 followed by continued real term cuts in unprotected budgets of between 0.3% and 0.8% for the next three years. However, this cannot be extrapolated into the Scottish context.
- 7.2 Major components in the budget are used to develop best case, worst case and mid-point scenarios for financial planning purposes. These have been finalised for the draft 2019/2020 budget. The assumptions used for future years are described below.
- 7.3 Staff costs account for around 2/3 of the council’s net revenue spend. The draft budgets for 2020/21 and 2021/22 assume the current pay offer of a 3% increase for both of those financial year. The budget is very sensitive to pay assumptions, with a 0.5% variance amounting to £650,000.
- 7.4 Grant funding has been assumed at flat cash. This is the most optimistic assumption for funding. Various organisations have produced estimates of government funding for future years at UK and Scottish levels. These generally assume a decrease in non-priority / protected areas of spend. Recent experience has been that the level of decrease is very difficult to forecast with any degree of confidence. Future grant funding estimate will be updated following confirmation of funding for teachers pensions and thereafter in line with updated budget forecasts from Scottish Government.
- 7.5 The council prepares a ten year indicative capital plan and the indicative revenue budgets for 2020/21 and 2021/22 include the impact of that indicative capital spend.

8. **SUMMARY OF IMPLICATIONS**

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

Financial Planning is integral to the council's overall planning processes and allows the council to direct resources to its agreed priorities.

(b) **Policy and Legal**

The council is required by statute to set a balanced budget before the start of the financial year. The requirement is set out in the Local Government Finance Act 1992 (section 93).

The Local Government (Scotland) Act 2003 (section 35) places a duty on local authorities to manage their capital expenditure. It also provides for Scottish Government to issue regulations for the governance of capital expenditure. In practice this means that compliance with the CIPFA Prudential Code is in effect a statutory duty.

(c) **Financial implications**

The council's funding gap arises from an underlying overspend in 2018/19 and pressures from inflation and service requirements in 2019/20.

(d) **Risk Implications**

The proposed budget for 2019/20 is subject to the following risks:

- Budget assumptions may be lower than the actual level of expenditure required by services. In particular, the pay award for 2018/2019 has not been agreed.
- Price inflation will impact on areas where no provision has been made for inflationary increases and this will add pressure to budgets. Budget Managers will need to control their expenditure to absorb any such pressure and may have to reduce service levels or identify further savings.
- Budget pressures may exceed the available allocation. Corporate Directors will be responsible for closely monitoring the issues identified and will report any issues to committee.
- Unforeseen factors can impact on the council's position. There is little allowance made for contingencies.
- Government funding may be less than assumed for the elements yet to be allocated at council level.
- Council Tax income may be less than anticipated, depending on the collection rate, income from the levy and loss of income under the Council Tax Reduction Scheme.
- There may be slippage in achieving savings; savings may not be achieved in full, or the impact of spend-to-save measures may be less than anticipated.
- Current cost of borrowing for capital expenditure is low and the cost to the council will increase if the cost of borrowing rises.

- The impact on the council of external economic factors is unpredictable, and could affect income generated from local taxes and from charges for services, as well as demand for services and benefit entitlement.
- In particular, the impact of BREXIT is unknown and hence unquantifiable.

(e) Staffing Implications
Workforce Consultation

A summary of the issues raised and responses is provided in **Appendix 8**.

The purpose of the consultation was to engage with employees and workforce representatives under the statutory requirements for consultation with employees and trade unions where contractual changes and redundancies may be required.

General feedback from the trade unions related to concerns about changes to proposals based on information already available to the council thereby causing unnecessary upset and distress to some employees, the swiftness of budget related information appearing on social media and how the council process for dissemination of information should be adapted to be able to mitigate against this and the wider impact of the proposals on the poorest households in Moray. There were concerns about the level of detail and timing of information available during the consultation process as well as the impact of managing the residual work in a number of areas across the council. Feedback also related to concerns about the impact on attainment and achievement in schools, the impact of larger class sizes on children with additional support needs, the impact on recruitment of teachers to the area and the sustainability of services based on uptake of the Fit Life scheme.

Concerns were also raised in relation to the difficulties in managing demand in specific services that are needs led, continuing to be able to meet our legislative requirements and proposals running contrary to several of the council's ambitions and priorities.

Feedback was also received directly from the workforce on some proposals and these are also contained within the summary.

Regular meetings were held to respond to queries for clarification and additional information. Responses have been provided to all formal responses from trade unions and managers are responding to feedback from individual employees who are affected. The proposals were also discussed with the trade unions at the meeting of the JCC on 7 Feb 2019.

Workforce Impact

The impact on the workforce has changed as proposals have been amended and removed and this information refers to the residual changes excluding the proposals for Active Schools and Sports Development, swimming pools and including updated proposals for Libraries. As a result the most up to date position is that there will be a reduction of 88 jobs (51.8 full time equivalent (fte)).

The situation has been managed using the council's Transform procedures and through an active promotion of voluntary early retirement and voluntary severance.

An equality impact assessment has been completed on the workforce implications and the results of this are referred to in section (g) below.

Voluntary Exits

As part of the management of the workforce implications arising from the budget savings, the council sought interest in voluntary early retirement and voluntary severance. There is a separate report on the council agenda that seeks approval of applications under these schemes, subject to the relevant savings proceeding.

There are 34 VER/VS cases supported and the cost of these voluntary departures would be £0.42m. This would deliver ongoing annual salary savings of £0.64m. The Council's policy is that severance costs should be recouped from the annual savings they generate over a period of up to 3 years. The overall cost of these exits would comply with that policy.

Transform

Activation of Transform measures including vacancy management, appointment of temporary staff and redeployment has also enabled the effective reduction of the workforce affected by the budget savings. As result of the combination of these measures, the current workforce situation is that 33 jobs (8.33 fte) remain at risk with a total annual salary cost of approximately £191,000. Anticipated redundancy costs would be approximately £85,000.

Efforts will continue to find suitable alternative work for the individuals concerned and it is hoped that this will be successful in a number of cases before the implementation of the savings in April 2019. However, in accordance with the decision of the council on 23 January, the next step would be to proceed to instigate redundancy measures and to issue notice of redundancy dismissal to relevant employees so that they leave the council no later than 31 March 2019 (end June 2019 for school based staff) unless otherwise agreed.

(f) Property

There are no property implications arising directly from this report. The provision for capital expenditure and revenue repairs and maintenance is insufficient to prevent the fabric of the council's estate from deteriorating.

**(g) Equalities/Socio Economic Impact
The equality duty**

Under the equality duty (set out in the Equality Act 2010) the Council must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who are in a protected group and those who are not.

Groups protected by the Act are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Councillors need to consider the effects of budget proposals on these protected groups before making a decision on the recommendations. An 'equalities impact assessment' or EIA is a recognised way of doing this.

APPENDIX 9 summarises the EIA process and outcomes for the new savings and amendments to previously agreed savings proposed to this report. Stakeholder consultation is recommended for Youthpoint, Essential Skills and ESOL.

In relation to the workforce, no potential discrimination has been identified and so there is no requirement to change proposals as a result of this EIA. The EIA notes arrangements that have been put in place to support the workforce and mitigate the impacts of workforce change and the positive effect that these have had.

Socio-Economic Impact

To assess socio economic impacts, consideration has been given to individual and cumulative impact. In relation to changes to charges for services, most of these are one-off or incidental charges which are unlikely to contribute to inequalities in terms of outcome based on socio-economic differences.

(h) Consultations

Following the meetings of the Council on 26 September 2018, 12 December 2018 and 23 January 2019, consultation and engagement commenced with stakeholders and the workforce on the measures proposed for the 2019/20 budget. These ran from 5 December 2017 to 15 January 2018. The results of these exercises have been taken into account when preparing the budget.

Public Consultation

As noted in the Council report of 26 September 2018 (paragraph 6 of the Minute refers), the public have expressed a preference for decisive action from the council on changes and effective communication of decisions. In the current financial circumstances, there is limited scope to vary the savings under consideration, which draws into question how meaningful any public consultation could be. It is likely that public consultation would raise objection, the content of which can be anticipated, and the council would be unable to accommodate these objections. Given the severity of the financial position, the range of consultations undertaken previously and current time constraints, it is not considered that there is scope for real influence or value to be added from public consultation at this stage. Therefore consultation has been limited to proposals where equality inputs are required or community engagement will assist in considering future services and that otherwise communication with the public is contained to the provision of information about the decisions.

Workforce Consultation

Consultation information was issued to the trade unions and to individual employees whose employment could be affected by the savings being considered. Consultation took the form of face to face meetings with individuals, groups and trade unions as well as e-mails and written communications. Managers in services affected were briefed in order to be able to respond to questions and issues and wider information was provided to all managers for briefing and discussion of the financial situation with all council employees.

This consultation set out to both engage employees across the council and to meet the statutory requirements on consultation with employees and their trade unions where contractual changes and redundancies may be required.

9. CONCLUSION

- 9.1 The council's revenue budget is unsustainable, even in the short term, with a balanced budget achieved for 2019/20 by use of reserves above that recommended by the council's Reserves Policy. This use is seen as a short term contingency. Significant further savings are forecast to be required in 2020/21**
- 9.2 The budget for 2019/20 to 2021/22 includes provision to invest in transformation of the council.**

- 9.3 The council's asset base is unsustainable in the medium term. Review of this has commenced and the capital plan assumes the cessation of the Make Do and Mend policy, with a phased transition to asset management-led spend on the school estate.**
- 9.4 To minimise the level of savings required, Council Tax is proposed to be increased by the maximum permitted by Scottish Government without incurring sanctions.**

Author of Report: Lorraine Paisey, Head of Financial Services

Background Papers:

APPENDIX 1

Revenue Expenditure	Est act 2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Service allocations (assuming prior year savings are achieved)	200,712	201,476	203,954	199,823
Adjustments to brought forward figure:	(420)	(227)	(1,048)	(900)
Opening budget	200,292	201,249	202,906	198,923
Pay and price increases		4,900	4,900	4,900
(Decrease) / Increase in Loan Charges		(1,021)	1,731	1,563
New Burdens		2,777	0	0
Budget pressures:				
- Approved		2,549	1,447	1,514
Emerging		2,604	107	103
MIJB projected deficit (40% share)	555			
2018/19 Estimated Actual	1,549			
Investment in Change	1,747	2,000	1,500	400
Improvement & Modernisation Programme	28	672		
Funded by capital receipts	(500)	(1,500)	(600)	(400)
	203,671	214,230	211,991	207,403
Revenue Funding				
General Revenue Grant / NDRI	153,107	153,056	155,500	155,200
New burdens funding not included in grant above	2,741	2,777	0	0
Funding for changes to Teachers Pensions not included in grant above		1,403	1,403	1,403
Council Tax	39,555	41,530	42,920	44,350
Release from Repairs and Renewals Reserve		704		
Funding from General Reserves:				
Amount from Reserves Required to balance budget	4,589	2,612		(657)
Other one-off funding from reserves	720	700		
Investment in Change	1,247	500		
Improvement & Modernisation Programme	28	672		
MIJB projected deficit (40% share)	555			
2018/19 Estimated Actual	1,129			
	203,671	203,954	199,823	200,296
SAVINGS REQUIRED	0	10,276	12,168	7,107

Savings Summary

Savings Approved	5,610	7,924	1,960	380
Temporary savings	651	149		
Other savings proposed		1,952	(125)	0
Indicative Savings from I&M Programme		250	450	
Savings to be identified			9,882	6,727
	6,261	10,276	12,168	7,107

Estimated Free Balance on General Reserves

8,827	4,343	4,343	5,000
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APPENDIX 2

	Description	2018/19	2019/20	2020/21	2021/22
	Energy				
1	Energy Performance certificates (required every 10 years)	31	4	(35)	
2	Renewable Heat Incentive payments cease (after 7 years)			100	60
	Social Care				
3	Children in Transition	200		200	200
4	MIJB Overspend		555		
	Integrated Children's Services				
5	Out of Area Placements	1,200	1,200		
6	Social Work Posts	78			6
7	Continuing Care		30		
8	Childrens Services Pressures	86	25		
	New Schools				
9	Unitary charge for New Elgin HS	295			
10	NDR 4 Primaries	77			
11	Elgin High School NDR	120			
12	Elgin High School FM	15			
13	Linkwood Primary School Running Costs			353	338
	Schools				
14	School roll numbers	429	371	699	855
15	Increase in class contact hours (22.5 to 25)	371	269		
16	ASN re longer school day	47	26		
17	Additional whole life costing Lossiemouth High School			40	
18	Restructuring secondary school week: Catering (loss of income)	67	33		
19	Teachers pay award (shortfall in SG funding)	60			
20	SEEMIS Costs		7	13	1
	ICT				
21	Digital Services – Revenue	10			
22	Upgrade to MS Windows 2010	40			
23	Software Licences – Increased Cost		42		
	Income				
24	DWP admin subsidy	24			
25	Closure of swimming pools for refurbishment				55
26	Drop in income from Tipping charges	100			
27	Building Standards		50		

	Description	2018/19	2019/20	2020/21	2021/22
28	Street Naming and Numbering		12		
29	Advertising on Vehicles		98		
30	Industrial Estate Voids		100		
	Corporate				
31	Insurance premium tax	40			
32	Local Plan examination		60	(60)	
33	Scottish Welfare Fund – Increase in ring-fenced allocation inc in GRG	12			
34	Gaelic plan (signage etc)	40			
35	Reduction in Public Service Pension Scheme Discount Rate		1,776		
36	Removal of Statutory Mitigation for flexi-leave and TOIL accruals			150	
37	Recharges to capital		200		
38	Water Charges	30			
39	Water Rates Exemption Removal	17			
40	CSU Post	38	10	(28)	(20)
41	Economic Development Restructure		47		
42	Clearance of Bilbohall Site for Housing Development			122	122
43	ERDMS extension		10		
44	Membership of Digital Office		15		
45	Growth Bid		30		
	Direct Services				
44	Paper and Card Recycling	134	93		
47	Leachate		90		
	TOTAL	3,561	5,153	1,554	1,617
		=====	=====	=====	=====

APPENDIX 3a

Savings agreed in prior years		2019/20 £000s	2020/21 £000s	2021/22 £000s	
	Corporate				
1	Scottish wide Area Network (SWAN)		30		
2	Increase in National Insurance threshold	59	15	15	
	Direct Services				
3	Landfill tax – reduction in tonnage landfilled	20	58		
4	Public conveniences – closure	16			
	Reduction in catering equipment budget; 4 in-service days	6			
5	Three-weekly refuse collection	17			
6	Waste Management restructure	50			
7	School crossing patrols	53			
	Housing and Property Services				
8	Estates rental review	28	30	30	
9	Rental income from new sites / new lets	63	20	9	
	Lifelong Learning, Culture and Sport				
10	CAT of town halls and community centres	221			
	Schools and Curriculum Development				
11	Review of DSM	183			
	Chief Executive' Office				
12	tsi Moray	9			
Savings approved December 2018 and January 2019					
	Chief Executive				
13	Area Forums – reduce admin grant	4			
14	Corporate Policy Unit – restructure	138			
15	Design Team – Removal of 0.5 fte post	12			
	Financial Services				
16	CIPFA FAN – cease tax advice subscription	1			
17	HR/Payroll System – staff saving	41			
18	AP Electronic Processing – staff saving	20	20		
19	Buying team – delete vacant post	27			
20	FMS and Banking team – restructure/realignment of duties	6			
21	Accountancy – balance of staffing budget plus reduction in operational budgets	10			
22	Procurement – restructure/realignment of duties	6			
23	Processing – vacant post	10			
24	External Audit Fee	16			
25	VAT review – leisure services opt to exempt	30			
26	NI – AVC salary sacrifice scheme	39			
27	Insurance – increase insurance excess	150			

Savings approved December 2018 and January 2019		2019/20 £000s	2020/21 £000s	2021/22 £000s	
28	Internal Audit – balance of staffing budget, reduce operational budget	11			
29	VAT – Bulky Uplifts (no VAT)	4			
	HR & ICT				
30	HR Business Hub – restructure	21			
31	SW Training Team – restructure	160			
32	Transform – cease electronic matching		14		
33	Workforce Culture – reduce staffing level	14			
34	Workforce Culture – reduce operational budget	10			
35	Health and Safety – restructure	37			
36	Contracts – contract renewal	95	10		
37	ICT Service – restructure	152			
	Legal and Democratic Services				
38	Legal Service – restructure	99			
39	Committee Services – reduce hours	22			
40	LDS Admin – reduce staffing complement	11			
41	Benefit Support Post – reduce staffing complement	27			
42	Customer Services – reduce operational team leaders	34			
43	Sharepoint – restructure Customer Services /Sharepoint management	52			
44	Discretionary rates relief – develop proposals to reduce the award of DRR	11			
45	Contact Centre – reduce staffing complement	44	22		
46	Taxation – reduce processor post with e-forms	11	22		
47	Customer Services – reduce stationery costs with e-forms	14	14	5	
48	Benefits Processor – reduce staffing complement	19	5		
49	Customer Services – senior management review		30	30	
50	Local Office Service Delivery – reduce opening hours of Elgin Access Points and staffing	48			
51	Mailroom – reduce staffing complement		20		
52	Customer Services – reduce staffing complement	31			
53	Building Cleaning – reduce cleaning hours at HQ	6			
54	Facilities Management – review management structure	39			

Savings approved December 2018 and January 2019		2019/20 £000s	2020/21 £000s	2021/22 £000s
	Direct Services			
55	Waste Collection – charge for garden waste	669	30	
56	Waste Collection – charge for recycling bins for new builds	20		
57	Waste Collection – reduce contractual overtime	30		
58	Street Sweeping – reduce contractual overtime	15		
59 c	Street Sweeping – reduce service	118		
60	Waste Management – reduce fuel costs	10		
61	Waste Management – reduce overtime		40	
62	Waste Management – reduce contractual overtime	15		
63	Waste Management – change opening hours of recycling centres	20		
64	Close Gollachy recycling centre – subject to staff consultation		45	
65	Waste Management – Removal of Vacant Posts	73		
66	Waste Management – restructure at Moycroft	50		
67	Land and Parks – reduce weekend overtime	60		
68	Land and Parks – increase burial fees in line with Scottish Average	26		
69	Land and Parks – reduce grounds maintenance on cemeteries with no burials in 10 years	32		
70	Burial Grounds – Additional charges for non-Moray residents	6		
71 c	Maintenance of Open Spaces – cease maintenance of ground not council owned	52		
72	Maintenance of Open Spaces – reduce Speyside Way repairs and maintenance	4		
73	Maintenance of Open Spaces – reduce woodland management	5		
74	Maintenance of Open Spaces – reduce grass cutting on rural footpaths	20		
75	Maintenance of Open Spaces – reduce grass cutting in parks/seek sponsorship for parks		41	
76	Maintenance of Open Spaces – reduce litter collection and shrub bed maintenance in parks		16	
77	Maintenance of Open Spaces – reduce lands and parks supervisors	19	19	

Savings approved December 2018 and January 2019		2019/20 £000s	2020/21 £000s	2021/22 £000s
78	Grass cutting housing areas and open amenity spaces – reduce frequency	95		
79	Roads Maintenance – road patching vehicle	35		
80	Roads Maintenance – revenue budget	400		
81	Roads Maintenance – traffic lines/lines maintenance	50		
82	Roads Maintenance – staff	325		
83	Roads Maintenance – reduced borrowing	21		
84	Roads Maintenance – gritting routes	58		
85	Roads Maintenance – dual purpose Vehicles/tippers	170		
86	Additional Harbour income	75		
87	Increase leisure harbour fees by 10%	10		
88	Traffic related permit income – increase current budget to match actual	30		
89	Transportation – charge for staff parking at HQ	33	11	
90	Parking charges – additional charged locations	5	22	
91	Consultancy – restructure	109		
92	Consultancy – cut revenue repairs budget	10		
93 c	Close all remaining public conveniences	31		
94	Winter Maintenance – Reduction in routes treated – remove P1d	173		
95 c	School crossing patrollers – remove remaining provision	73	49	
96	School transport – charge for children not entitled to statutory school transport	14	5	
97	School Transport – Procurement Savings	175		
Development Services				
98	Developer Obligations – reduced borrowing costs	46	104	131
99	Economic Development – Support for projects	10	120	
100	Development Management – planning applications: major projects/national fee review	45		50
101	Enforcement Activity – new fees	15		
102	Environmental Health – house closing and demolition	24		
103	Planning Applications – Fee for material variations	19		
104	Public Analyst – renegotiate fees	31		
105	Env Health/Trading Standards – Management Restructure	54		
106 c	Building Standards and Development Management – management restructure	59		

Savings approved December 2018 and January 2019		2019/20 £000s	2020/21 £000s	2021/22 £000s
107	Financial Advice and Welfare Benefits – external funding application	9		
108	Environmental Health – private water supplies	33		
109	Museums – transfer to trust/closure of service		82	
110 c	Community Safety – reduce service	33		
	Housing and Property Services			
111	Homelessness Allocations – service reprovion	235	59	
112	Property Services – reduce corporate repairs and maintenance budgets		100	110
113	Property Services – review of service	55	45	
114	Schools Water Consumption – Spend to save – water controls on urinals	18		
	Integrated Children's Services			
115	Review Service Management	245	85	
116	Educational Psychology – Remove 0.5 fte post	30		
	Schools and Curriculum Development			
117	Pre-school education – mobile crèche			
118	Staff Formula	104		
119	Music Instruction – reduction in budget for provision of instruments	6		
120	Reduce DSM Budget	47	34	
121	Increase class sizes P2 and P3	97	70	
122 c	Janitor's term time plus – reduce contract to 47 weeks	22	19	
123	0.5% DSM budget saving	93	52	
	One-off saving – retain uncommitted DSM balance at end January 2019			
124 c	Music Instruction – Increased cost recovery (mid-point between current charge and full cost recovery)	100	50	
125 c	Central Admin	60		
	Lifelong Learning, Culture and Sport			
126	PPP – contract management	30		
127	Sports/Leisure Service – commercialisation of service	237	83	
128 c	Active Schools/Sports Development – cease service	83	109	
129	Active Schools/Sports Development – reduce operational budget	5	4	

Savings approved December 2018 and January 2019		2019/20 £000s	2020/21 £000s	2021/22 £000s
130	Schools repairs and maintenance – reduce budget in line with underspend	75		
131	Libraries – reduce library operating costs (audio visual, licence, bookfind, promotions)	91		
132	Libraries – reduce opening hours	35		
133	Libraries – staff reduction	119		
134	Essential Skills – remove service	164		
c				
135	ESOL – remove service	22	1	
c				
136	Revised charges and staffing structure at Elgin Community Centre	63	11	
137	Reduce staff from Auchernack plus Forres Community Centre staff restructure	52	13	
138	Library closure programme	102	13	
c				
	Corporate			
139	Inflationary increase in charges	18		
	Total	7,927	1,960	380

Savings marked **c** were approved on 23 January subject to consultation and are now submitted for approval or amendment as appropriate. The impact of any amendments are included in **APPENDIX 3b**.

APPENDIX 3b

	Savings proposed	2019/20 £000s	2020/21 £000s	2021/22 £000s
	Schools and Curriculum Development			
1	Contractual overtime – amendment to janitors' term-time plus proposal	14	18	
2	Advertising	35		
	Chief Executive			
3	Reduce CPP funding	13		
	Direct Services			
4	Commercial harbour fees	30		
5	Amendment to public conveniences re NDR	(21)		
6	Buckie Drifter revaluation – NDR	22	(4)	
7	Building Cleaning – reduce hours at school	250		
	Lifelong Learning, Culture and Sport			
8	Amendments to libraries closure programme	(76)		
9 c	Active Schools – amended proposal	(33)	(109)	
10 c	Music Instruction – amended proposal	(14)	(30)	
11	Delete vacant post	25		
12	Reduce Moray Leisure grant	60		
	Development Services			
13 c	Management and support restructure	30		
14 c	Delete vacant post (Business Gateway)	24		
15	Accessibility in schools	40		
16	MIJB – uplift in pay and prices	800		
17	- overspend brought forward	555		
18	Landlord registration – removal of 10% discount	6		
19	Replacement of CRC by increased CCL	100		
20	Energy save to spend Forres Community Centre lighting	2		
21	IORB	95		
	Total amendments / additional savings	1,952	(125)	
	Temporary savings			
22	School transport (one week re school holidays)	120		
23	Remove funding to Community Councils	16		
24	Grampian Valuation Joint Board refund re 2018/19	13		
	Total temporary savings	149		
	Total	2,101	(125)	

c Subject to consultation

Moray Council Capital Programme 2019/20 onwards

Capital Project	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Core Programme										
1 - Local Development Plan										
Economic Development										
Moray Growth Deal		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Libraries & Leisure										
3G synthetic turf pitch (Forres)			700							
Parks & Open Spaces										
Cemetery Provision in Moray				1,800	450	630				
Schools - New Build										
Extension to Elgin Academy										
New primary school at Findrassie		10,000	10,000							
New primary School in South Elgin (Linkwood)	9,551	1,394								
New primary school in south west Elgin						10,000	10,250			
Traffic										
Elgin Transport Strategy	0	0	0	9,523	8,000	6,000	1,000			
Waste Management										
Domestic & Trade Waste Bins	35	35	35	35	35	35	35	35	35	35
1 - Local Development Plan Total	9,586	16,429	15,735	16,358	13,485	21,665	16,285	5,035	5,035	35
2 - Asset Management Planning										
Bridges										
A941 New Craigellachie Bridge	1,850			2,250						
Arthur's Bridge	80								3,000	
B9136 Glenlivet Bridge	150									
Bridge Strengthening & Replacement							885	885	885	885
Remote footbridges	68	40	50	50	50	50	50	50	50	50
U142 Nether Tomdow, A941 Dydeside, U142.5 Willowbank, U142.5 Culach Burn			352							
U89E Phorp Bridge		211								
U97H Tomliath Bridge			216							
Car Parks										
Replace waterproofing and expansion joints at multi-storey car parks	228	114	114	114						
Corporate										
Audio visual equipment	6				7					
Corporate office furniture	10	10	25	25	25	25	25	25	25	25
Depots	919	485								
Facilities Management Equipment	8	10	15	15	15	15	15	15	15	15
Vehicle & plant replacement programme	3,701	2,450	2,450	2,450	2,450	2,450	2,450	2,450	2,450	2,450
Harbours										
Buckie	447	216								
Burghead	258									
Cullen	35	57								
Findochty	41	33								
Harbour offices	20									

Capital Project		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Harbours	Portknockie	397									
	Replacement of life expired elements and upgrade			300	300	300	300	300	300	300	300
ICT											
	Desktop and Mobile Devices	199	213	213	213	213	213	213	213	213	213
	Network Infrastructure	110	60	90	120	180	90	90	90	90	90
	Servers Infrastructure	204	15	40	85	95	115	140	140	140	140
	Software	120	120	120	120	120	120	120	120	120	120
	Telephony/Contact Centre System	235	65								
	Unix server replacement	100									
Industrial Portfolio - refurbishment											
	Estate roads		10				120				
	Industrial Units	247	56	57	57	60	60	60	255	80	
Libraries & Leisure											
	All public facilities	10	10	10	50	50	50	50	50	50	50
	Condition Surveys - Community Centres	30			290	290					
	Condition Surveys - Libraries				30	30					
	Condition Surveys - Museums				35	35					
	Condition Surveys - Pavilions				40	40					
	MLC CHP	270									
	Refurbishment & upgrade of pools	0	0	0	750	825	825	0	0	0	0
	Swimming pool equipment	50	50	50	90	90	90	90	90	90	90
	Underwater cameras in swimming pools	0	0	0	0	0	43	0	0	0	0
Parks & Open Spaces											
	Children's Play Areas (Parkland)	35	35	35	35	35	35	35	35	35	35
Road Improvements											
	Carraigeway resurfacing / reconstruction / surface dressing	2,042	2,042	2,042	2,390	2,390	9,000	9,000	9,000	9,000	9,000
	Drainage and other works	750	450	450	450	450	450	450	450	450	450
	Footways	300	300	300	300	300	300	300	300	300	300
	Timber Traffic	250	250	250	250	250	250	250	250	250	250
Road Safety											
	New Road Signs and Markings	37	37	37	37	37	37	37	37	37	37
Schools - MDM											
	Investment to bring all schools to B for condition and B for suitability				5,932	5,398	4,823	6,637	6,637	6,637	6,637
	Make Do and Mend	3,200	3,000	3,000							
Schools - New Build											
	Lossiemouth High School	20,966	10,288	1,268							
	Replace Buckie High School plus one new primary in Buckie ASG										
	Replace Keith Grammar School							30,000			
Schools - Other											
	Secondary Schools			0	700	700		700	700		
Street Lighting											
	Replacement columns and lights	600	600	600	600	600	600	600	600	600	600
Traffic											
	Traffic Data Collection Equipment	7	7	7	7	7	7	7	7	7	7
Waste Management											

Capital Project		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Waste Management	Dallachy Landfill Site	630	650	250							
	Development of Waste Strategy	10	10	10	10	10	10	10	10	10	10
	Materials Recovery Facility upgrade	100									
	Replacement Baler for recyclable material streams	130									
	Replacement Green Waste Shredder at Moycroft	200									
	Replacement Recycling Centre - Elgin	500	1,000								
	Upgrade Recycling Centres	275									
2 - Asset Management Planning Total		39,825	22,894	12,351	17,795	15,052	20,078	52,514	22,709	24,834	21,754
3 - Legislative											
Corporate Building H&S											
	Fire safety - Schools	25	25	25	60	60	60	60	60	60	60
	Legionella and FRA upgrades - corporate	40	40	40	40	40	40	40	40	40	40
	Legionella works - Schools	15	15	15	35	35	35	35	35	35	35
Flood Risk Mgt & Coastal Protection											
	Elgin flood alleviation scheme				348						
	Forres (Findhorn and Pilmuir)				620						
	Lossiemouth Seatown Flood Risk Management	284						1,000	1,050		
	Portgordon Flood Risk Management	215						0	0	0	
Road Safety											
	Disability Adaptations	61	61	61	61	61	61	61	61	61	61
	Road safety provision	136	130	130	105	105	105	105	105	105	105
Schools - Accessibility											
	Schools	40	40	40	40	40	40	40	40	40	40
	Schools fire audits - works required above normal budget provision	140	140	140							
Waste Management											
	Integrated Waste Facility	2,300									
	NESS energy	4									
	NESS energy - construction phase	9,962	11,508	5,090							
3 - Legislative Total		13,222	11,959	5,541	1,309	341	341	1,341	1,391	341	341
4 - Improvement & Modernisation Programme / Efficiencies											
Corporate											
	Energy Efficiency Projects	15	15	15	15	15	15	15	15	15	15
ICT											
	Digital Public Services	75									
	School ICT Strategy	243	292								
Libraries & Leisure											
	MLC Dehumidifiers	60									
Street Lighting											
	Replace SOX and SON street lights with LED lights	1,100									
4 - Improvement & Modernisation Programme / Efficiencies Total		1,493	307	15	15	15	15	15	15	15	15
5 - Funded Govt Priority											
Schools - Refurbishment											

Capital Project	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Schools - Refurbish Expansion of Early Learning & Childcare	4,225	1,900								
Traffic										
CWSS		130								
5 - Funded Govt Priority Total	4,355	1,900								
6 - Other Development										
Industrial Portfolio - land acquisition										
Elgin				375						
Forres	251									
Lossiemouth				300						
Mosstodloch										
Speyside			300							
Industrial Portfolio - new units										
Elgin						565				
Forres	907									
Lossiemouth						565				
March Road, Buckie			396						565	
Speyside					678					
Industrial Portfolio - service sites										
Elgin			5		848					
Forres	1,921									
Lossiemouth			5		700					
March Road, Buckie								500		
Speyside		5		250						
6 - Other Development Total	3,079	5	706	925	2,226	1,130		500	565	
7 - Responsive										
Flood Risk Mgt & Coastal Protection										
Portknockie Landslip		1,000								
Road Safety										
Road safety barrier provision	108	108	109	109	109	109	109	109	109	109
7 - Responsive Total	1,108	108	109	109	109	109	109	109	109	109
8 - Budget Pressures										
Harbours										
Purchase new Pilot Boat			300							
8 - Budget Pressures Total			300							
Core Programme Total	72,668	53,602	34,757	36,511	31,228	43,338	70,264	29,759	30,899	22,254
Funding										
Developer Obligations										
Schools - New Build										
New Linkwood Primary School			(913)		(1,186)			(1,628)		
Developer Obligations Total			(913)		(1,186)			(1,628)		

Capital Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Grant Funding										
Grants & Contributions										
CWSS	(130)									
Elgin Transport Strategy	0	0	0	(3,809)	(3,200)	(2,400)	(400)			
General Capital Grant	(9,875)	(9,875)	(9,875)	(9,875)	(9,875)	(9,875)	(9,875)	(9,875)	(9,875)	(9,875)
Schools - New Build										
Lossie High School	(11,365)									
Schools - Refurbishment										
Expansion of Early Learning & Childcare	(2,800)	(1,900)								
Grant Funding Total	(24,170)	(11,775)	(9,875)	(13,684)	(13,075)	(12,275)	(10,275)	(9,875)	(9,875)	(9,875)
Loans Fund										
Loans										
Prudential Borrowing	(48,498)	(41,827)	(23,969)	(22,427)	(17,753)	(29,477)	(59,589)	(19,484)	(18,996)	(11,979)
Loans Fund Total	(48,498)	(41,827)	(23,969)	(22,427)	(17,753)	(29,477)	(59,589)	(19,484)	(18,996)	(11,979)
Other Funding										
Receipts										
Capital receipts to be generated in year	0	0	0	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Other Funding Total	0	0	0	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Funding Total	(72,668)	(53,602)	(34,757)	(36,511)	(31,228)	(43,338)	(70,264)	(29,759)	(30,899)	(22,254)

APPENDIX 5**CAPITAL PLAN NOTES****1 Section 1 – Local Development Plan and other Council policies**

- 1.1 Moray Growth Deal (MGD) – as approved for the Capital Plan 2018-2028 a notional amount of £5m per annum for 8 years is included in the Capital Plan. As MGD progresses details of projects and required Council contributions will be developed. No spend is currently included in the plan for 2019/20.
- 1.2 3G synthetic pitch in Forres - in accordance with the Council's policy on provision of pitches. Developer obligations have been taken for this proposed facility. No spend is included in the plan for 2019/20.
- 1.3 Cemetery provision in Moray – in accordance with the policy on provision of cemeteries approved by Economic Development and Infrastructure Services Committee on 4 December 2018.
- 1.4 New primary school at Findrassie – the Masterplan for Findrassie includes a new primary school.
- 1.5 Linkwood Primary School – currently under construction.
- 1.6 New primary school in south west Elgin – the requirement for a new school in south west Elgin is based on currently new build projections, metrics for estimates of children per new build house, and current policy on maximum school roll.
- 1.7 Elgin Transport Strategy – the draft plan does not include any expenditure for 2019 -2022 as no projects are yet developed in detail. However, it is anticipated that projects will be developed during that timeframe and brought forward individually to committee for consideration for approval.
- 1.8 Domestic and trade waste bins – for new housing developments and in response to economic development. An annual sum of £35,000.

2 Section 2 – Asset Management Planning

- 2.1 Bridges – planned bridge refurbishments based on condition surveys. The Engineering Consultancy section review planned works on a regular basis and individual projects are included following the assessment of a project mandate by the Asset Management Working Group. Projects planned for 2019/20 are: new Craigellachie Bridge on the A941 (this project has been split across 2 phases to curtail expenditure in 2019/20); Arthur's bridge (approved by Moray Council on 28 June 2018); Glenlivet Bridge on the B9136 (approved by Moray Council on 22 November 2017); and an allowance of £68,000 for remote footbridges.

- 2.2 Car parks – a programme of works over 4 years to replace waterproofing and expansion joints at multi-storey car parks. £228,000 expenditure is proposed in 2019/20.
- 2.3 Corporate expenditure – the main item is the vehicle and plant replacement programme, which is based on replacing items at the most economic point in their life-cycle, taking into account cost of maintenance and downtime. £3.7 million is proposed for 2019/20, including £1.2 million deferred in 2018/19 due to uncertainty about future operational budgets and to minimise expenditure in that year. Expenditure of £0.9 million on depot refurbishment is proposed, based on condition surveys. This will be targeted taking into account the Property Asset Management Appraisal approved by Council on 18 December 2018. The amount includes expenditure deferred in 2018/19. An annual allowance is made within the capital plan for replacement of office furniture (£10,000) and cleaning and catering equipment (£8,000). An additional allowance of £6,000 is made in 2019/20 for replacement of webcasting equipment within the council chamber. This is based on the expected life of the equipment and will not be used unless required.
- 2.4 Harbours – a programme of replacement of life-expired elements and upgrade has been developed for the council's 2 commercial and 4 leisure harbours, based on asset condition. Expenditure of £1.2 million is proposed for 2019/20 across 5 harbours.
- 2.5 ICT – the capital plan for 2019/20 includes provision of £0.2 million for the desktop and mobile devices replacement programme; £0.1 million for network infrastructure, including security measures in response to Public Sector Network (PSN) requirements, equipment for schools and the corporate network and telephone system upgrades in schools; £0.2 million servers infrastructure, which includes £0.1million deferred from 2018/19 following the adoption of a national server maintenance contract, which has extended the life of some servers; and £0.1 million for software upgrades in response to end of life notifications from suppliers and any risks highlighted in the annual PSN security check or internal risk assessment for the system. In addition to these rolling programmes £0.2million is included for telephony and £0.1 million for a Unix server replacement.
- 2.6 Industrial Estate – there is a rolling programme of refurbishment of industrial units and £0.2 million is included in the capital plan for 2019/20.
- 2.7 Libraries and leisure facilities – the capital plan includes an annual amount for replacement swimming equipment (£50,000) and replacement fixtures, fittings and furniture (£10,000). In addition to this a one-off sum of £0.3 million is proposed for the replacement of the Combined Heating and Power (CHP) unit at Moray Leisure Centre. This piece of equipment is life-expired and Moray Leisure Ltd is operating with the risk that they will have to purchase electricity at a considerably increased rate if the plant is not replaced. Replacement of the plant arises from an asset management requirement but will generate future savings to the council as the operating budget can be reduced when the risk of plant failure has been mitigated.

- 2.8 Parks and open spaces – an annual amount of £35,000 is included in the capital plan to allow for refurbishment of children’s play areas. This sum is estimated to allow for one area to be refurbished each year.
- 2.9 Road Improvements – this covers budgetary provision of £2 million in 2019/20, reflecting the council’s agreement to reduce the standard of Moray’s roads to (check); £0.75million for drainage and other work, including £0.3 million deferred in 2018/19, and £0.3 million for footways. This represents a reduction of £0.1 million from previous capital plans. £0.25 million is also included for upgrading roads anticipated to carry heavy timber traffic as a result of timber felling.
- 2.10 Road safety – an annual budget of £37,000 is included for new road signs and markings.
- 2.11 Schools – an on-going programme to bring all schools to a standard of B for condition and B for suitability was jettisoned in favour of Make Do and Mend. In order to allow for a lead-in time to develop a refurbishment programme based on a current assessment of the requirements of the School Estate and up-to-date conditions surveys, the draft plan proposes a continuation of Make Do and Mend only in as much as a planned programme of refurbishment has not been developed. Development of the programme will take place within the context of the Improvement and Modernisation Programme. A sum of £3.2 million is included in the plan for 2019/20. The plan also includes £21 million for the new Lossiemouth High School and community facilities.
- 2.12 Street lighting – an annual amount of £0.6 million is included for replacement columns and lights.
- 2.13 Traffic – an annual amount of £7,000 is included for replacement traffic data collection equipment. The council has a duty to collect traffic data, and equipment requires to be replaced as it becomes life-expired.
- 2.14 Waste Management – the programme of capping cells and reinstatement will continue until the landfill site is closed and £0.65 million is included in the 2019/20 capital plan for this purpose. Scottish Government have advised that there will be no derogation of the landfill ban which is due to come into effect in 2021, and so no further cell construction is planned. The pattern of work is heavily weather dependent. One off budgets in 2019/20 are proposed: to upgrade the materials recovery facility (£0.1 million); a replacement baler for recyclable materials (£0.1 million) – this has the effect of keeping transport costs of recyclates to a minimum; replacement green waste shredder (£0.2 million) ; upgrade recycling centres (£0.3 million). The construction of a replacement recycling centre in Elgin is included with £0.5 million expenditure projected for 2019/20.

3 Section 3 – Legislative requirements

- 3.1 Building Health and Safety - an annual amount of £40,000 is included for work on corporate buildings arising from legionella inspections and Fire Risk Assessments (FRA). An annual amount of £25,000 is included for work at schools arising from FRAs and £15,000 for legionella works in schools. Recent FRAs in schools implied the need for additional work to be carried out above the annual provision and a sum of £140,000 is included for 2019/20.
- 3.2 Flood Risk Management and coastal protection – the residual approved budgets for Elgin and Findhorn and Pilmuir flood alleviation schemes are included in the ten year plan. Coastal protection studies / schemes at Portgordon and Lossiemouth Seatown are included in the Flood Risk Management Plan and are thus committed by statute. Construction of the proposed schemes will be dependent on the timing of grant funding being made available from Scottish Government.
- 3.3 Road safety – an annual amount of £61,000 is included for the provision of dropped kerbs and disabled parking spaces as identified from requests from members of the public. The criteria for providing disabled parking is set in the Disabled Persons' Parking Places (Scotland) Act 2009, which requires each application to be measured against those criteria and if met obligates the installation of a disabled parking bay. £136,000 is included in 2019/20 for the provision of traffic islands, pelican crossings and minor junction alterations to improve road safety. £30,000 of the budget is allocated to improving skid resistance. The Council has a statutory duty to improve road safety.
- 3.4 Waste Management – as mentioned in paragraph 2.14 local authorities will be unable to landfill biodegradable waste from 2021, which effectively means a ban on landfill. The Council has entered into a partnership with Aberdeen City and Aberdeenshire to construct an energy from waste plant in Aberdeen. Moray's share of that project in 2019/20 is expected to be £10 million and that sum is included in the capital plan. Provision of £2.3 million for an integrated waste facility at Moycroft, as approved by Moray Council on (date) is also included.

4 Section 4 – Improvement and Modernisation Programme and other efficiencies

- 4.1 The capital plan includes an annual amount of £15,000 to fund small scale energy efficiency projects.
- 4.2 The development of Digital Services is part of the I&M Programme and £75,000 is included in the capital plan for 2019/20 to compete the first tranche of development.
- 4.3 Funding of £0.2 million for the School ICT Strategy is included in 2019/20.

- 4.4 The programme of replacing SOX and SON street lighting units with LED units is planned to be completed in 2019/20 and a budget of £1.1 million is included for the final stages of this programme.
- 4.5 Moray Leisure Ltd has 2 dehumidifiers for use at the ice rink, one of which is leased at a cost of £1,500 per month. The other unit is leaking refrigerant and requires replacement. Two gas dehumidifiers could be purchased for £57,000. These would be more environmentally friendly and more efficient, with projected running costs £10,000 less than the current units. If the Council purchase these at an estimated annual loans charge of £5,000, there is an opportunity to make revenue savings of £28,000 pa from the operating grant for Moray Leisure Centre. Accordingly £57,000 is included in the draft capital plan.

5 Section 5 - Funded Government priorities

- 5.1 Scottish Government I provided significant funding for the expansion of Early Learning and Childcare and the grant funding awarded to Moray Council for 2019/20 is included in the capital plan, along with the balance of funding received in 2018/19 not expected to be spent in that year – a total of £4 million.
- 5.2 The only other specific capital grant which Moray Council receives from Scottish Government is for Cycling, Walking, Safer Streets and expenditure of the amount of grant awarded in 219/20 of £130,000 is included in the capital plan.

6 Section 6 – Other development

- 6.1 The Council has a long-standing programme of Industrial Estate development to support its priority of Economic Development. The capital plan for 2019/20 includes £0.25 million for land acquisition, £0.9 million for new units and £1.9 million for site servicing, all in Forres.

7 Section 7 – Responsive expenditure

- 7.1 Remedial works in Portknockie to ground affected by the landslip was approved by council and is included in the capital plan for 2019/20 at £1 million.
- 7.2 An annual amount of £0.1 million for provision of road safety barriers in response to assessed need is included in the capital plan.

8 Budget pressures

- 8.1 £300,000 has been included in the indicative capital plan for 2021/22 for a replacement pilot boat. An options appraisal will be developed and this item is included as a budget pressure but will not be considered for addition to the capital plan until the options appraisal exercise has been carried out.

PROPOSED 2019/20 CHARGES
SECTION I: HARBOURS

APPENDIX 6a

REF	SERVICE	BASIS OF CHARGE/REASON FOR CHANGE	2018/19 CHARGE	PROPOSED CHARGE - 2019/20 (rounded to nearest 5p)	DATE OF LAST CHANGE	ANTICIPATED INCOME	Comments
I1	Commercial Charges				Apr-18		
I1a	Cargo Vessel - per 7 days or part thereof	per dead weight all told ton (where GT exceeds DWAT, payment will be based on GT)	0.45	0.50		Buckie £430,644 Burghead £47,575 Cullen £10,419 Findochty £36,077 Hopeman £27,747 Portknockie £16,491	5%
I1b	Cargo Vessel - after first week	per dead weight all told ton (where GT exceeds DWAT, payment will be based on GT)	0.30	REMOVE covered above			
I1c	Self Propelled and towed barges per 7 days or part thereof	per m2 or part thereof	0.90	0.95			5%
I1d	All CTV	per day (per length, per metre or part thereof)	NEW	3.00			
	All CTV	per month(per length, per metre or part thereof) non refundable	NEW	59.00			
	All CTV	per annum (per length, per metre or part thereof) non refundable	NEW	657.00			
I1e	Tugs and maintenance/service vessels - per 7 days or part thereof	per m or part thereof	4.70	5.00			5%

11f	Vessels engaged in the provision of services and supply of materials for offshore activities vessel	per dead weight all told ton	0.45	REMOVE See 1E above			
11g	Compulsory garbage (cargo)	on arrival per visit	72.10	75.00			5%
11h	Storage of cargo equipment on piers and quaysides per 7 days of part thereof	per m² or part thereof	2.10	5.00			Benchmarked with neighbouring port - Peterhead
11i	Handling mooring ropes	per hour or part thereof per person - during normal working hours (08:00 - 18:00)	25.75	50.00			Benchmarked with neighbouring port - Peterhead
	Handling mooring ropes	per hour or part thereof per person - outwith normal working hours (18:00 - 08:00)	25.75	90.00			Benchmarked with neighbouring port - Peterhead
11j	Passengers embarking & disembarking per trip including pleasure vessels, sea angling & excluding passengers on pilot boat & vessels being charged as CTV	Per passenger	0.95	1.00			5%
11k	Cleaning of piers following cargo movement	Per hour or part thereof	208.40	218.85			5%
11l	Fast Rescue Craft	Per entry/departure	NEW	50.00			
12	Fishing Vessels				Apr-18		
12a	<u>Composition Fee (per qtr)</u>						
	Vessels under 10m		35.45	£37.25			5%
	10-17m		53.35	£56.05			
	17-22m	entries to qualify for composition fee =	79.20	£83.20			
	22-26m	3 entries in 1st month	97.00	£101.85			
	26-30m		113.15	£118.85			
12b	over 30m		184.25	£193.50			
	<u>Single Entry</u>	per 7 days or part thereof - including vessels laid up					
	Vessels under 10m		35.45	£37.25			5%
	10-17m		53.35	£56.05			
	17-22m		79.20	£83.20			
	22-26m		97.00	£101.85			
	26-30m		113.15	£118.85			

	over 30m		184.25	£193.50			
I2c	<u>Vessels Laid Up</u>			included above			
	Vessels under 10m		35.45	REMOVE			
	10-17m		53.35	REMOVE			
	17-22m		79.20	REMOVE			
	22-26m		97.00	REMOVE			
	26-30m		113.15	REMOVE			
	over 30m		184.25	REMOVE			
I2d	Over 30m the minimum fee shall be as set out in the above table or the fee calculated as “per dead weight all told ton” at the rate above or to the right, whichever is the greater		0.35	REMOVE (INCL ABOVE)			
12e	Surcharge after a continuous period of 12 weeks		50% on top of charges above	50% on top of charges above	Apr-06		leave as is
12f	Compulsory garbage charge Nb this charge will be levied on only one occasion per vessel per week	on arrival, per visit	20.60	21.65			5%
12g	Storage of Fishing equipment in net storage area	per m² per week or part thereof	1.45	1.55			5%
I2h	Vessels less than or equal to 10m in length engaged in licensed creel fishing		Recreational dues plus 2% of catch value	Recreational dues plus 2% of catch value	Apr-12		leave as is
	Where non declaration of fish landings	per quarter, per vessel	NEW	400.00			
I3	Recreational Vessels						
	<u>Pontoon Berth</u>	Annual berthing charges (inc VAT)			Apr-18		Annual berthing charges (£67.98 per metre + VAT)
	Over 3 - 4m		296.64	£326.30			10% - as per Group Leaders decision Jan 19
	Over 4 - 5m		370.80	£407.88			
	Over 5 – 6m		444.96	£489.46			
	Over 6 – 7m		519.12	£571.03			
	Over 7 – 8m		593.28	£652.61			

I3a	Over 8 – 9m		667.44	£734.18		
	Over 9 – 10m		741.60	£815.76		
	Over 10 – 11m		815.76	£897.34		
	Over 11 – 12m		889.92	£978.91		
	Over 12 – 13m		964.08	£1,060.49		
	Over 13 – 14m		1,038.24	£1,142.06		
	Over 14 – 15m		1,112.40	£1,223.64		
	Over 15 – 16m		1,186.56	£1,305.22		
	Over 16 – 17m		1,260.72	£1,386.79		
	Over 17 – 18m		1,334.88	£1,468.37		
	Over 18 – 19m		1,409.04	£1,549.94		
	Over 19 – 20m		1,483.20	£1,631.52		
	Each metre thereafter		74.16	£81.58		
I3a	<u>Wall/Loose Mooring</u>	Annual berthing charges (inc VAT)			Apr-18	Annual berthing charges (£56.65 per metre + VAT) 10% - as per Group Leaders decision Jan 19
	Over 3 - 4m		247.20	271.92		
	Over 4 - 5m		309.00	339.90		
	Over 5 – 6m		370.80	407.88		
	Over 6 – 7m		432.60	475.86		
	Over 7 – 8m		494.40	543.84		
	Over 8 – 9m		556.20	611.82		
	Over 9 – 10m		618.00	679.80		
	Over 10 – 11m		679.80	747.78		
	Over 11 – 12m		741.60	815.76		
	Over 12 – 13m		803.40	883.74		
	Over 13 – 14m		865.20	951.72		
	Over 14 – 15m		927.00	1,019.70		
	Over 15 – 16m		988.80	1,087.68		
	Over 16 – 17m		1,050.60	1,155.66		
	Over 17 – 18m		1,112.40	1,223.64		
	Over 18 – 19m		1,174.20	1,291.62		
	Over 19 – 20m		1,236.00	1,359.60		
	Each metre thereafter		£61.80	67.98		
	<u>Hardstanding</u>	Annual berthing charges (inc VAT)			Apr-18	Annual berthing charges (£45.32 per metre + VAT) 10% - as per Group Leaders decision Jan 19
	Over 3 - 4m		197.76	217.54		
	Over 4 - 5m		247.20	271.92		
	Over 5 – 6m		296.64	326.30		
	Over 6 – 7m		346.08	380.69		

I3a	Over 7 – 8m		395.52	435.07			
	Over 8 – 9m		444.96	489.46			
	Over 9 – 10m		494.40	543.84			
	Over 10 – 11m		543.84	598.22			
	Over 11 – 12m		593.28	652.61			
	Over 12 – 13m		642.72	706.99			
	Over 13 – 14m		692.16	761.38			
	Over 14 – 15m		741.60	815.76			
	Over 15 – 16m		791.04	870.14			
	Over 16 – 17m		840.48	924.53			
	Over 17 – 18m		889.92	978.91			
	Over 18 – 19m		939.36	1,033.30			
	Over 19 – 20m		988.80	1,087.68			
	Each metre thereafter		49.44	54.38			
I3b	Use of a licensed (recreational) boat for commercial purposes		Recreational dues plus 2% of landing	Recreational dues plus 2% of landing	Apr-12		Leave as is
	Where non declaration of fish landings	per quarter, per vessel	NEW	400.00			
I3c	Discounted rate for pensioners (boats less than 7m in length)	for current beneficiaries only	75% of current relevant charge	75% of current relevant charge			Leave as is
I3d	Surcharge for vessels which have not been out to sea for more than 1 year		100%	REMOVE	Apr-05		This charge should be deleted as it is not possible to prove
I3e	Rover Ticket	In line with Aberdeenshire Council	£62.50+VAT =£75	£62.50+VAT =£75	Apr-05		In line with Aberdeenshire Council
I3f	Visiting vessel day ticket	per day or part thereof	17.05	16.67			Rounded to £20.00 - in line with neighbouring ports
I4	Harbour Dues				Apr-18		
I4a	For 24 hour period or part thereof		17.05	REMOVE see I3f above			
I4b	Vessels carrying passengers for pleasure trips, including sea angling	Per passenger	0.95	REMOVE see I1j			

I4c	Hire of single gangway	Per day or part thereof	NEW	35.00			
I4d	Use of port/harbour to demonstrate or test equipment/vessel or any other similar event (commercial)	Per day or part thereof	NEW	200.00			
I4e	Use of port/harbour for community/charity events		NEW	100.00			
I4f	Use of harbour for paddlesports etc	DAR authority for commercial charges	NEW	By Individual Agreement			
I5	Wharfage				Apr-18		
I5a	Minimum charge – all categories		1.65	200.00			change in pricing arrangement leave as is - individual charges benchmarked with neighbouring ports
I5b	Basic materials, manufactured goods, fuels (other than petroleum spirit)	Per tonne	1.15	1.15			
I5c	Wet fish, including fish consigned to or from any harbour not owned by Moray Council	Ad valorem	2.50%	2.50%	Apr-08		
	Wet fish “That part of landings of white fish and shellfish in excess of £7,500 in value”		1.50%	1.50%	Apr-08		
I5d	Wood, Lumber, Cork, Chipboard and Blockboard	Per tonne	1.00	1.00			
I5e	Vehicles	Per vehicle	11.35	REMOVE			
I5f	Foods (other than wet fish)	Per tonne	1.15	1.15			
I5g	Fabricated Goods	Per tonne	7.25	7.25			
I5h	“Loyalty” Reduction in Charges						
	20,000 tonnes – 22,000 tonnes 22,000 tonnes – 25,000 tonnes		Scale rate less 5% Scale rate less 5%	REMOVE REMOVE	Apr-06 Apr-06		

	Above 25,000 tonnes		Scale rate less 5%	Price on applicaton	Apr-06		
I5i	<u>Passengers</u> Passengers embarking or disembarking (excluding passengers on pilot boat)	Per person	1.00	REMOVE See I1j			
I5j	Dangerous Goods (any hazardous chemicals – explosives or inflammables)	Per tonne	77.25	81.15			5%
I5k	Heavy lifting for extraordinary specialised activities, eg transformers, wind turbine parts	50 - 99 tonnes - per tonne 100 - 149 tonnes - per tonne 150 - 249 tonnes - per tonne Over 250 tonnes - per tonne	NEW NEW NEW NEW	1.00 1.25 1.50 1.75			
I6	Slipway and repair pads				Apr-18		
I6a	Any recreational vessel using a slipway inclusive of one entry and one exit from the harbour Any commercial vessel using a slipway inclusive of one entry and one exit from the harbour Season ticket for recreational unlimited use of any Council slipway, valid for 12 months, commencing 1 April Season ticket for commercial unlimited use of any Council slipway, valid for 12 months, commencing 1 April	Per occasion Per occasion Per vessel Per vessel	18.05 NEW 68.15 NEW	16.67 25.00 60.00 416.67			Rounded to £20.00 gross - in line with neighbouring ports Rounded to £30.00 gross Rounded to £72.00 gross Rounded to £500 gross
16b	Use of repair pads/blocks by any vessel in respect of which a composition fee has been paid	Per 24hrs or part thereof	4.80	REMOVE			
	Weighbridges				Apr-17		

17	Goods shipped or unshipped on which harbour dues are payable	Per tonne (to nearest tonne)	0.40	0.45			5%
	Other goods	Per weighing	9.50	10.00			5%
18	Pilotage				Apr-17		
18a	Per gross registered ton		0.35	0.40			5%
	Minimum charge		206.00	216.30			5%
18b	Detention Charge for Late arrival of vessel	Per hour or part thereof (rounded up)	206.00	216.30			5%
18c	Hire of Pilot-Boat and crew per hour or part thereof including towing support activity and similar		206.00	216.30			5%
18d	Pilot Boat Maintenance Charge (to be applied when pilotage not requested)	per dead weight all told ton (where GT exceeds DWAT, payment will be based on GT)	0.25	0.30			5%
19	Supply of Water				Apr-17		
19a	Cargo vessels: Minimum charge		102.25	107.40			5%
	Additional charge per tonne or part thereof in excess of 6 tonnes		2.05	2.15			5%
19b	Fishing vessels: (Where a composition fee has been paid)	On each occasion			Apr-17		
	Less than 20m		9.50	10.00			5%
	20m or over	14.70	15.45	5%			
	(Where a composition fee has not been paid)	Per quarter					
Less than 20 metres	27.50		28.90	5%			

	20 metres or over		37.00	38.85			5%
	Recreation vessels	On each occasion	9.50	10.00			5%
I10	Supply of electricity Up to 3 hours Over 3 hours Over 12 hours	Cost per electrical unit	9.50 + VAT 1.95 + VAT 0.25 + VAT	10.00 + VAT 2.05 + VAT 0.30 +VAT	Apr-17		5% 5% 5%
I11	Provision of skips for non-fishing vessel per skip per week	per skip per week or part thereof	25.75	REMOVE replaced with garbage fee	Apr-17		
I12	Fuel transfer	Cost per tonne	2.35	2.50	Apr-17		5%
I13	Ground rent for container/fuel tank	Per sq m per annum (pro rata)	NEW	15.00			
I14	Hire of Room at Harbour Office Standard Junior/over 60/charity Business Rate	Per hour or part thereof-New Rate Per hour or part thereof-New Rate Per hour or part thereof-New Rate	NEW NEW NEW	12.90 6.70 15.80			

SECTION C: LEISURE FACILITIES

APPENDIX 6b

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
C1	Fit Life					
C1a	Membership cards Individual – 12 months Individual – monthly direct debit			£252 £21	£264 £22	April 2018
C1b	Family – 12 months Family – monthly direct debit			Scheme now amended		
	Family (1 adult) – 12 months Family (1 adult) – monthly direct debit			£324 £27	£336 £28	
	Family (2 adults) – 12 months Family (2 adults) – monthly direct debit			£348 £29	£360 £30	
C1c	30 Day Membership			£30	£35 Card now 35 days for £35.00	April 2017
C2	Swimming Pools	All charges include VAT if applicable				
C2a.	Swimming					April 2018
	Adult Swim / aqua aerobics / activity class			£5.00	£5.50	
	Junior swim aged 5 – 17 / over 60s			£2.50	£2.75	
	Baby/toddler swim (under 4 years old)			Free	Free	

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
	Registered Disabled +one carer (Moray resident)			Free	£2.75	
	Registered Disabled +one carer (outwith Moray)			£2.50	Removed	
C2b.	Swimming Lessons Adult Lesson Junior Lesson block (8 weeks) Holiday Crash Course (5 x daily lessons) Parent and Child Class (1 adult & 1 child) Individual junior lesson (30 minutes for 1 child) Additional needs child individual lesson (30 minutes for 1 child)			£6.00 £40.00 £25.00 £5.00 £15.00 £10.00	£6.50 £42.00 £26.25 £5.25 £15.00 £10.00	April 2018
C2c.	Pool Hire General (Buckie, Forres, Keith) General (Lossiemouth) General (Speyside) Pool Hire with inflatable (Buckie, Forres, Keith) Pool Hire with inflatable (Speyside) Club Hire (Buckie, Forres, Keith) Club Hire (Lossiemouth) Club Hire (Speyside) Club hires are exempt from VAT if a series booking			Per hour £110.00 £85.00 £65.00 £120.00 £80.00 £42.00 £35.00 £30.00	Per hour £110 £85 £65 £120 £80 £44 £37 £32	April 2018

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
C2d.	Health Suite Sauna & Steam			Use of health suite included in admission cost.	Use of health suite included in admission cost	
C3	Indoor Facilities	All charges are inclusive of VAT				
C3a.	Fitness Rooms User induction course (Free with Fit Life? Membership) Fitness Room (1 hour) Adult Junior, over 60's, Registered Disabled Fitness Room (half hour) Adult Junior, over 60's, Registered Disabled Activity Class		.	£22.00 £5.00 £3.50 £3.50 half hour no longer available £5.00	£22.00 £5.50 £3.75 £3.75 half hour no longer available £5.50	April 2018

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
C3b	Speyside Sports & Community Centre – indoor climbing wall					April 2018
C3b1	Climbing Adult climb Junior climb (up to 17 years) Over 60s concession Registered disabled + one carer (Moray resident) Registered disabled + one carer (outwith Moray)			£5.00 £2.50 £2.50 Free £2.50	£7.00 £5.00 £5.00 £5.00	
C3b2	Climbing lessons Adult lesson block (8 weeks) Junior lesson block (8 weeks)			Costs according to type and duration of class	Costs according to type and duration of class	
C3b3	Climbing wall hire (per hour) Within normal opening hours Out-with normal opening hours			£30.00 As above plus £21 per hour	£35.00 As above plus £20 Per hour	

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
C4	Outdoor Sports	All charges are inclusive of VAT at current rate				
C4a.	Multi Sports Area Tennis Court Hire (1 court) per hour Multi Sports Area for 5-a-side football (3 courts) per hour			No longer a council facility Now open-plan – free access	No longer a Council facility Now open-plan Free access	April 2017
C4b.	Pavilions and Pitches Football and School sports field with changing rooms Adult Teams per Game Juvenile Teams (Under 17 years) per Game			£50.00 £20.00	£52.00 £22.00	April 2018
C4c.	Pavilion and / or grassed areas for training (football and rugby) and School sports fields without changing rooms Adult groups – per session Juvenile Groups – per session Session times are for morning / afternoon / evening			£36.00 £10.00	£36.00 £10.00	
C4d.	Electricity (Power Card) – 2 hours			£10.00	£12.00	

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
	Synthetic Sports Pitches					April 2018
C4e.	Aberlour, Buckie, Fochabers Full Size pitch Adult Teams per hour Juvenile Teams per hour Third size pitch Adult Teams per hour (1 x pitch) Juvenile Teams per hour (1 x pitch) Floodlight Charge Full Pitch per hour Third size Pitch per hour			£55.00 £30.00 £18.50 £10.00 £16.00 £5.50	£58.00 £32.00 £19.50 £11.00 £18.00 £6.00	

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
C4f.	Elgin and Keith Full Size pitch Adult Teams per hour Juvenile Teams per hour Half Size pitch Adult Teams per hour Juvenile Teams per hour Floodlight Charge – Elgin Full Size Pitch Half Size Pitch Floodlight Charge – Keith Per hour			£55.00 £30.00 £30.00 £15.00 £16.00 £8.00 £8.00	£58.00 £32.00 £32.00 £16.00 £18.00 £9.00 £9.00	
C5.	School facilities					
C5a.	Meeting Room – per hour Standard rate Junior (up to 17 years old) Special needs groups Staff recharge outwith normal opening hours			£12.00 £6.20 £19.50	£15.00 £10.00 £ 5.00 £20.00	April 2018
C5b.	Sports/Assembly Hall – per hour	.				April 2018

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
	Small hall Standard rate Junior / over 60s registered charity Business rate Large hall Standard rate Junior / over 60s registered charity Business rate Staff recharge outwith normal opening hours			£18.50 £9.30 £23.20 £37.00 £18.50 £46.35 £19.50	£20.00 £10.00 Removed Removed £40.00 £20.00 Removed Removed £20.00	

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
C7b	Day rate			£281.00		
	Outwith normal opening hours			£19.50		
	Standard Rates				£281.00	
	Room/Kitchen			£17.30		
	Small Hall			£22.70	£19.50	
C7c	Large Hall			£39.00		
	Day rate			£281.00		
	Outwith normal opening hours			£19.50	£17.30	
	Commercial Rates				£22.70	
	Room /kitchen			£32.50	£39.00	
	Small hall			£34.00	£281.00	
	Large hall			£56.75	£19.50	
	Outwith normal opening hours			£19.50		
					£32.50	
					£34.00	
					£56.75	
					£19.50	
C8	Elgin Town Hall – per hour				CAT TRANSFER FACILITY NOW RUN BY COMMUNITY GROUP	April 2018

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
C8a.	Local Voluntary Community Group Room/lounge/kitchen Supper Room Main Hall Day rate Outwith normal opening hours			£17.30 £17.30 £22.70 £398.00 £19.50		
C8b.	Standard Rates Room/lounge/kitchen Supper Room Main Hall Day rate Outwith normal opening hours			£28.60 £34.00 £45.40 £398.00 £19.50		
C8c.	Commercial Rates Room/lounge/kitchens Supper Room Main Hall Outwith normal opening hours			£39.00 £56.75 £90.80 £19.50		
C8d	Additional costs Elgin Town Hall per let Radio Microphone with house PA Concessionary Rate Standard Rate Commercial Rate			£10.80 £10.80 £31.40		April 2018

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
	Stage Lighting Concessionary Rate Standard Rate Commercial Rate Specialist Sound Concessionary Rate Standard Rate Commercial Rate Caretaker Services			£45.40 £45.40 £56.75 £74.00 £74.00 £79.50 £19.50	 £74.00 £74.00 £79.50 £19.50	
C8e	Equipment Hire per let Community / standard House PA (inc microphone) Video TV Slide projector and screen Overhead projector and screen Screen only Small PA system House / stage lights Polypropylene chairs (outwith hall use) Tables (outwith hall use)			Free £5.50 £5.50 £5.50 £2.25 £21.75 Free £0.25 each £1.50 each		April 2018

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
	Commercial House PA (inc microphone) Video TV Slide projector and screen Overhead projector and screen Screen only Small PA system House / stage lights Polypropylene chairs (outwith hall use) Tables (outwith hall use)			Free £31.50 £10.80 £10.80 £4.30 £43.50 Free £0.50 each £3.25 each		
C9	Community Centres					
C9a	Admission Charges per hour Adult Junior aged 5-17 Over 60s Registered Disabled +1 carer (Moray resident) Registered Disabled + 1 carer (outwith Moray)			£3.40 £1.75 £1.75 Free £1.75	£5.00 £3.00 £3.00 £3.00 Removed	April 2018
C9b	Shower Use of photocopier (A4 black and white)			£1.50 £0.10	£2.00 £0.20	

APPENDIX 6c

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
G2	Burial Grounds			All charges are net of VAT		
G2a.	Sale of Lair Fee for transfer of lair			£697 £42	£770 £43	April 2018
G2b.	Interment Charges Under 18 years of age Over 18 years of age Fee for Non- Moray Resident			Nil £861	Nil £887 £976	April 2018
G2c.	Additional charge for interments Saturday (over 18 years) Non-Moray Resident Sunday (over 18 years) Non-Moray Resident			£431 NEW £861	£444 £488 £887 £976	April 2018
G2d.	Purchase of Cremated Remains Lair in Garden of Remembrance Fee for interment of casket Fee for Non- Moray Resident Additional charge for Caskets: Saturday Non- Moray Resident Sunday Non- Moray Resident			£204 £102 £204	£442 £210 £231 £105 £116 £210 £231	April 2018

REF	SERVICE	CODE S / M / SD	BUDGET 2018/19	CHARGE 2018/19	PROPOSED CHARGE 2019/20	DATE OF LAST CHANGE
	Scattering of Ashes on Grave			£35	£36	
	Non- Moray Resident				£40	
G2e.	Fee for digging foundations for headstone			£99	£102	April 2018
G2f.	Search Fee			£61	£63	April 2018
G2g.	Disinterments			Individually assessed	Individually assessed	N/A

APPENDIX 7**FINANCIAL PLANNING 2019/22 – MILESTONES**

1. 17 February 2016 – 2016/17 revenue budget was set, and the budget report included an estimated budget provision for 2017/18, identifying a projected shortfall of £14 million;
2. 30 March 2016 – the council agreed that the current range of service provision is financially unsustainable and agreed to limit capital expenditure to less than is required to meet the council's current policies and priorities;
3. 30 March 2016 – the council agreed proposals for engaging with local communities on the council's financial situation;
4. 25 May 2016 – the council agreed an interim position for capital expenditure – "Make Do and Mend" – to avoid abortive expenditure on assets which the council cannot afford to keep;
5. 29 June 2016 – the council considered a report on the revenue out-turn for 2015/16 and approved amendments to the 2016/17 budget based on that out-turn;
6. 17 August 2016 – the council approved timescales for the completion of an updated Corporate Plan, incorporating the financial plan for the council;
7. 7 December 2016 – the council approved the creation of a cross party Transition Board to prepare a set of design principles for the next Corporate Plan and considered feedback from the public consultation exercise.
8. 15 February 2017 – 2017/18 revenue budget was set, and the budget report included an estimated budget position for 2018/19, identifying a projected shortfall of between £14 million and £19 million, dependent on the local government settlement;
9. 29 June 2017 – the council considered a report on the revenue out-turn for 2016/17 and approved amendments to the 2017/18 budget based on that out-turn (paragraph 5 of the minute refers);
10. 22 November 2017 – the council considered a report on revenue budget monitoring to 30 September 2017 and a projected out-turn for 2017/18 of a £1.4 million overspend;
11. 4 December 2017 – a projected shortfall of £15 million for 2018/19 was reported and council agreed to consult with the community and council workforce on a range of potential measures to enable feedback to be taken into account in making recommendations for the 2018/19 budget.

12. 14 February 2018 – 2018/19 revenue budget was set, and the budget report included an estimated budget position for 2019/20, identifying a projected shortfall of £10.4 million as a minimum;
13. Corporate Plan for 2018-23 was approved including the aim to develop a financially stable council providing valued services to our communities and setting out a programme of actions to contribute towards this;
14. 28 June 2018 – the council considered a report on the revenue out-turn for 2017/18 and approved amendments to the 2018/19 budget based on that out-turn;
15. 28 June 2018 – financial planning report highlighting to the council the continuing budget pressures, the reserves position and the need to prepare short and longer term plans;
16. 26 September 2018 – financial planning report where £6m of savings were agreed and initial report on Improvement and Modernisation Programme;
17. 31 October 2018 – Council's Reserves Policy reviewed and target of £5 million (2.5% net budget) General Reserves confirmed;
18. 12 December 2018 – financial planning report to consider outcome of consultation and approve savings; report agreeing Improvement and Modernisation Programme, Capital Strategy and Property Asset Management appraisal; and
19. 23 January 2019 – financial planning report to consider the provisional funding position for 2019/20 and approve savings.

Trade Union and Workforce Responses to Consultation on Budget Proposals Agreed for Consultation on 23 January 2019 with Moray Council Response

UNISON RESPONSE		
Proposal	TU Response/Feedback	Council Response
Schools and Curriculum Development	<p>Classroom Assistants: Concern about the distress and upset caused by consulting on proposals for Classroom Assistants which were then changed based on information which would have been available to senior departmental management prior to the initial proposal having been agreed, demonstrating a lack of value or care for emotional wellbeing of the workforce.</p> <p>Concern about information on proposals being available on social media before some employees finding out through official channels. The Council needs to understand how fast information can be disseminated to affected staff and have procedures for cascading information promptly.</p> <p>Music Instruction: Concern that the service will become inaccessible to poorest households denying children the chance to learn an instrument and develop creative abilities. Query whether the Council can provide some funding to ensure that no child misses out on these opportunities.</p>	<p>As discussed at the JCC on 07 February, it is accepted that clarity on the budget position with each specific school would have been preferable before the decision to proceed with the proposals was communicated to staff, however the council recognises and values the role of Classroom Assistants and would always aim to ensure the emotional well-being of the workforce is of paramount importance, especially during difficult times.</p> <p>The agreed channels of communication as part of the council normal change management procedures were used, however the council is always seeking ways to make improvements and any specific suggestions are welcome.</p> <p>Those on lowest incomes have access to free lessons and this will not change.</p>
Lifelong learning, culture and sport	<p>Community action welcomed, however, concern regarding the decision to close the Lossiemouth swimming pool at a time when a new pool is to be constructed in the next couple of years which should be profit making.</p> <p>Concern regarding the sustainability of using Fit Life membership rates as they are volatile and can be</p>	<p>The difficult financial circumstances mean the council has to make significant savings in a very short timescale.</p> <p>The council continues to seek ways to boost the commercial viability of the leisure facilities in Moray e.g. increasing the membership of Fit Life within the local community, alternative commercial operating models. While the increase in Fit Life memberships is helping to</p>

	<p>cancelled at short notice. Additional concern regarding the capacity of the current facilities to meet the expectations of the increased membership.</p> <p>Review of position of the Active Schools Co-ordinators is welcomed however query why posts are not funded 100% from Sport Scotland.</p> <p>ESOL: Concern about removal of unique service in this area for basic English teaching and request reconsideration of transfer of service to Moray College. Concern regarding incomplete staffing information and process of verification of those staff affected by proposals. Recognition of assistance ESOL classes provide to migrant citizens and the wider benefits associated with this related to employment prospects, social harmony and reduced reliance of translation costs.</p> <p>Libraries: Amended proposals welcomed, however concern regarding changes proposals based on financing information that was already available to the council.</p>	<p>increase the commercial viability of swimming pools and leisure facilities, it is recognised that this is going to require constant monitoring and will be kept under review, including ensuring an appropriate balance between the levels of membership and the capacity to meet the demand this creates.</p> <p>While the funding for the Active Schools Service is part funded via Sport Scotland, this is on the basis of match funding whereby if the council is unable to meet the 'match' element the funding from Sport Scotland becomes unavailable.</p> <p>The possibility of transferring the service to Moray College has been considered and has not been possible to progress. This is not within the scope of the council to influence further. As discussed at the regular weekly meetings with HR and at the JCC the council very much regrets this occurrence and has provided a formal written apology to the employees concerned. The process for validating the accuracy of information is also being reviewed. The council notes the comments and recognises the benefits the ESOL classes provided.</p> <p>It is accepted that clarity on the budget position for libraries would have been preferable before the decision to proceed with the proposals.</p>
Integrated Childrens Service	Educational Psychology: Concern about possible increase in stress and workload and provision of satisfactory service.	As noted in the response to this query provided on 30 January, this was a vacant post and as such the main responsibilities had already been reviewed, prioritised and where appropriate re-allocated.
Direct Services	Waste Management: Extension on consultation for this therefore no comment at this time.	Consultation information has been provided to all staff affected by the waste management proposals.

	<p>Building Cleaning: Concerns noted in previous consultation (increased risk of infections and disease, increased sickness absence, impact on those in receipt of working tax credit) and overall detrimental impact on school and staff.</p>	<p>The concerns regarding the personal and wider financial impact on employees are noted.</p> <p>Cleaning will be focused on the areas most likely to contain the spread of infection and disease (e.g. touch points such as handles) as reduced floor cleaning does not contribute to the spread of illness or absence and therefore impact on attainment.</p> <p>Consideration of seasonal impact will also be reviewed as part of that process with the points raised fed back to service managers for their consideration.</p>
Development Services	<p>Concerns about the level and timing of information available to staff for meaningful consultation with lack of detail on structure, costings and how change will be implemented. Raised at regular HR/TU meetings and at JCC and request extended consultation.</p>	<p>Assurance has been provided (6 and 13 February) that the majority of the changes on the paper in question have been the subject of previous budget or committee papers with appropriate consultation and that the document had been provided as a useful summary of the staffing changes and the senior manager has been invited to meet with the TUs to respond to queries and concerns.</p>
General	<p>Concerns regarding the impact of proposals on the local community, particularly the most socially disadvantaged as feel they are disproportionately impacted. Concerns about the quality of the Equality Impact Assessment documents and lack of mitigation offered.</p> <p>Concern that that managers will expect the work to be picked up by remaining staff. Request that managers are clear that this is unacceptable and there is already evidence of many hours of additional work being undertaken unpaid and unrecorded, which masks the level of staffing required to deliver local government services to an acceptable level.</p>	<p>An assessment has been carried out to consider the cumulative impact of proposals and none was identified. Baseline information has been provided on users of services where this is available, although for some more general services this is not routinely collected. However, consideration has been given to the impact on protected groups for all proposals.</p> <p>The Council is reducing the size and scale of its operations to reduce operating costs. All proposals have been considered based on the understanding that the future service delivery and impact on remaining staff in terms of what is manageable will be reviewed. All proposals have been considered in the context of which elements of the services have to continue, done in a different way, reduced or stopped with appropriate prioritisation and reallocation against remaining resources. The council is very aware of</p>

	<p>Concern about lack of decision making, issues relating to unique geography of the area, underfunding of local government budgets. Proposed national day of action being planned via the STUC (and through Moray Trades Council).</p>	<p>the responsibilities of managing the ongoing provision of services to the community in a way that meets obligations including ensuring manageable workloads for employees. Specific work is also being undertaken to develop additional ways to help improve management of workload as part of the ongoing drive to improve workforce culture.</p> <p>The council is cognisant of the difficulties related to the funding of local government within Scotland and the UK.</p>
EIS RESPONSE		
Reduction of DSM	<p>Concern that the budget proposals contradict Moray Council's own policies and aims (e.g. Devolved School Management) and the impact on achievement and attainment with decreasing budgets, staffing shortages and dwindling resilience of current staff. Also concern regarding the lack of consultation on the freezing of monies carried forward by schools and restriction on spending will have a detrimental effect on the improvement agenda in schools and ultimately impact on the achievement and attainment of pupils.</p>	<p>Careful consideration is given to the viability of each saving proposal to ensure the council retains the capacity to meet its statutory obligations. The challenges of doing this with decreasing budgets, staff shortages whilst continuing to ensure the health and well-being of the workforce are recognised and acknowledged, however the council is committed to ensuring it continues to strive to meet its obligations and priorities, despite difficult financial circumstances and to respond positively where areas for improvement have been identified.</p>
Increase in class sizes in P2 and P3	<p>Disappointment at the detrimental impact on pupils achievement and attainment. Concern at real terms reductions in Additional Support Needs funding and more pupils not receiving the required support. Concern about the impact on future years as well as current difficulties of larger class sizes.</p> <p>Concern about the impact of the loss of NQT posts on recruitment to the area.</p>	<p>While the ability to cater for smaller class sizes has been the preferred option for some time, the proposals do allow the council to comply with national guidance on class sizes. Where additional support needs are identified, appropriate support will be provided.</p> <p>Whilst there will be a reduction in the number of newly qualified teachers requested, the council will continue to invest heavily in the development of a significant number of newly qualified teachers and will make every effort to encourage both NQTs and other teachers new to the area</p>

		to settle and continue their careers in Moray.
Classroom Assistants	Concern that removal of classroom assistants is clearly in breach of agreed SNCT guidance and the impact on teachers doing tasks that they should not be doing, impact on already unmanageable workloads and request review of provision of admin support to with clear guidance to ensure there is no expectation on teaching staff to complete them.	Assurance was provided on 30 January that any reduction in Classroom Assistant time will not result in work being reallocated to teaching staff.
Active Schools	Concern that removal of service detracts from opportunity to school pupils in Moray contradicts some of the aims Corporate Plan 2018-2023 – will the Corporate Plan be amended accordingly?	The council's Corporate Plan is regularly reviewed to ensure the aims are consistent with the capacity of the council to deliver on those aims.
Technical Assistants	Concern about who will do the residual work left by reduced Technical Assistant resource.	Assurance was provided on 30 January that duties would be reallocated within schools and across technical teams as appropriate. While the impact may be different in each school depending on how the saving is implemented the overall impact is likely to be similar, however this will be monitored with mitigating actions developed if required.
Increase in Music Tuition Fees	<p>Concern that access to instrumental music is becoming a lottery and believe that all children should have the opportunity to learn a musical instrument.</p> <p>Concern about the loss of wider benefits of music to young people's attainment and wellbeing.</p> <p>Concern that any increase in the cost of music tuition will reduce the number of pupils who will be able to afford to access it.</p>	The council recognises the universal value of music and music tuition and tuition will continue for those pupils who choose to pursue music as part of their academic career.
	<p>General Notes</p> <p>Concern that the savings proposals are making some subjects unaffordable and likely to disappear from the curriculum and the proposed cuts will impact on Moray's ability to:</p>	Despite challenging circumstances, the council is seeking to ensure it retains the capacity to meet its statutory obligations. The challenges of doing this with decreasing budgets, staff shortages whilst continuing to ensure the health and well-being of the workforce are recognised and acknowledged, however the council is committed to ensuring it continues to strive to meet its obligations and

	<ul style="list-style-type: none"> • Close the attainment gap between most and least disadvantage children • Improve children and young people's health and wellbeing • Improve employability skills and sustained, positive school leaver destinations for all people. <p>Request more detail on ICS management restructure proposals about how the cuts will be achieved as have concerns over whether Moray are fulfilling the aim of Getting it Right for Every Child and meeting the legislative requirements of the Education (additional Support for Learning) Scotland Act (2004).</p>	<p>priorities, despite difficult financial circumstances and to respond positively where areas for improvement have been identified.</p> <p>This consultation exercise relates to proposals impacting on Integrated Children's Services agreed for consultation on 23 January 2019 and this relates to the removal of a 0.5 vacant post in Educational Psychology. Previous proposals relating to a management restructure within ICS were agreed at Full Council on 12 December 2018 and are proceeding to implementation.</p>
UNITE RESPONSE		
Schools and Curriculum Development	Concern about increasing class sizes whilst reducing classroom assistant posts and lack of foresight regarding budget underspends.	While the ability to cater for smaller class sizes has been the preferred option for some time, the proposals do allow the council to comply with national guidance on class sizes. Where additional support needs are identified, appropriate support will be provided. Careful consideration is given to the viability of each saving proposal to ensure the council retains the capacity to meet its statutory obligations. The challenges of doing this with decreasing budgets, staff shortages whilst continuing to ensure the health and well-being of the workforce are recognised and acknowledged, however the council is committed to ensuring it continues to strive to meet its obligations and priorities, despite difficult financial circumstances and to respond positively where areas for improvement have been identified.
Direct Services	Concern about the reduced school cleaner hours and impact on community.	The concerns regarding the personal and wider financial impact on employees are noted. Cleaning will be focused on the areas most likely to contain the spread of infection and disease (e.g. touch points such as handles) as reduced floor cleaning does not contribute to the spread of illness or absence and therefore impact on

		attainment.
General	Concern regarding the low wage economy and the contribution the budget savings are making towards this, particularly amongst the lower paid areas of the workforce.	Moray Council recognises that the area is what is commonly termed a 'low wage economy' and has demonstrated a clear long standing commitment to ensuring every employee has a reasonable income through paying the Scottish Local Government Living Wage since 2012. The savings proposals have impacted on all sections of the council's organisational structure.
WORKFORCE FEEDBACK		
Active Schools and Sport Development	Concerns regarding the value and importance of the service with regard to health, physical education and community support. Suggestions for alternative savings in schools and senior management, increasing fees for Fit Life, reducing working hours, income generation through different business model approach.	Acknowledgement and responses provided.
Schools and Curriculum Development	Concerns regarding the crucial nature of Technical Assistant posts to the successful functioning of the whole schools. Disproportionate impact on Technical Assistant staff compared to the previous proposals relating to Technicians.	Acknowledgment and responses provided.
Libraries	Concern regarding closure of library including impact of using library as reception service for gym users.	Acknowledgment and response provided.

APPENDIX 9**Budget proposals: EIA outcomes February proposals****Initial screening**

An initial screening was done on the following proposals and the conclusion was that there were no service impacts on protected groups, but the proposals need to be included in an EIA on staffing impacts:

- Eb: Economic Development restructure
- E2: Restructure Management and admin systems support
- D6d1: Maintenance of Open Spaces Lands & Parks, restructure
- A5c4: Community Centres, relocate staff from Auchernack plus Forres Community Centre staff restructure
- A5c3: Community Centres, revised charges and staffing structure at Elgin Community Centre
- A5d: Fit Life £3 per month across 2 years - impact above what is already included in commercialisation option.MLC, increase charges by 25%
- A3a:Secondary Schools, Janitor's term time plus - reduce contractual overtime

There were no impacts associated with:

- D9a3 Harbour Income, increase commercial Fees
- G1b Remove remaining CPP funding

Full equality impact assessments

The following proposals had an EIA carried out. The conclusions from the assessment are given in the table below.

REF	Proposal Title	Description	EIA Outcome
D2a	Building cleaning	Reduce cleaning hours at schools	Increased chance of infection which can have an impact on people with a disability or underlying health issues. There is provision in place to respond to spillage of body fluids
A17e	Youthpoint	Reduce contract	The decision on this needs to be subject to a consultation with provider and stakeholders to be completed before March 2020 in order to have a full overview of the impact and mitigating actions. It is recommended that equality considerations are included in the consultation.
A5c2	Swimming pools	Close two pools unless FitLife membership targets met	Consultation recommended. Currently reconsidered in the light of the uptake of FitLife membership.
A7	Active Schools	Cease service	Consultation recommended. Currently reconsidered in the light of the uptake of FitLife membership.
A12	Libraries	Library closure programme	Consultation under way.
A13a3	Essential Skills	Remove service	Impact on people with poor or no literacy skills. Mitigation through other organisations such as LEAD is uncertain. There was some consideration given to the possibility of charging for the service but the literacy learners would be unable to pay for their support/learning. Generally speaking they are unemployed people who are trying to improve their literacy and numeracy skills in order to improve their chances of gaining employment or to gain credits towards the base level requirements for access to college. Consultation recommended.
A13b3	ESOL	Remove service	Impact on people with poor English language skills. Will affect employment opportunities and access to vital services. Talks were held with Moray College to see if it could take on the ESOL tutors. Moray College may consider absorbing the one class that is at a higher level (National 4)

			and could fit with their delivery and feed into their courses. The possibility of charging for this service is being considered but will depend on the terms and conditions of the funding that is provided for the delivery of ESOL through Scottish Funding Council to Moray College. Consultation recommended.
A5c3	Elgin Community Centre	Revise staffing and charges structure	There will be an increase in cost for users. A public consultation concluded that charges were preferable to closure of the Centre which would result in reduced service to community groups as well as a shortfall of funded places needed for the roll out of the Early Learning Delivery plan.
G1	Community Councils	Remove funding	It is not anticipated to have an impact at this time. The measure is for 1 year, after which it will be reviewed.
	Council Tax	Increase on Council Tax of 4.79%	The impact on individual households is set out in the report. The Council Tax Reduction scheme, funded in full by the Scottish Government, provides reductions of up to 100 per cent. Council tax reductions depend on individual means, circumstances and need, to the Council Tax liabilities of around 500,000 households in Scotland. It therefore ensures that those households who would otherwise struggle to pay their full Council Tax are instead only required to pay what they can afford. The scheme takes particular account of household circumstances, including unemployment, disability, caring commitments and the number of children, and it does not cap the number of children.



REPORT TO: MORAY COUNCIL ON 27 FEBRUARY 2019

SUBJECT: TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 The purpose of this report is to ask Members to approve the Treasury Management Strategy and the Investment Strategy for 2019/20 and to approve the indicators which will be used to measure the Council's performance in capital investment decisions.
- 1.2 This report is submitted to Council in terms of Section III B (3) of the Council's Administrative Scheme relating to the implementation and monitoring of the Treasury Policy Statement dealing with the management of all money and capital market transactions in connection with cash funding resources of the Council.

2. RECOMMENDATION

- 2.1 It is recommended that Council approves:
- (i) the Treasury Management Strategy Statement for 2019/20;
 - (ii) the Investment Strategy for 2019/20 in APPENDIX 1; and
 - (iii) the Prudential Indicators and Limits for 2019/20 in APPENDIX 3.
- 2.2 It is recommended that Council notes the indicative Prudential Indicators and limits for 2020/21 and 2021/22.

3. BACKGROUND

- 3.1 The Local Government (Scotland) Act 2003 (the Act) and supporting regulations requires the Council to adhere to the CIPFA Treasury Management Code of Practice.
- 3.2 The Act and subsequent Local Government Investments (Scotland) Regulations 2010 require the Council to set out its Treasury Strategy for borrowing and to prepare an annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 3.3 The Act also requires the Council to adhere to the CIPFA Prudential Code and to set prudential and treasury indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The prudential system, underpinned by legislation and regulation, provides a self-regulatory framework.

4. TREASURY MANAGEMENT STRATEGY 2019/20

4.1 Current Treasury Position

- 4.1.1 The Council's borrowing and investments at 7 February 2019 are set out in the table below:

		Actual	Average Interest Rate
		£000	%
Fixed Rate Debt	PWLB (1)	149,274	4.77
	LOBO (2)	10,100	3.95
	Market	23,300	5.00
Variable Rate Debt	PWLB	-	-
	LOBO	-	-
Temporary Borrowing – Local Authorities	(3)	23,500	0.91
Total External Borrowing		206,174	4.31
Other Liabilities	(4)	57,746	n/a
Total Gross External Debt		263,920	n/a
Investments			
Short Term Investments		18,425	0.74
Net Debt		245,495	n/a

- (1) PWLB - Public Works Loan Board.
- (2) LOBO - Lender's Option Borrower's Option where the lender has the option to propose an increase to interest rates at set dates and the borrower (the Council) has the option to either accept the new rate or to repay the loan.
- (3) Temporary borrowing is borrowing for periods of less than twelve months.
- (4) Other liabilities are those relating to the financing of capital expenditure, for example finance leases and Public Private Partnership (PPP) arrangements.

4.2 Interest Rates Forecast

- 4.2.1 The Council has appointed Arlingclose as treasury management advisers and receives advice on investment, debt and capital finance issues. The Council recognises that responsibility for treasury management decisions rests with the Council and cannot be delegated to the adviser.
- 4.2.2 Arlingclose's central case is for UK Bank Rate to remain at 0.75% during the first 3 quarters of 2019/20, with an expectation of The Monetary Policy Committee raising rates in the last quarter to 1.00% after an extended period of uncertainty or a delay to Brexit. Forecasts for higher short term interest rates have been pushed back due to the short period of time available for a Brexit withdrawal deal to be agreed and the possibility of an extended period of uncertainty over the possible outcome.
- 4.2.3 The Arlingclose central case is for gilt yields to see some upward movement from current levels based on a Brexit transitional period. However, projected deterioration in the economic outlook and continuing volatility arising from both economic and political events may offer an upside on borrowing opportunities.
- 4.2.4 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **APPENDIX 4**.

4.3 Borrowing Strategy 2019/20

- 4.3.1 The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 4.3.2 Given the significant cuts to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

- 4.3.3 By adopting the above approach, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of either using internal resources or borrowing short-term will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's advisers will assist with this breakeven analysis which may determine whether the Council borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.3.4 The Council will continue to borrow short term loans, normally one to six months, to cover cash flow shortages.
- 4.3.5 The approved sources of long-term and short-term borrowing are:-
- PWLB and any successor body
 - UK Local Authorities
 - Any Bank or Building Society authorised to operate in the UK.
 - UK public and private sector pension funds
 - Capital market bond investors
 - Special purpose companies created to enable joint local authority bond issues
- 4.3.6 At 1 April 2018 the Council held £10.1 million in one LOBO loan. The Council will take the opportunity to repay the remaining LOBO loan at no cost if the opportunity arises.
- 4.3.7 The Council may, where required, borrow in advance of need, where this is expected to provide the best long term value for money. As sums borrowed will be invested until expenditure is incurred, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

4.4 Debt Rescheduling

- 4.4.1 The PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The current low interest rate environment and current rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring in recent years and there is no indication that this will change during 2019/20.
- 4.4.2 Other lenders, other than the PWLB, may also be prepared to negotiate premature redemption rates. This will be closely monitored with regard to the LOBO loan (£10.1m) and Market Loan (£23.3m). The Council will take the option to repay these loans at no cost if such an opportunity arises.

4.5 Financial Derivatives

- 4.5.1 In the absence of any legal power to do so, the Council will not use standalone financial derivatives such as swaps, forwards, futures and options. Derivatives embedded into loans and investments may be used and the risks they present will be managed in accordance with the overall treasury risk management strategy.

5. INVESTMENT STRATEGY 2019/20

- 5.1 The Local Government Investment (Scotland) Regulations 2010 require the Council to approve an annual Investment Strategy. This has been included as **APPENDIX 1** to this report.
- 5.2 The primary principle governing the Council's investment criteria is the security of capital and liquidity of its investments. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 5.3 The Council may invest its surplus funds with any of the Approved Counterparties listed in **APPENDIX 2**, subject to the cash and time limits shown.

6. PRUDENTIAL AND TREASURY INDICATORS

- 6.1 The key objectives of the Prudential Code are to ensure that capital investment plans of the Council are affordable, prudent and sustainable. To demonstrate these objectives the Code sets ten prudential and treasury indicators designed to support and record capital investment and treasury decision making. These are detailed in **APPENDIX 3**.
- 6.2 The main principles behind the prudential framework are the affordability, sustainability and prudence of borrowing decisions. It is a statutory requirement under Section 93 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs incurred from capital financing decisions.
- 6.3 **Affordability**
The fundamental objective of affordability is to ensure that capital plans remain within sustainable limits. The impact on financing and running costs is the driver of affordability rather than the level of capital budgets available. At the Council meeting on 25 May 2016, it was formally recognised that the Council's asset base is not financially sustainable and a "Make Do and Mend" policy was adopted as an interim guide for the Capital Plan. The Council on 12 December approved a Property Asset Management Appraisal under which the Council's property asset base will be reviewed. Setting affordable limits for borrowing within a prudential framework is a specific requirement and helps ensure that the further objectives of sustainability and prudence are addressed.
- 6.4 **Sustainability**

The sustainability of the council's finances underpins the overall financial framework and is supported by the prudential code. Sustainability of finances relates to the ability of the council to sustain its current spending, tax and other policies in the long run without threatening council solvency or defaulting on its liabilities or promised expenditure.

6.5 Prudence

The prudent level of borrowing is linked to ensuring that debt will only be for a capital purpose. It is also prudent that treasury management activities are carried out in accordance with good professional practice. Within the CIPFA Prudential Code, local authorities are required to adopt the CIPFA Treasury Management Code of Practice.

6.6 The Local Government in Scotland Act 2003 also requires the Council to determine and continuously review how much it can afford to allocate to capital expenditure. This is known as the "Affordable Capital Expenditure Limit".

6.7 The Indicators and Limits for 2019/20 are based on the General Services Capital Plan and the Housing Revenue Account Investment Plan 2019/20 presented as separate papers for consideration at this meeting.

6.8 Prudential Indicators are for 2019/20 only as the capital plan for General Services is proposed for one year only, namely 2019/20. However, indicative figures for 2020/21 and 2021/22 are included.

6.9 Actual outturn figures for 2017/18 have previously been reported to Policy and Resources Committee on 2 October 2018 (paragraph 6 of the minute refers) and these figures have also been included in the report for comparison purposes.

6.10 This report also updates the previously approved indicators for 2018/19 based on the latest estimated outturn for 2018/19.

7. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

None specifically arising from this report.

(b) Policy and Legal

The Local Government in Scotland Act 2003 provides the powers to borrow and invest as well as providing controls and limits on these activities.

The Council has adopted the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice and Guidance Notes ("the CIPFA Code") which was revised in 2017. The Council also complies with the Local Government Investments (Scotland) Regulations 2010 ("the Regulations").

All Treasury Management activities are carried out in accordance with the CIPFA Code and the Regulations.

(c) Financial implications

All financial considerations are contained within the body of the report and the attached **APPENDICES 1 - .4**

The net cost of Capital Investment and Treasury Management activities has a significant effect on the Council's overall finances.

When considering the level of future capital investment programmes, the council should be aware of the impacts of proposed capital spend on the Revenue Budget.

(d) Risk Implications

The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's treasury advisers, will proactively managed its investments and debt over the year.

Capital expenditure is closely monitored and Budget Managers are aware of their responsibilities to manage budget allocations.

(e) Staffing Implications

None specifically arising from this report.

(f) Property

None specifically arising from this report.

(g) Equalities/Socio Economic Impact

None specifically arising from this report.

(h) Consultations

This report has been produced in consultation with Arlingclose.

8. CONCLUSION

- 8.1 The adoption of the Treasury Management Strategy Statement will ensure that the Council adopts best practice in its treasury activities.**
- 8.2 The Investment Strategy will ensure that the Council will achieve the optimum return on its investments whilst maintaining a high level of liquidity to allow flexibility and above all ensure that the Council's investments are secure.**
- 8.3 Establishing and subsequent monitoring of Prudential and Treasury Indicators will ensure that the Council has capital investment plans which are affordable, prudent and sustainable.**
- 8.4 Prudential Indicators and Limits are proposed for 2019/20 only, as the proposed Capital Plan is for this year only. Indicative figures for 2020/21 and 2021/22 are identified.**

Authors of Report: Douglas McLaren and Paul Connor

Background Papers:

Ref: DMcL/PC/LJC/

INVESTMENT STRATEGY 2019/20

1. Background

- 1.1 The Council will adhere to the Local Government Investment (Scotland) Regulations 2010 (the Regulations), the CIPFA Prudential Code and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA Code”) which was revised in 2017.
- 1.2 Both the Regulations and the CIPFA Code require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving very low interest rates on investments.
- 1.3 The Annual Investment Strategy covers:
 - Creditworthiness Policy
 - Investment Strategy
 - Permitted Investments
 - Non Treasury Investments

2. Creditworthiness Policy

- 2.1 The Council’s creditworthiness policy has been formulated after consultation with Arlingclose, the Council’s treasury advisers.
- 2.2 In addition to credit ratings provided by the three main credit rating agencies; Fitch, Moodys and Standard & Poor, the following tools are used to assess credit risk:
 - Sovereign support mechanisms
 - Credit default swaps (where quoted)
 - Share prices (where available)
 - Corporate developments, news articles, market sentiment and momentum
- 2.3 The Head of Financial Services maintains a counterparty list in compliance with the minimum criteria detailed in 2.4 which is submitted to the Council for approval as necessary. All credit ratings are monitored on an ongoing basis and the counterparty list is amended to reflect any changes. The current Counterparty List is shown as **APPENDIX 2**.
- 2.4 The current minimum criteria was approved by Full Council on 14 February 2018 (Para 12 refers).

The Council’s minimum criteria are:

- Banks – the Council will use banks which have at least the following Fitch or equivalent ratings.
 - Long Term: BBB+
- Building Societies – the Council will include Societies which meet the criteria for Banks outlined above.
- Money Market Funds – Long Term: AAmmf (Fitch) or equivalent.

2.5 The Council banks with Bank of Scotland and at the current time it meets the minimum credit criteria. However, if the credit rating falls below the Council's minimum criteria, Bank of Scotland will continue to be used for short-term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

3. Investment Strategy

- 3.1 The Local Government Investments (Scotland) Regulations 2010 states that Local Authorities are required to adopt a strategy that identifies the different types of treasury risk for the type of investments utilised. A local authority may invest money for any purpose relevant to its functions under any enactment, or for the purposes of prudent management of its financial affairs. Such investments or types of investments are defined as permitted investments. The risks that these investments are exposed to are credit or security risk (of default); liquidity risk (risk of committing funds to longer term investments); and market risk (effect of market prices on investment value).
- 3.2 The primary principle governing the Council's investment criteria is the security of capital and liquidity of its investments. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 3.3 The Council's in-house managed funds are mainly derived through cash-flow and the balance on the General Reserve. Investments will accordingly be made with reference to the Council's cash flow requirements and the outlook for short-term interest rates.
- 3.4 Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved. Therefore a maximum deposit of £5 million can be placed with any one institution at any one time, with the exception of the Council's Bankers when the limit is £10 million.

- 3.5 As the size of cash balances is forecast to remain small, which together with the requirement for sufficient liquidity for cash flow purposes, the investment strategy is likely to continue to focus on the utilisation of an unsecured call account with Council's Banker and money market funds as they offer the best return for instant access to investments.

4. Permitted Investments

- 4.1 The Council will undertake the most appropriate form of investments in keeping with investment objectives, income and risk management requirements and prudential indicators.
- 4.2 The permitted investments identified for the Council's use are as follows:
- **Debt Management Agency Deposit Facility (DMADF).** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the UK Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. The longest term deposit that can be made with the DMADF is 6 months.
 - **Lending to other Local Authorities.** Lending to other local authorities will normally be in the form of fixed term deposits for periods up to one year.
 - **Bank (Unsecured).** These are account deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should a bank is failing or likely to fail. Diversifying investments is crucial to managing bail-in risk in addition to determining proportionate counterparty maturity limits. Should the Council's current bank, Bank of Scotland, be rated less than BBB+, investments with them will be restricted to overnight deposits.
 - **Banks (Secured).** These are covered bonds, reverse purchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means they are exempt from bail-in.
 - **Money Market Funds (MMFs).** MMFs are pooled funds that invest in short-term debt instruments. They provide the benefits of a pooled investment, as investors can participate in a more widely diversified portfolio than they could do individually. Due to the high level of expertise of the fund managers and the very large amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification, very low or no volatility and competitive rates of return.

- **Securities Issued or Guaranteed by Governments**

- a) **Treasury Bills.** These are short-term bills (up to 12 months) issued by the Government and therefore are backed by the sovereign rating of the UK. An advantage compared to a time deposit in the DMADF is that they can be sold if there is a need to access cash at any point in time. However there is a spread between purchase and sale prices so early sales may incur a net cost which would result in a fall in the nominal value of the instrument.
- b) **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK.

4.3 The following table provides details of the proposed investment limits and maturity periods for Permitted Investments:

	Minimum Credit Criteria (Fitch or Equivalent)	Liquidity risk	Market risk	Bail-In Risk	Maximum Value of investments	Maximum maturity period
Debt Management Agency Deposit Facility or successor	n/a	term	no	n/a	No Limit	6 months
Term Deposits: Local Authorities	n/a	term	no	n/a	£5m	364 Days
Banks (Unsecured)	Long-Term: BBB+	Instant*	no	yes	£5m (£10m Council's own Bank)	n/a
Banks (Secured)	Long-Term: BBB+	term	no	no	£5m (£10m Council's own Bank)	3 months
Money Market Funds	AAAmf	instant	no	n/a	0.5% of Money Market Fund size Government Money Market Funds – 2% of Fund size	n/a
Treasury Bills	UK Sovereign Rating	Sale T+1	No (If held to maturity)	n/a	No Limit	12 months
UK Government Gilts	UK Sovereign Rating	Sale T+1	No (If held to maturity)	n/a	No Limit	12 months

*The only investment of this type used is a Call Account with the Council's own Bank.

4.4 All investments in the table at 4.3 are subject to the following risks:-

1. **Credit and Counter-Party Risk:** this is the risk of failure by the counterparty (bank or building society) to meet its contractual obligations to the Council particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have a very high level of creditworthiness.
2. **Liquidity Risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts or corporate bonds can usually be sold immediately if the need arises, there are two caveats: - (a) cash may not be available until a settlement date up to three days after the sale and (b) there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in the table above headed as 'market risk' will show each investment instrument as being instant access, sale T+1 = transaction date plus one business day before you get the cash, or term i.e. money is locked in until an agreed maturity date.
3. **Market Risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.
4. **Interest Rate Risk:** this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately. The Council has set limits for its fixed and variable rate exposure in its previously agreed Treasury Indicators.
5. **Legal and Regulatory Risk:** this is the risk that the Council or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.
6. **Bail-In Risk:** this is the risk, arising from the EU Bank Recovery and Resolution Directive which has been implemented in the UK, that a Bank's creditors and depositors are forced to bear some of the burden of rescuing a failing Bank.

4.5 Controls on Treasury Risks

1. **Credit and Counter-Party Risk:** the Council has set minimum credit criteria to determine which counterparties are of high creditworthiness to enable investments to be made safely.

2. **Liquidity Risk:** the Council has cash flow forecasting models to enable it to determine how long investments can be made for and how much can be invested.
3. **Market Risk:** the Council does not directly purchase and/or account for investment instruments which are subject to market risk in terms of fluctuation in their value. If this position changes, instruments exposed to market risk will initially be purchased and held with the intention to hold them until maturity, thus mitigating market risk.
4. **Interest Rate Risk:** the Council manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with minimising risk or alternatively, seeks to minimise expenditure on interest costs on borrowing.
5. **Legal and Regulatory Risk:** the Council will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations.
6. **Bail-In Risk:** The Council will diversify investments to manage this risk. Any investments subject to the risk of bail-in are restricted to overnight deposits with the Council's own Bank (Call Account).

4.6 Unlimited Investments

- 4.6.1 The Regulations state that the Council can deem an investment as being 'unlimited' in terms of the maximum amount of the total portfolio that can be put into that type of investment but an explanation must be given for using that category.
- 4.6.2 The Council has only given the UK Government (Debt Management Agency Deposit Facility, Treasury Bills and Gilts) an unlimited category. This is considered to be the lowest risk form of investment available to local authorities.

5. Non Treasury Investments

- 5.1 Investments defined in the regulations include the acquisition of properties, share or loan capital. These types of investments may have originally been made for service or policy reasons or for treasury management purposes. Should the Council make an investment which is not listed as a permitted investment, that investment will not be made in accordance with the Consent of Ministers and as such will be *ultra vires*. The exception to this is where the Council makes a financial transaction that relies on separate legislative powers such as loans to third parties.
- 5.2 General powers to borrow and lend money are conferred by S165 of the Local Government etc (Scotland) Act 1994 and ensuing regulations. Specific regulations for loans to third parties by local authorities are contained in the Housing (Scotland) Act 1987, the Housing (Scotland) Act 2006 and the general power to advance well-being contained in the Local Government in Scotland Act 2003 at section 20. The inclusion of loans to third parties as part of the investments of the Council is to

identify the value of local authority monies utilised in this way, monies which would otherwise be available for general investment and give rise to investment income.

- 5.3 The following table provides a summary of the Councils Non-Treasury Investments at 31 March 2018 and the maximum value of investments that the Council will hold.

	Actual Value at 31 March 2018 £m	Max Value of Investments £m
Investment Property * - Council	£3.097m	£10m
Share Holdings Council	Note **	£0.1m
Loans to 3 rd Parties Market Rate - Council	£0.449m	£2.0m
Loans to 3 rd parties – Below Market Rate - Council	£0.027m	£0.5m
Investment Property * - Common Good Funds	£3.917m	£12m
Share Holdings - Common Good Funds	Nil	Nil
Loans to 3 rd Parties Market Rate – Common Good Funds	Nil	£0.5m
Loans to 3 rd parties – Below Market Rate – Common Good Funds	Nil	Nil
Investment Property * - Trust Funds	£0.074m	£1.0m
Share/ Unit Trust Holdings – Trust Funds	£2.649m	£3.5m

Notes

* Investment Properties have been categorised using IFRS guidelines and include both properties acquired for capital appreciation and income generation.

** Although the Council has the following share holdings no value has been attached to them in its current Balance Sheet

- 1) 20.44% of total share capital in The Grampian Venture Capital Fund Limited

6. End of Year Investment Report

- 6.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Management Report.

**THE MORAY COUNCIL
APPROVED COUNTERPARTIES LIST**

<u>UK Banks</u>		<u>Limit (£m)</u>	<u>Time Limit</u>	<u>Long Term Rating</u>
				See Note
Bank of Scotland	(Lloyds)	10	6 Months	A+/Aa3/A+
Barclays Bank		5	3 Months	A+/Aa3/A+
Close Brothers		5	6 Months	A/Aa3/No Rating
HSBC		5	6 Months	AA-/Aa3/AA-
Lloyds Bank		5	6 Months	A+/Aa3/A+
National Westminster Bank	(RBS)	5	1 Month	A+/A1/A-
Royal Bank of Scotland		5	1 Month	A+/A1/A-
Santander (UK)		5	6 Months Item 5	A+/Aa3/A
<u>UK Building Societies</u>				
Coventry		5	6 Months	A/A2/No Rating
Leeds		5	3 Months	A-/A3/No Rating
Nationwide		5	6 Months	A+/Aa3/A
<u>Other Institutions</u>				
Debt Management Office		Unlimited	6 Months	AA/Aa2/Aau
UK Local Authorities		5	12 Months	
<u>Money Market Funds</u>				
Standard Life Sterling Liquidity Fund		5	Call	AAAmf/Aaamf/AAAm
Federated Sterling Prime Fund		5	Call	AAAmmf/-/AAAm
Blackrock Institutional Sterling Liquidity Fund		5	Call	AAAmmf/Aaamf/AAAm
Insight Sterling Liquidity Fund		5	Call	AAAmmf/-/AAAm
Deutsche Bank Managed Sterling Fund		5	Call	AAAmmf/-/AAAm

Notes

1.The long term ratings for each institution above are in the format Fitch/ Moodys/ Standard & Poor.

The minimum ratings are as follows: -

Fitch: BBB+

Moodys: Baa1

Standard & Poor: BBB+

APPENDIX 3**Prudential and Treasury Indicators****Capital Expenditure Indicators****1. Capital Expenditure**

The Council is required to establish and keep under review capital investment plans which are affordable. It should make reasonable estimates of total capital expenditure that it plans to incur during the forthcoming year and the following two years.

This indicator outlines capital spending plans for 2019/20 based on the proposed capital plan, with indicative figures for 2020/21 and 2021/22 based on the proposed 10 year capital plan.

For comparison purposes, the actual spend for 2017/18 is presented together with estimates for 2018/19 based on the latest figures at 31 December 2018.

	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000
Capital Expenditure					
General Services	24,553	30,364	72,588	53,602	34,757
HRA	10,436	13,635	23,365	22,302	12,654
Total Capital Expenditure	34,989	43,999	95,953	75,904	47,411
Financed by:					
Capital Receipts	2,049	0	0	0	0
Capital Grants	14,412	31,413	31,068	18,943	10,788
Revenue	4,924	4,963	4,252	4,202	3,972
Total Funding	21,385	36,376	35,320	23,145	14,760
Net financing need for the year	13,604	7,623	60,633	52,759	32,651

In General Services, there is an increase between the 2018/19 estimated spend and the 2019/20 proposed budget of £42.2m. The most significant differences are an increase of £10.8m for the new Lossiemouth High School, an increase of £8.4m for the new Linkwood Primary School in Elgin South, an increase of £3.3m for Early Learning and Childcare expansion, an increase of £1.6m for the Integrated Waste Facility at Moycroft and an increase of £9.4m for the NESS energy from Waste facility in Aberdeen.

The £9.7m increase on the HRA relates principally to the phasing of the new build housing programme, with an increase of £8.5m. Additional energy efficiency requirements and central heating upgrades show an increase of £1.0m.

Capital grant and other contributions see a small decrease of £0.3m from 2018/19 estimated amounts to the 2019/20 budget. There is a £4.3m decrease anticipated in General Services, which relates mainly to reduced grant funding of £2.7m anticipated for the Lossiemouth High School replacement. There is an increase of £4.0m anticipated in the HRA which relates to grant funding for the new build housing programme.

2. Capital Financing Requirement

The capital financing requirement measures the Council's underlying need to borrow for capital investment. The capital financing requirement rises over the period as a large proportion of the Council's capital expenditure is financed by additional borrowing thus increasing the Council's total outstanding debt.

The Council pays off an element of the accumulated debt each year through a revenue charge (the scheduled debt amortisation).

	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Capital Financing Requirement (CFR)					
General Services	231,581	225,185	264,299	295,137	306,812
HRA	68,939	73,786	84,858	94,405	101,274
Total CFR	300,520	298,971	349,157	389,542	408,086
Movement in CFR	30,392	(1,549)	50,186	40,385	18,544
Net financing Need (Indicator 1)	13,604	7,623	60,633	52,359	32,251
Scheduled debt amortisation	(9,407)	(10,095)	(10,447)	(11,974)	(13,707)
Assets acquired under Finance leases/PPP (Estimate)	26,195	923	0	0	0
Movement in CFR	30,392	(1,549)	50,186	40,385	18,544

The figures for assets acquired under finance leases/PPP in 2017/18 and 2018/19 relate to the capitalisation of the new Elgin High School.

Affordability Indicators

3. Ratio of Financing Costs to Net Revenue Stream

This indicator provides a measure of the percentage of the budget that is being set aside to pay debt financing costs. For General Services this is the ratio of financing costs of borrowing against net expenditure financed by government grant and local taxpayers. For Housing the indicator is the ratio of financing costs to gross house rental income.

Service	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Services	9.52%	10.10%	9.61%	10.42%	11.09%
HRA	19.72%	20.26%	22.59%	24.49%	24.92%

The increase in percentages in General Services from 2017/18 to 2021/22 reflects the ongoing requirement to increase borrowing to fund capital expenditure in the capital plan. There is a reduction in the percentage from 2018/19 to 2019/20 which reflects the effect of interest capitalisation on several major projects.

The increase in percentages in the HRA from 2017/18 to 2021/22 reflects the ongoing requirement to increase borrowing due, in part, to the ongoing programme of new build housing.

4. Estimates of Incremental Impact of New Capital Investment Decisions on Council Tax and House Rents

This indicator demonstrates the incremental impact of planned capital expenditure and associated borrowing on council tax and rent levels.

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Council Tax - Band D	£50.55	£40.74	£(20.40)	£51.30	£43.73
Average Weekly Housing Rents	£(0.39)	£0.86	£1.60	£1.66	£0.89

The calculated amount on Council Tax in 2019/20 reflects the reduction in financing costs in 2019/20 following the capitalisation of interest relating to several major projects. The increases in other years demonstrate the requirement of the Council to borrow in order to fund the General Services Capital Plan which includes a number of high cost projects. These include Lossiemouth High School, Linkwood Primary School, a new primary school at Findrassie Elgin, NESS Energy from Waste Facility and Moray Growth Deal.

In the HRA, the increase in incremental impact on housing rents from 2018/19 onwards demonstrates that the capital investment plans, including for new affordable housing, require an incremental increase on average rents to fund costs of additional borrowing.

Prudence Indicator

5. Gross Debt and the Capital Financing Requirement

This indicator records the extent that gross debt is less than the capital financing requirement (see Indicator 2 above). This indicator shows prudence by demonstrating that over the medium term external borrowing is used only for a capital purpose. The values are measured at the end of each financial year. Debt is the sum of external borrowing and other liabilities relating to the financing of assets (e.g. PPP and other finance leases).

Reported debt must include all liabilities relating to the financing of assets.

	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Borrowing	208,203	207,170	258,855	300,824	320,962
Other Liabilities	58,024	57,508	56,009	54,425	52,831
Gross Debt	266,227	264,678	314,864	355,249	373,793
CFR	300,520	298,971	349,157	389,542	408,086
Under Limit By	34,293	34,293	34,293	34,293	34,293

The above figures confirm that the Council's borrowing will be well under the Capital Financing Requirement due to the Council's policy in the economic climate of low interest rates of using internal balances and short term temporary loans. The Council does not envisage difficulties for the future after taking into account current commitments and existing plans.

External Debt Indicators

6. The Authorised Limit For External Debt

The authorised limit for external debt is required to separately identify external borrowing and other liabilities such as PPP and finance lease obligations. This limit provides a maximum figure to which the Council could borrow at any given point during each financial year. The authorised limit should contain sufficient headroom to provide for any anticipated payments as well as being based on the council's capital investment plan.

	2017/18 Actual Maximum £000	2018/19 Estimate Maximum £000	2019/20 Estimate Maximum £000	2020/21 Estimate Maximum £000	2021/22 Estimate Maximum £000
Borrowing	208,203	235,064	319,819	366,689	394,542
Other Liabilities	58,024	60,947	59,508	58,009	56,425
Total External Debt	266,227	296,011	379,327	424,698	450,967

The authorised limits shown above are based on the proposed capital investment plan for 2018/19 to 2021/22 and anticipated Other Liabilities and take account of Treasury Management policy and practice. The figures allow sufficient headroom for unanticipated cash movements. The limits will be reviewed on an on-going basis during the year. Total debt must include all liabilities relating to the financing of assets.

7. Operational Boundary for External Debt

This indicator is a management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point during each year.

Operational Boundary	2017/18 Actual Maximum £000	2018/19 Estimate Maximum £000	2019/20 Estimate Maximum £000	2020/21 Estimate Maximum £000	2021/22 Estimate Maximum £000
Borrowing	208,203	230,064	309,819	356,689	384,542
Other Liabilities	58,024	59,947	58,508	57,009	55,425
Total External Debt	266,227	290,011	368,327	413,698	439,967

Actual External Debt

The Prudential indicator for actual external debt is considered at a single point in time, which is at the end of each financial year. Therefore it is only comparable to the authorised limit and operational boundary at that specific time. The actual external debt reported in the annual accounts for the previous year is required to be shown as an indicator for comparison purposes only.

Actual Debt	At 31 March 2018 £000
Borrowing	208,203
Other Long Term Liabilities	58,024
Total Debt	266,227

8. Compliance with CIPFA Code of Practice for Treasury management in the Public Services

This is an adoption statement aimed at ensuring that treasury management is led by a clear and integrated forward treasury management strategy and recognition of the council's existing borrowing and investments portfolio.

Treasury Prudential Indicators

There are three treasury prudential indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be restrictive they will impair the opportunities the council may have to reduce financing costs.

8.1 Fixed and Variable Rate Limits

Upper limits on variable rate exposure – this indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

Upper limits on fixed interest rate exposure – similar to the previous indicator, this sets a maximum limit on fixed interest rates.

	2017/18 Actual	2018/19 Estimate	2019/20	2020/21 & 2021/22
Interest Rate Exposures	Upper Limit	Upper Limit	Upper Limit	Upper Limit
Limits on Fixed Interest Rates based on Net Debt	100%	100%	100%	100%
Limits on Variable Interest Rates based on Net Debt	0%	35%	35%	35%

8.2 Maturity Structure of Fixed Interest Rate Borrowing

Maturity structure of borrowing – these gross limits, both lower and upper, are set to reduce the Council's exposure to large fixed rate sums falling due to be refinanced within the same financial year.

	2017/18 Actual	2018/19		2019/20		2020/21 & 2021/22	
		Lower	Upper	Lower	Upper	Lower	Upper
< 12 months	24.56%	0%	25%	0%	25%	0%	25%
12 – 24 months	1.86%	0%	20%	0%	20%	0%	20%
2 – 5 years	7.96%	0%	25%	0%	25%	0%	25%
5 – 10 years	7.42%	0%	50%	0%	50%	0%	50%
>10 years	58.20%	0%	85%	0%	85%	0%	85%

8.3 Maximum Principal Sums Invested Greater than 364 days

Following changes arising from the new Investment Regulations applicable from 1 April 2010, the Council can invest for periods longer than 364 days. The Council does not currently take advantage of this change and therefore has set a limit of Nil for investing over 364 days.

	2017/18 Actual	2018/19	2019/20	2020/21 & 2021/22
Principal Sums Invested > 364 days	£0M	£0M	£0M	£0M

INTEREST RATE FORECAST

	Mar 19 %	Jun 19 %	Sep 19 %	Dec 19 %	Mar 20 %	Jun 20 %	Sep 20 %	Dec 20 %	Mar 21 %	Jun 21 %	Sep 21 %	Dec 21 %	Mar 22 %
Bank Rate	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3-mth Money Market	0.90	0.90	0.95	1.20	1.25	1.35	1.40	1.40	1.40	1.40	1.40	1.40	1.40
1-yr Money Market	1.20	1.20	1.25	1.50	1.60	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70
5-yr Gilt Yield	0.95	0.95	1.00	1.25	1.30	1.45	1.45	1.40	1.40	1.40	1.40	1.40	1.40
10-yr Gilt Yield	1.30	1.35	1.40	1.65	1.75	1.90	1.85	1.85	1.85	1.85	1.85	1.85	1.85
20-yr Gilt Yield	1.70	1.75	1.80	2.00	2.05	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
50-yr Gilt Yield	1.65	1.70	1.75	1.95	2.00	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15

The forecast is based on the following underlying assumptions:

- The Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon. The forecast incorporates the likelihood of the MPC raising interest rates in the last quarter of 2019 after an extended period of uncertainty or a delay to Brexit
- The increase in the magnitude of political and economic risks facing the UK economy means maintaining significant downside risks to the forecasts, despite the potential for stronger growth following an extension to Article 50 or a withdrawal agreement as business investment / general confidence recovers. The potential for severe economic outcomes in the short term has increased. It is expected that the Bank of England will hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment appears relatively soft, despite seemingly strong labour market data. Uncertainty surrounding Brexit and global growth is damaging consumer and business sentiment. Whilst GDP growth recovered in the middle quarters of 2018, more recent data suggests the economy slowed markedly in Q4 2018 / Q1 2019. The UK economy faces a challenging outlook as the country exits the European Union and Eurozone / global economic growth softens.

- Global economic growth has eased and the economic / political outlook has prompted central banks to reduce expectations for on-going monetary tightening. Both the Federal Reserve and the European Central Bank have backed away from or diluted previous forward guidance on monetary tightening. Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.
- Gilt yields have remained at low levels. There is expectation of some upward movement from current levels based on a Brexit transitional period. However, projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.



REPORT TO: MORAY COUNCIL ON 27 FEBRUARY 2019

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET 2019/20

**BY: CORPORATE DIRECTOR (ECONOMIC DEVELOPMENT,
PLANNING AND INFRASTRUCTURE)**

1. REASON FOR REPORT

- 1.1 This report presents the Housing Revenue Account (HRA) Budget and Housing Investment Plan for 2018/19 to the Council for approval.
- 1.2 This report is submitted to Council in terms of section (II) (1) of the Council's Administrative Scheme relating to the setting of rent levels for council houses, garages etc.

2. RECOMMENDATION

2.1 It is recommended that the Council:-

- (i) **agrees the proposed HRA Budget (APPENDIX I) and Housing Investment Plan (APPENDIX II);**
- (ii) **agrees no council house rent increase for 2019/20;**
- (iii) **agrees that garage site rents are increased by 7% (this is a two yearly increase);**
- (iv) **agrees service developments at a cost of £39k;**
- (v) **agrees that grass cutting charges are increased by 3.5%; and**
- (vi) **notes the three year projection to 2022 (APPENDIX III) which includes all of the above, (i) through to (v).**

3. BACKGROUND

- 3.1 The Housing Revenue Account (HRA) deals with expenditure and income for the Council's housing stock. As part of the process of preparation of the Council's Standard Delivery Plan for Communities Scotland in April 2005, the Council agreed a Housing Business Plan over a 30 year period (paragraph 9 of the Minute refers). Since 2005, the Business Plan has been reviewed on a 3 yearly basis to provide reassurance that the Council can continue to fund its housing activities within the constraints of the accounting regime for housing.

Each review of the Plan considers current and future business risks and tests the affordability of the Business Plan against these. The next review of the Business Plan will be completed in 2019.

4. PROJECTED OUTTURN 2017/18

- 4.1 The Council agreed its HRA Budget for 2018/19 on 14 February 2018 (paragraph 13 of the Minute refers). Reports on budgetary performance have been presented to the Communities Committee throughout 2018/19.
- 4.2 The last HRA budget monitoring report presented to the Communities Committee on 5 February 2019 identified the main variations in the projected outturns to 31 March 2019 as follows –
 - 4.2.1 **Supervision and Management** – an overspend of £23k was projected. This variance results from projected overspends in void rent loss (£77k), the Bilbohall Masterplan (£29k), council tax for Cluny Annexe, Buckie (£11k) and insurance (£14k) which is reduced by underspends in staffing (£74k), ICT (£20k) and other minor underspends (£14k).
 - 4.2.2 **Sheltered Housing** – an underspend of £4k was projected due mainly to lower energy costs.
 - 4.2.3 **Repairs and Maintenance** – an overspend of £261k was projected with the main overspend occurring in voids (£291k). This is reduced by projected underspends in planned works (£9k) and response repairs (£21k).
 - 4.2.4 **Financing Costs** – an overspend of £47k was projected due to higher borrowing requirements and higher interest rates. The level of Capital from Current Revenue (CFCR) has been reduced by £254k to address projected overspends elsewhere within the HRA budget.
 - 4.2.5 **Bad and Doubtful Debts** – an underspend of £65k was projected due to fewer write-offs than originally expected.
 - 4.2.6 **Downsizing Incentive Scheme** – it was projected that the annual budget (£72k) will be fully expended by year end.
 - 4.2.7 **Service Developments** – this budget included provision for ongoing ICT improvements (£5k) and the cost of a full Tenants Survey (£18k). It was projected that there would be no spend on ICT improvements and the cost of the Tenant Survey was lower than originally projected. At year end, this budget is projected to be underspent by £9k.
 - 4.2.8 **Income** – income to the HRA at 31 March 2019 was projected to be £1k lower than originally budgeted for.
- 4.3 The HRA surplus balance to be carried forward at the year-end was projected to be £1.132m.

- 4.4 The HRA cannot operate in deficit. The Business Plan Review 2016 recommended that a minimum surplus of £750k should be carried forward. Due to the potential risks associated with Universal Credit and the potential pressures on the repairs and maintenance budget due to adverse weather condition and increased construction costs, it is considered prudent to carry forward a slightly higher surplus than the minimum recommended.

5. BUDGET PROPOSALS FOR 2019/20

- 5.1 As in previous years, officers have considered in detail the base budget agreed for 2019/20. Each cost centre within the HRA budget is scrutinised by the Head of Housing and Property, Finance staff and the service budget manager on a line by line basis.

- 5.2 **APPENDIX I** details the proposed HRA Budget for 2019/20. Comments on the proposed budget can be made as follows:-

5.3 Expenditure

- 5.3.1 The total expenditure proposed amounts to £19.403m. The main areas of expenditure are considered below.

Supervision and Management

- 5.3.2 The budget proposed for supervision and management costs is £4.272m. This provides for a 3.5% pay award during 2018/19, a 3% pay award in 2019/20 and incorporates the new Housing Options Advisor Post approved by Communities Committee on 20 November 2018 (paragraph 12 of the Minute refers).

- 5.3.3 Based on the HRA Statistical Bulletin 2018/19 published by the Scottish Government in October 2018, it is expected that Moray will continue to have one of the lowest supervision and management costs per house of all Councils in Scotland.

Sheltered Housing

- 5.3.4 It is proposed to reduce the Sheltered Housing Budget by £4k for 2019/20. This mainly reflects a small reduction in contract cleaning charges along with other minor budget adjustments.

Repairs and Maintenance

- 5.3.5 Repairs and maintenance is the largest block of expenditure within the HRA. The level of expenditure proposed - £6.707m - reflects the proposed revenue expenditure in the Housing Investment Plan summarised in **APPENDIX II**.

Planned Maintenance and Improvements

- 5.3.6 The Housing Investment Plan reflects the investment priorities that tenants identified within the Tenants Survey (2018). These priorities include replacement heating, windows, bathrooms and kitchens. The other main focus for investment in 2019/20 will be to maintain and improve the Council's housing stock to meet the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH).

Financing Costs

- 5.3.7 Financing costs are projected at £4.325m for 2019/20. This is an increase of £616k when compared to 2018/19. The increase reflects the projected increase in borrowing during the financial year required to fund the capital programme.

Bad and Doubtful Debts

- 5.3.8 No change is proposed to the budgetary provision for bad and doubtful debts. This will remain at £250k for 2019/20 to reflect the potential for increased rent arrears and/or bad debts.

Capital from Current Revenue (CFCR)

- 5.3.9 CFCR enables the Council to utilise available revenue resources to help fund capital projects and thus reduce the requirement for prudential borrowing. The Housing Investment Plan sets out the repairs and maintenance proposals for the Council's housing stock in 2019/20. These will be financed through the HRA revenue and capital budgets. For 2019/20, it is proposed to set CFCR at £3.705m to allow the Council to maintain an operating surplus of £1.132m at year end.

Downsizing Incentive Scheme

- 5.3.10 It is proposed to maintain the annual budget for the Downsizing Incentive Scheme at £72k for 2019/20. It is anticipated that the new dedicated staff resource that will be responsible for managing the scheme will be in place by 1 April 2019.

Service Developments

- 5.3.11 Service developments of £39k have been included in the budget for 2018/19. These developments include:

- i) New technology to support the collection of house rents
£5k is provided within this budget to support the continued investment in mobile ICT solutions for the area housing teams and other housing teams as required.
- ii) Review of Business Plan
£12k is provided within this budget to fund the 3 yearly review of the Council's Housing Business Plan.
- iii) Community Safety Team
Funding of £22k will be required to fund the Research and Information Officer within the Community Safety Team. This post provides a supporting role in dealing with anti-social behaviour and neighbour disputes relating to council housing. The long-term funding of this post will be reviewed in 2019/20.

Progress on these service improvements will be reported to Communities Committee during 2019/20.

5.4 Income

5.4.1 Rental income is the primary source of income for the HRA. The HRA must balance (or the deficit must be funded by General Services). The level of income generated within the HRA continues to influence what the Council can fund in its housing activities.

5.4.2 Rent increases have helped to maintain housing services at current levels and provide new build housing. In recent years, increases have been higher than the rate of inflation mainly to fund new build housing. These increases are set out below:

Year	Rent increase
2015/16	4.5%
2016/17	5%
2017/18	4%
2018/19	4%

5.4.3 The Housing Business Plan Review (2016) modelled the impact of potential rent increases on the Council's new build housing programme. This review concluded that the Council could afford to build 70 new properties per annum over 3 years (2017/18 to 2019/20) if rents were increased by 4% annually over the same period. All tenants were consulted on the proposed increase and the majority of those who responded were supportive of the increase on the basis that it would help fund new build housing.

5.4.4 The Tenant Survey (2018) surveyed all 5,909 tenants to gather feedback on the housing services they currently receive. A return rate of 40% was received making this a robust and credible survey. In terms of affordability, the main issues raised by tenants were as follows:

- 8.4% of tenants not in receipt of full housing benefit stated that their rent is difficult or very difficult to afford;
- 34% of tenants indicated that their rent is just about affordable; and
- 45.2% of tenants stated that they have experienced fuel poverty over the last 12 months. Ideally, tenants wanted to put their heating on but could not afford to do so.

5.4.5 In response to these findings, the Head of Service and key staff from Housing and Finance reviewed the financial assessment model that was previously completed as part of the Business Plan (2016). A number of factors over the past two financial years (increased levels of CFCR, lower borrowing costs, lower interest rates and lower than expected rent arrears) have reduced the anticipated levels of risk that were predicted in the financial model (2016). Consequently, the Council is financially able to deliver its new build programme (210 units over 3 years) without the need to further increase house rents.

- 5.4.6 The Scottish Housing Regulator requires local authorities to take the views of tenants into consideration when setting rent increases. The proposed budget has considered their views. The overall rent increases since 2015/16 have also been considered. Based on both factors and the updated financial modelling in 2018, it is proposed that housing rents are frozen at current levels for 2019/20. This will result in an average council house rent (based on 52 weeks) for 2019/20 of £59.84 per week.
- 5.4.7 Based on the HRA Statistical Bulletin 2018/19 published by the Scottish Government in October 2018, Moray continues to have the lowest average council house rents in Scotland.
- 5.4.8 A review of the Housing Business Plan in 2019 will examine future rent levels and the affordability of these.
- 5.4.9 An increase in grass cutting charges of 3.5% is proposed. An increase in garage site rents of 7% is also proposed (this is a two yearly increase).

6. THREE YEAR PROJECTION

- 6.1 A three year projection for the HRA budget is provided in **APPENDIX III**.

7. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The provision of new affordable housing, the maintenance of the Council's housing stock and dealing with homelessness are priorities identified within the Corporate Plan and 10 Year Plan, the Council's Local Housing Strategy and Strategic Housing Investment Plan (SHIP) and the Housing and Property Service Plan.

(b) Policy and Legal

There is no policy or legal implications arising from this report.

(c) Financial Implications

The financial implications of the budgetary proposals are considered throughout this report. Details of budget proposals are included within the Appendices. Subject to the Council agreeing all of the proposed charges, the HRA Budget for 2019/20 is projected to balance, with a surplus of £1.132m from 2018/19 being carried forward.

(d) Risk Implications

Any risks associated with the budget proposals are identified in this report.

(e) Staffing Implications

There are no staffing implications arising from this report.

(f) Property

None.

(g) Equalities/Socio Economic Impact

There are no equalities/socio economic impacts arising from this report.

(h) Consultations

This report has been developed with the assistance of and in close consultation with the Council's Finance Service. Consultation on this report has been carried out with the Head of Financial Services and senior managers within the Housing and Property Service. Tenants were also consulted on current rents and possible increases and the decision to freeze rents for 2019/20 is a reflection that their views have been given proper and due consideration.

8. CONCLUSION

- 8.1 This report presents the HRA Budget proposals for 2019/20. It also includes a three year financial projection to 2021/22. The proposed budget enables the Council to complete its 3 year new build programme of 70 units per annum (2017/18 to 2019/20) without the need to increase house rents further in 2019/20. A review of the Housing Business Plan will be completed in 2019 to ensure the Council's housing activities remain fundable and affordable. The review will consider current and future risks and also future rent increase options. The outcome of the review will be reported to the Communities Committee later in 2019/20 and will also inform the Housing Revenue Account budget for 2020/21.**

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Background Papers:	Held by author
Ref: TMC/RA/TS –	HRA Budget – 10 February 2019

APPENDIX I

HOUSING REVENUE ACCOUNT

Draft HRA Budget 2019/20 – based on a 0% rent increase

Service Description	Annual Budget 2018-19	Projected Outturn to 31st March 2019	Projected Variance to 31st March 2019	Draft Budget 2019-20	Variation between 2018-19 and 2019-20
Expenditure	£'000	£'000	£'000	£'000	£'000
Supervision & Management	4,122	4,145	(23)	4,272	(150)
Sheltered Housing	37	33	4	33	4
Repairs and Maintenance	6,340	6,601	(261)	6,707	(367)
Financing Costs	3,709	3,756	(47)	4,325	(616)
Bad & Doubtful Debts	250	185	65	250	0
CFCR	4,581	4,327	254	3,705	876
Downsizing Incentive Scheme	72	72	0	72	0
Service Development	23	14	9	39	(16)
Total Gross Expenditure	19,134	19,133	1	19,403	(269)
Income	£,000	£,000	£,000	£,000	£,000
Non-dwelling rents	214	212	(2)	214	0
House rents	18,812	18,805	(7)	19,062	(250)
IORB	11	35	24	35	(24)
Other income	97	81	(16)	92	5
Total Income	19,134	19,133	(1)	19,403	(269)
Surplus / (Deficit)	0	0		0	
Balance carried forward		1,132		1,132	
Estimated Balance at end of Period	0	1,132		1,132	

APPENDIX II

HOUSING INVESTMENT PLAN 2019/20 – 2021/22

1. The investment proposals for 2019/20 to 2021/22 can be summarised as shown below:-

Investment Heading	Programme	2019/20 £'000	2020/21 £'000	2021/22 £'000
Response and Void repairs	Response Repairs	2,019	2,080	2,142
	Void House Repairs	1,372	1,413	1,456
	Gas Heating Repairs	560	577	594
	Total Response	3,951	4,070	4,192
Estate Works	Garage Upgrades	25	26	27
	Asbestos	258	266	274
	Estates/Forum Budget	258	266	274
	Landscape Maintenance	35	36	37
	Miscellaneous	75	77	80
	Total: Estate Works	651	671	692
Cyclic Maintenance	Gas Servicing	213	219	226
	Solid Fuel Servicing	41	42	43
	ASHP Servicing	82	84	87
	Smoke Alarm Servicing	120	124	127
	PPR/Painterwork	271	279	288
	General Servicing	88	91	93
	Inspections/surveys	140	25	26
	Total: Cyclic Works	955	864	890
Planned Maintenance	Roof and Fabric Repairs	225	232	239
	Rainwater goods	200	206	212
	Central Heating	2,527	2,603	2,681
	Insulation	200	206	212
	EESH	1,189	713	1,000
	Kitchen Replacements	1,375	1,416	1,459
	Plumbing Upgrades	200	206	206
	Electrical Upgrades	150	155	159
	Doors and Windows	793	817	841
	Safety & Security	20	21	21
	Common Stairs	20	21	21
	Shower Installations	50	52	53
	Sheltered Housing	10	10	11
	Total: Planned	6,959	6,658	7,115
Other investment	Adaptations	350	361	371
	Enabling Budget	10	10	11
	Total: Other	360	371	382
Proposed Investment		12,876	12,634	13,271

2. Funding for Response and Void Repairs, Estates Improvements and Cyclic Maintenance is reflected within the Housing Revenue Account Budget for 2019/20.
3. The Housing Business Plan (2016) proposed that planned expenditure would be met from available revenue resources, after allowing for a minimum surplus of £0.750 million on the HRA as a cushion for unexpected expenditure/variations in the year. Bearing in mind guidance regarding what works would be more appropriately deemed as 'capital' expenditure, expenditure on window/doors, kitchens and bathrooms, and heating improvements are treated as capital expenditure. Capital from Current Revenue (CFCR) also contributes to the funding of Planned Capital works from the Housing Revenue Account, with prudential borrowing meeting any further capital expenditure required. Other revenue planned works (roofs, rainwater goods, plumbing upgrades etc.) are funded from the Housing Revenue Account.
4. Capital expenditure proposed for 2019/20 to 2021/22 can be summarised as:–

Investment	2019/20 £'000	2020/21 £'000	2021/22 £'000
Doors and Windows	793	817	841
Central Heating	2,527	2,603	2,681
EESH	1,189	713	1,000
Kitchen Replacements	1,375	1,416	1,459
Disabled Adaptations	350	361	371
Council House New Build	17,131	16,392	6,302
Total Capital Investment	23,365	22,302	12,654

5. For the same period, capital funding is projected at:-

Projected income	2019/20 £'000	2020/21 £'000	2021/22 £'000
CFCR	3,705	3,677	3,881
Prudential Borrowing	12,237	10,932	8,248
Scottish Government Grant	6,898	7,168	0
Council Tax Discount on 2 nd homes	525	525	525
Total	23,365	22,302	12,654

APPENDIX III

Housing Revenue Account

Three Year Projection

Service Description	Annual Budget 2019-20	Annual Budget 2020-21	Annual Budget 2021-22
Expenditure	£'000	£'000	£'000
Supervision & Management	4,272	4,400	4,529
Sheltered Housing	33	34	35
Repairs and Maintenance	6,707	6,794	6,994
Financing Costs	4,325	4,864	5,157
Bad & Doubtful Debts	250	275	300
CFCR	3,705	3,677	3,881
Downsizing Incentive Scheme	72	72	72
Service Developments	39	0	0
Total Gross Expenditure	19,403	20,116	20,968
Income	£,000	£,000	£,000
Non-dwelling Rents	214	227	229
House Rents	19,062	19,762	20,612
IORB	35	35	35
Other Income	92	92	92
Total Income	19,403	20,116	20,968
Surplus / (Deficit)	0	0	0
Balance carried forward	1,132	1,132	1,132
Estimated Balance at end of Period	1,132	1,132	1,132

