APPENDIX 1

MORAY COUNCIL

MEDIUM TO LONG TERM FINANCIAL STRATEGY

2021/22 – 20~~29~~30/3~~0~~1

INTERIM REVIEW

Version	1
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Date of review	~~March 2020~~ January 2021
Date of next review	December 202~~0~~1
Date approved by Council	March 2020

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1 INTRODUCTION

1.1 The first version of the Council's medium to long term financial strategy was approved shortly before the country entered its first lockdown in response to the covid-19 pandemic. During that lockdown and subsequently the Council's working practices and ways of delivering services have changed in ways quite unforeseen prior to March 2020. At this juncture it is unclear how long restrictions will last and what the medium term consequences of the pandemic will be. To that extent this must be seen as an interim revision of the strategy. However, a~~A~~ medium to long term financial strategy is still essential to assist in ensuring~~e~~ that the challenges the Council faces in terms of managing its budgets are addressed in the most effective way. The intended outcome of the financial strategy is a sustainable financial plan, with planned revenue expenditure met by budgeted revenue income, with use of reserves to balance the budget kept to a minimum and targeted towards transformation of council services. The outcome of the strategy will be monitored through a range of measures including scrutiny of in year net expenditure through the Council's established programme of budget monitoring; tracking progress of the Improvement and Modernisation Programme and reporting on Benefits Realisation of transformation projects, and by keeping the balance of expenditure across services under review, to ensure that the strategic direction of spend is maintained over the medium term. Health check Performance Indicators are detailed in Section 6 of this Strategy.

1.2 The Financial Strategy is a companion document to the Corporate Plan and sets out how the Council aims to fund achievement of the priorities expressed in the Corporate Plan and the Local Outcome Improvement Plan (LOIP).

~~National priority~~	~~Children~~	~~Education and Health~~	~~Communities~~	~~Economy, Fair Work and Business, Culture~~	~~Environment~~
	~~Poverty~~	~~Raising Aspirations~~			
~~LOIP priority~~	~~Building a better future for our children & young people in Moray~~		~~Empowering & connecting communities Locality Plans~~	~~Growing, diverse & sustainable economy~~	

~~**Council priority**~~	~~**Our People**~~ ~~Provide opportunities for people to be the best they can be throughout their lives with a strong and sustained focus on those individuals and groups in our society who experience the most disadvantage and discrimination~~	~~**Our Place**~~ ~~Empower and support communities to build capacity~~	~~**Our Future**~~ ~~Drive economic development to create a vibrant economy for the future~~
	~~**Creating a sustainable council** – that provides valued services to our communities.~~	~~Financial Strategy: Developing our medium and long-term approach to financial stability~~ ~~Improvement and Modernisation: programme of transformation projects that will contribute to a financially stable council for the future~~ ~~Developing the Workforce: Realigning the workforce to meet our future requirements and developing new skills~~	
~~**Our Approach**~~	~~➢ ***Equalities*** – providing opportunities for everyone to be their best~~ ~~➢ ***Empowering*** – producing better results by collaborating and working to engage and involve people (partners, businesses and communities)~~ ~~➢ ***Environment*** – look after world we live in to protect it for the future~~ ~~➢ ***Enterprising*** – consider new approaches to the way we do our business to increase our income and make services more sustainable for the future~~		

Sustainability and the Council's Financial Strategy are recognised as forming the platform from which the three key priorities of Our People, Our Place and Our Future must be delivered.

1.3 The financial strategy will:

- Highlight the key cost drivers and drivers of change for the Council's service delivery
- Outline the Council's high level financial position over the years 2021~~0~~/22~~1~~ to 2030~~29~~/31~~0~~, based on a range of assumptions across different scenarios
- Facilitate planning ahead to enable the impact of change to be managed more proactively and effectively

- Plan for a sustainable revenue budget and capital investment programme which will support the Council's priorities and address the key issues for Moray
- Assist in increasing the people of Moray's understanding of the Council's financial position and the challenges facing it over the next ten years.

1.4 The strategy covers the period 2021~~0~~/22~~1~~ to 2023~~2~~/24~~3~~ in detail and provides very high level estimates for 2024~~3~~ to 2031~~0~~. ~~Following the UK Government Spending Review in 2018, which announced that a three year forecast would be produced in 2019, the Cabinet Secretary for Finance, Economy and Fair Work announced that he would follow suit. As the UK Government Spending Round on 4 September was for 2020/21 only it is unlikely that the Scottish Government will announce figures for the longer term.~~ Scottish Government have followed the UK Government lead in setting a budget for one year only as the national and world economy struggle in the throes of the pandemic. Consequently there is considerable uncertainty about the council's budget position even in the early years of the strategy, and, post Covid-19, more than in previous years..

1.5 The key challenge for the strategy is identifying the approach which the Council must take to achieve a sustainable financial position, with balanced budgets in future years. It is unclear what the future holds for local government finance in Scotland, but it is clear that the Council cannot continue to do all that it currently does in the same ways as it traditionally has. To that extent the financial strategy is dependent on a programme of business transformation; service prioritisation and redesign, and reduction in service delivery. Underpinning this is a direction of travel which looks to target resources at greatest need and to shift away from a universal provision of services where this is possible. Although the need to respond to the pandemic has slowed progress in some areas, it has accelerated progress in others. In particular progress in developing digital services and facilitating flexible working practices has of necessity been much faster and more far-reaching than could have been envisaged twelve months ago. A stronger emphasis on service resilience is emerging, and the focus on targeting resources needs to be re-shaped to encompass vulnerabilities emerging from the pandemic, be these economic, societal, personal or environmental.

1.6 The Community Empowerment agenda is also central to the programme of transformation, with an expectation that local communities will take the lead in some areas in which traditionally the council has led. The Council has been committed to Community Asset Transfer (CAT) for many years and in 2018 successfully promoted CAT of town halls and some community centres as part of its budget setting process for 2018/19, a process in which the public were consulted through a variety of channels to establish community priorities for service delivery. A steady trickle of CAT applications continues to be made by a variety of community groups. The Council has approved~~is currently developing~~ its Participatory Budgeting (PB) Charter and process, in conjunction with community groups. This aims to extend PB into mainstream budgeting. The strategy recognises the need for the Council to invest further in this process if it is to achieve its aims. Further development in this area has been severely curtailed by the pandemic but progress continues to be made.

1.7 The strategy must also allow for investment in the Council's asset base, appropriately directed towards meeting national and local priorities in a planned fashion, in accordance with the Local Development Plan, Asset Management Plans and associated infrastructure planning. An approach to developing the Learning Estate Strategy has been approved by Council and this will underpin the development of a programme of investment and enable application for financial support for this from Scottish Government. Although the Council has a clear need to reduce its asset base, continued economic development in Moray requires appropriate infrastructure and facilities and so overall a reshaping and repositioning of the asset base is required and this must be accommodated within the capital plan.

1.8 The strategy will be reviewed annually as part of the Council's financial planning process, with regular updates of the medium term position reported to the Corporate Management Team on a monthly basis and to the Policy and Resources Committee on a quarterly basis.

1.9 Moray Council is not alone in facing significant financial challenges. The approach towards savings and service transformation which the Council is advocating is one which can be seen across Scottish local authorities. One of the tools used in developing the Strategy has been horizon scanning / peer review, to ensure that ideas for change developed in other local authority areas are considered for use in Moray, where appropriate.

1.10 Despite these challenges the Council was able in 2020/21 to ear-mark reserves for investment in transformation of services and Council priorities. A programme of investment is being developed, to improve efficiency, support early intervention and thus underpin longer term financial stability with an ability to greater manage demand.

1.~~10~~11 The inclusion of information in the Strategy does not imply approval. All financial estimates are subject to approval by Council as part of the budget setting process.

1.~~11~~12 The scope of this Financial Strategy is the Council's General Fund. The Council's Housing Revenue Account (HRA) is ring-fenced, according to statutory requirements, and consequently financial planning for the HRA is a separate exercise from financial planning for the Council's other services and is managed through a series of strategies developed solely for this service area such as the Strategic Housing Investment Plan.

2 ECONOMIC, SOCIAL AND ENVIRONMENTAL CONTEXT

2.1 The national context

Global Economy

2.1.1 The global economy w~~h~~as ~~been~~ slowing prior to the pandemic, with a downturn in the United States, Eurozone and UK economies. ~~Forward-looking economic indicators strongly suggest a weaker outlook for economic growth~~. In the UK, uncertainty over the full impact of Brexit is also a key factor. At present the consensus of opinion across economists and businesses appears to be for the economy to continue below pre-lockdown levels and to start to improve as the vaccination programme is rolled out.~~,~~ The emergence of multiple variants of the coronavirus and its continuing evolution show how precarious these forecasts are. ~~but the Eurozone is also showing signs of economic downturn, particularly in German manufacturing, and the US and China trade position has wide ramifications. This is reflected in the fall in bond prices, with US treasuries and UK gilts generally on a downward trajectory and German bunds at a negative yield.~~

2.1.2 ~~The value of bonds directly impacts on the Council's financial position, as Public Works Loans Board (PWLB) loan interest rates are linked to the yield on Treasury gilts~~. Interest rates are low and expected to remain low in the short term at least, with the possibility of negative interest rates still in play.

Scottish Dimension

2.1.3 The economy also has an indirect impact on the Council, as a downturn in the Scottish economy will reduce the Scottish tax take and with this the level of funding which Scottish Government has available. The first estimate of Scottish tax take was higher than actually achieved. The assumptions used to estimate the Scottish tax take have been refined and future estimates are expected to be more accurate but clearly this is not an exact science. The Scottish Fiscal Commission is projecting lower Gross Domestic Product (GDP) and higher unemployment than they did a year ago. Despite this, the Scottish Government medium term financial strategy published on 28 January 2021 show~~s~~ a central case scenario of average annual 4% growth in resource budget over the period 2020/2021 to 2025/2026, with an upper scenario of 5.3% and a lower scenario of 2.4%. Within these local government funding is forecast to be central 4%, upper 5.5%, lower 2%. However, almost three quarters of resource budget is allocated to health, local government and social security and, whilst the NHS is prioritised and demand-led social security benefits are promised to be fully funded, no such priority has traditionally~~is~~ been given to local government, so if spend on NHS and / or benefits rises above the levels included in the medium term strategy local government funding will be squeezed. The SPIce briefing Local Government Finance:Budget 2021/22 and provisional allocations to local authorities notes that the local government revenue budget as a share of the Scottish Government equivalent fell from 34.7% in 2013/14 to 32.8% in 2021/22.

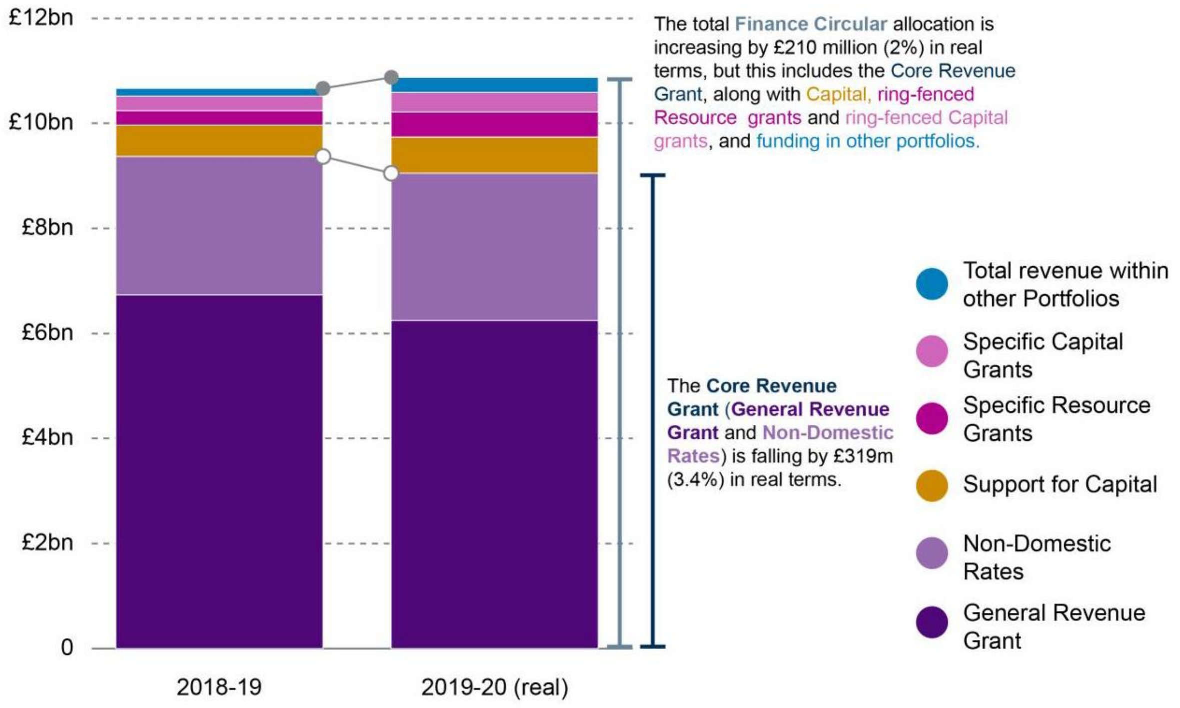
Brexit

2.1.4 Further uncertainty for both UK and Scottish economies arises from Brexit, with the detailed terms ~~timing and conditions~~ of Brexit ~~– and indeed whether Brexit will happen –~~ still undecided, and the ramifications for business and for the amount and pattern of central government spend unclear.

Scottish Government Policy Control

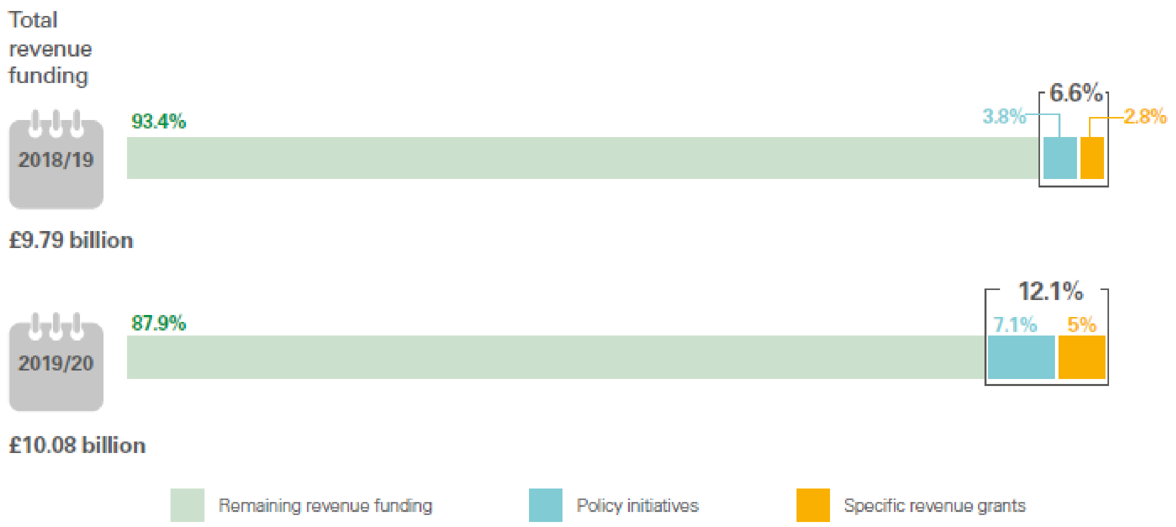
2.1.5 ~~Scottish Government's medium term financial strategy, published in autumn 2018, indicates a reduction in core local government funding as a result of protecting NHS and Police Scotland funding and increased ring-fencing for Scottish Government initiatives.~~ Some of Scottish Government's key policy initiatives delivered by local authorities are funded by ring-fenced grant, notably expansion of Early Learning and Childcare and Pupil Equity Fund. Audit Scotland's Overview of Local Government in Scotland 2019/20 noted that nearly half of the increased funding in 2019/20 and all of the initial additional funding in 2020/21 was to fund the expansion of early learning and childcare.

2.1.6 The impact of increased ring-fenced funding was presented by SPICe in their report Local Government Facts and Figures 2013/14 to 2019/20.



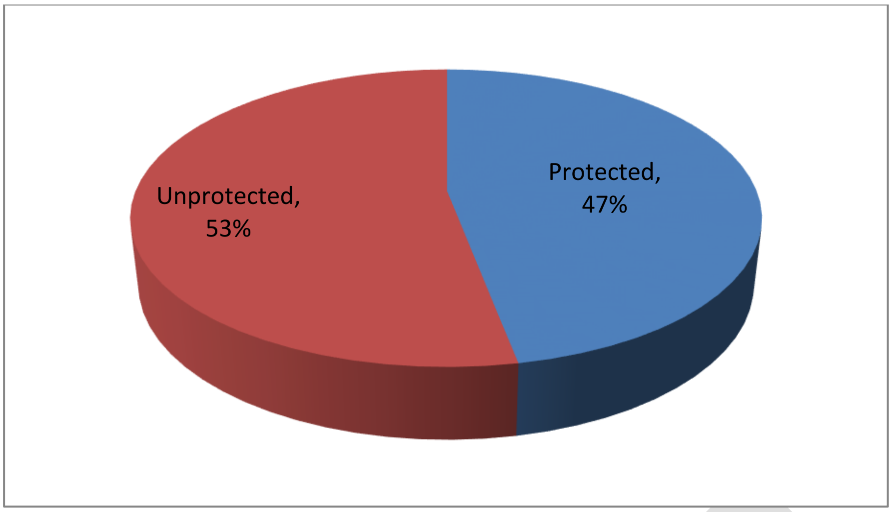
2.1.7 Disagreement between Scottish Government and COSLA as to what constitutes core funding for local government has been a feature of discussion around recent settlements and continues in COSLA's response to the 2021/22 budget and its companion document "Budget Reality 2021/22"

2.1.8 COSLA ~~in their response to the Local Government and Communities Committee pre-budget scrutiny also drew~~ has also drawn Scottish Government attention to areas where Scottish Government priorities are not funded through ring-fenced funding but where there are still explicit constraints on local government and / or funding is tied to new duties. Audit Scotland captured the impact of new duties on local government in 2019/20 in the following diagram:



Source: Audit Scotland, Local Government finance circular 2/2019, Scottish Budget 2019/20

2.1.9~~8~~ The diagram does not include other protected budget areas such as the Scottish Welfare Fund and teaching staff posts. COSLA estimate that 61% of local government expenditure is protected by Scottish Government or committed under PPP funded initiatives or as a result of borrowing to fund capital expenditure in prior years. The position estimated for Moray Council in 2019/20 is shown in the chart below



Other Impacts

2.1.10~~9~~ There are other decisions made at a national level which directly or indirectly impact on the Council's costs. Pay awards are a key area where the Council has no control over the awards negotiated for Council staff. The Living Wage is also set centrally. The UK Government sets the discount rate used in calculating the liabilities of unfunded pension schemes – for the Council that means the cost of teachers' pensions.

New Fiscal Powers

2.1.11~~0~~ Scottish Government wa~~i~~s introducing measures which allow an element of local discretion in raising revenue (Workplace Parking Levy, Transient Visitor Levy). Work on this has been paused during the pandemic. The extent of these new powers and how they will work has yet to be set out in detail. A further addition to local funding is the devolution of income from the Crown Estate. The first two tranches of income ha~~s~~ves been announced. It has been ring-fenced by Scottish Government for use in coastal communities. The Workplace Parking Levy may be ring-fenced for transport projects, and there has been discussion of the Transient Visitor Levy being ring-fenced for expenditure related to tourists. The extent to which these additional measures will assist in meeting the shortfall in core funding is therefore unclear at present, although it is likely that some of this income could be used to offset some elements of core spending. Non Domestic Rates (NDR) empty property relief will~~may~~ also be devolved to local authorities. It is as yet unclear what discretion local authorities will have in respect to empty property relief..

Environmental Issues

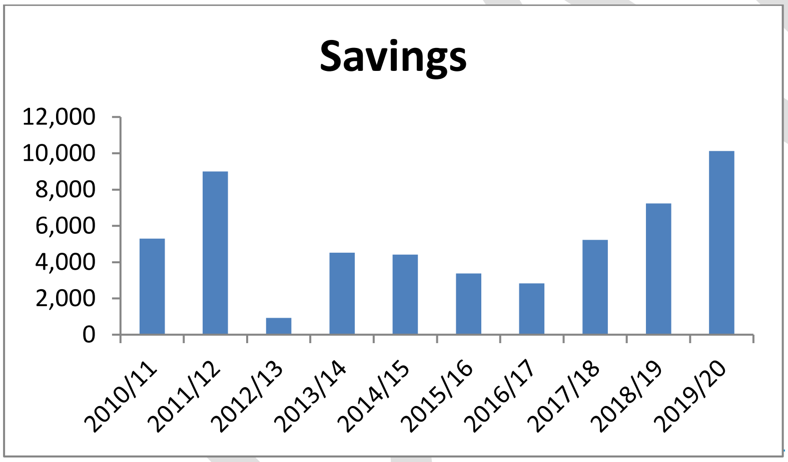
2.1.12~~1~~ Matters of national concern such as climate change and carbon emissions are echoed at a local level. The response to such issues will vary in the local context and can be influenced by local decisions and priorities, although these are areas where central policy – such as the ban on biodegradable waste going to landfill and commitment for Scotland to become carbon neutral by 2040 - will also dictate action at a local level. Funding to support the Scottish Government's climate change objectives is not yet clear. The Council has recognised a Climate Change emergency and is in the process of developing a Climate Change Strategy in response to this. This will have significant impact on the Council's spending priorities and in particular the capital plan.

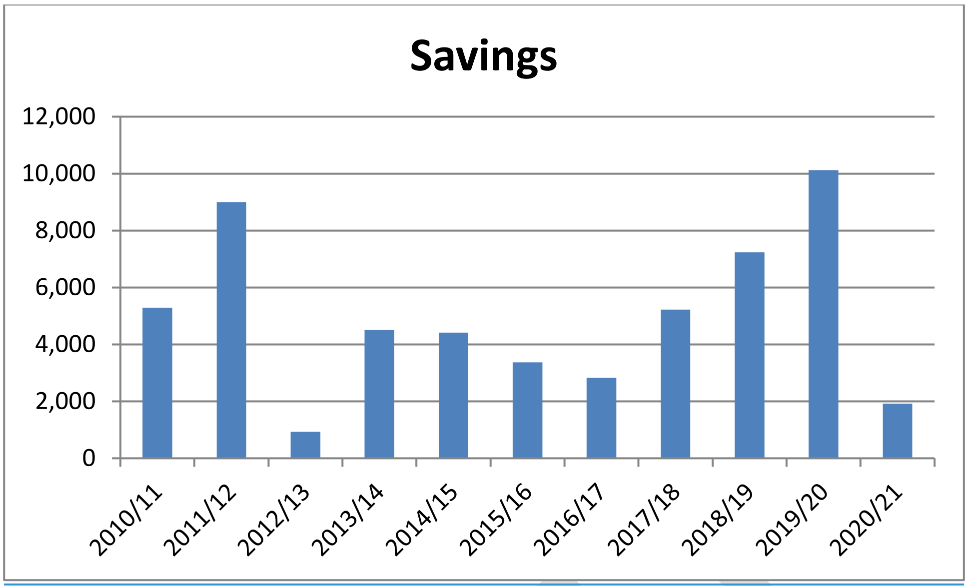
2.2 The local context

2.2.1 Background

The Council has been making savings year-on-year since 2010/11. To date these have largely been based on service efficiencies and service reductions with savings growing for the past 3 years and particularly significant savings taken in 2019/20. As the Improvement and Modernisation Programme continues to develop, the focus will shift to transformational change. Until those savings start to be generated at scale however, there are challenges in developing further savings from efficiencies. As a result, service reduction will inevitably require to form a major strand of the Council's approach to balancing its budget in the short term to medium term, although this becomes increasingly difficult as time passes and the cumulative effect of previous service cuts are felt..

(savings are shown in £000s):





2.2.2 Demographics

Moray's population grew by 10.4% from 1999 to 2019 ~~has grown over the past 10 years and is forecast to grow by 4.4% over the period 2016 to 2026.~~but is now forecast to decline between 2018 and 2028, with a natural (births less deaths) decline of 2.6% only partly offset by net inward migration of 2.5%. This contrasts with an average projected population growth for Scotland as a whole of ~~3.2%~~ 1.8%, also driven by net inward migration. The impact of the pandemic and Brexit on migration is as yet unclear. Moray ~~also~~also is now projected to have ~~has an above the Scottish average projected~~ a change of 5.2% (which is the same as the Scottish average) in the number of households over the period ~~2016~~ 2018 to ~~2041~~2029.~~.~~ Moray's population is aging, with life expectancy and healthy life expectancy for both men and women above the Scottish average. However, primary and secondary schools rolls are still projected to increase in the short term, in numbers and also as a percentage of the projected total of all Scottish school rolls. This will impact on demand for services and also on grant support from Scottish Government under the present method of allocating general revenue grant.

2.2.3 Economy

Moray is a low wage economy. The features of the local economy have been well documented by the Moray Economic Partnership and are set out in detail in Moray Economic Strategy. A key strand in current planning for economic development is the Moray Growth Deal. Following agreement on Heads of Terms ~~expected~~ agreed in August 2020, detailed modelling will be required to reflect the Moray Growth Deal in the Council's budget processes and plans, and this has been done at a high level.

2.2.4 Infrastructure

Moray's population is concentrated in Elgin, with four major satellite towns and large areas of dispersed rural communities. This influences how services are delivered and underpins the need for investment in roads infrastructure for connectivity and also to facilitate the movement of goods for export, which forms a significant part of the Moray economy.

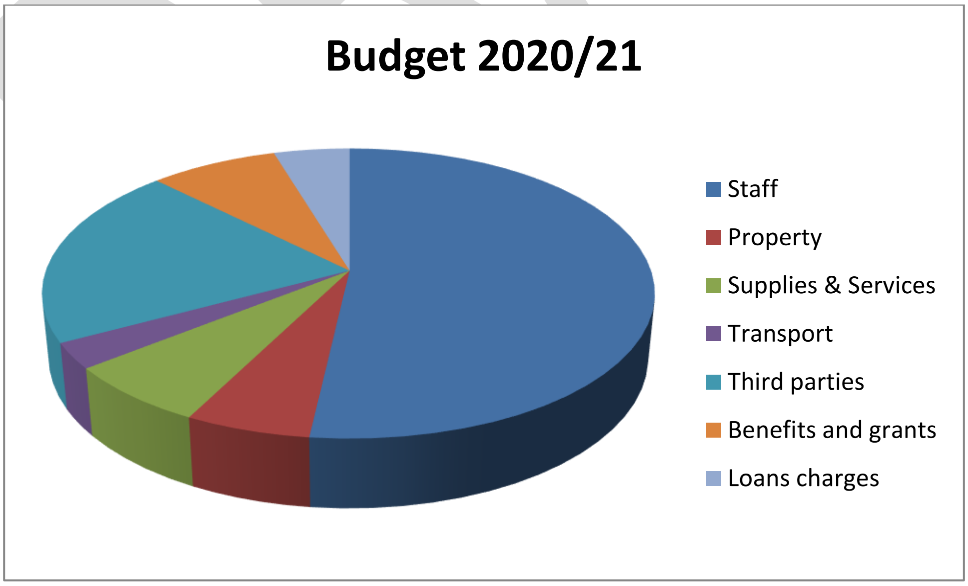
2.2.5 Learning Estate

The condition of the schools in Moray is the worst in Scotland. There has been recent investment in two new secondary schools in Elgin and a new primary school in Keith. A new secondary school in Lossiemouth is under construction. Four primary schools – in Elgin, Forres, Lossiemouth and Buckie – were significantly refurbished. Despite this the overall condition of the school estate is poor. The improvement of the school estate as part of the agenda to improve educational attainment is one of the Council's key priorities. A review of the Learning Estate forms part of the Council's Improvement and Modernisation Programme and the outcome of that review will help to shape future financial planning. The Learning Estate Strategy was approved by Council on 16 December 2020.

3 COST DRIVERS AND PLANNING ASSUMPTIONS

Cost Drivers

3.1 The Council's budget of £300~~280~~ million gross revenue expenditure for 2020~~19~~/2~~0~~1 includes £153~~145~~ million for staff. Pay awards and pension costs are key cost drivers for the Council. Pay awards for 2021/22 have not been agreed. The trades unions have recently made a bid for non-teaching staff but it may be some time before negotiations are concluded.~~agreed in the course of 2018/19 were multi-annual, covering the period 2018 to 2021.~~



3.2 A significant proportion of the Council's services are out-sourced, with 20% of the Council's expenditure being on services delivered by third parties. The procurement process therefore has a strong influence on the costs borne by the Council. Significant savings have been made by procurement (on the purchase of supplies and services as well as on out-sourced services) and the Council has a target of 3% procurement savings on relevant ie local (influenced by the Council) contracts.

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Over half of the Council's out-sourced services are social care services. The provision of health and social care is done by NHS Grampian and the Moray Council under the direction of the Moray Integration Joint Board. The Council therefore has no direct control over the strategic delivery of social care services. This continues to present a significant risk for the Council in terms of budget management.

Planning Assumptions

3.3 As recommended in CIPFA guidance on the development of medium to long term financial plans, the Council looks at the financial implications of various scenarios, allowing the Council to assess the financial impact of various key drivers of change on cost. The main cost drivers used in constructing outline scenarios for budget setting for the last ~~two~~three years have been staff pay awards, grant support from Scottish Government and level of capital expenditure.

3.4 This financial strategy incorporates consideration of these and other key variables which may impact on the Council's financial position going forward.

3.5 The rationale behind the Optimistic, Mid-range and Pessimistic assumptions for each cost driver are set out below:

3.5.1 Pay awards have not been agreed for 2021~~0~~/22~~1~~. The ~~reafter the~~ assumptions used in this strategy are that pay awards will be linked to actual inflation or to the government's inflation target, currently starting at 2%: optimistic is no real terms increase in pay, mid-range a 0.5% real increase, pessimistic a 1% increase. ~~The optimistic assumption aligns with the low budget assumptions used by the Office of Budgetary Responsibility (OBR) and Scottish Government (as at April 2019). The mid-point aligns with the Scottish Fiscal Commissions prediction for wage inflation in 2020/21 (as a December 2018). The pessimistic case is lower than OBR' high assumption (3.5%) and Scottish Government's upper limit (4%) but has been chosen as it matches the three year pay award agreed for non-teaching staff for 2018-2021.~~ Inflation during the early stages of the pandemic was very volatile, is currently low and generally predicted to remain below target in the immediate future. The Scottish Fiscal Commission is forecasting average annual pay increases of 2.6% in 2021, 2.4% in 2022 and 2.7% in 2023.

3.5.2 Capital expenditure is based on the current indicative 10 year plan presented to Council on 3~~27~~ March~~February~~ 2020 ~~2019~~as updated and presented to Council on 3 March 2021. This will be adjusted as a result of the work being carried out under the aegis of the Improvement and Modernisation Programme, specifically the review of stores, depots and offices ongoing in terms of the Property Asset Management Appraisal, ~~and~~ the review of the Learning Estate, review of roads conditions and review of ICT requirements following the introduction of flexible working on a large scale. The Council currently has a budget for loan charges of £15~~3~~.2~~5~~ million. This is a long term commitment, but over time historic loans will be paid off. New borrowing increases the Council's liability to loans charges – at the current low rates of interest, by about £60,000 per million borrowed. There is a long-lead in time to many capital projects, and the range of assumptions for 2021~~0~~/22~~21~~ is consequently fairly narrow, allowing for slippage / savings of 10% (the capital plan for 2018/19 out-turned 9% under the final approved budget) at the optimistic end and, at the pessimistic end, an overspend of 2.2%. The capital plan for 2020/21 was heavily impacted by the pandemic and consequent restrictions on construction work. It is unclear when these might be eased.

3.5.3 Funding from Scottish Government, in the form of General Revenue Grant and Non Domestic Rates (NDR), is projected to be at best an above inflationary rise of 1% (at the target rate of inflation)~~the same actual amount each year – generally referred to as "flat cash"~~ - and at worst a cash reduction of 2~~3~~%. The range of assumptions in the first iteration of the medium to long term financial strategy approved in March 2020 was generated from a variety of sources, principally~~ –~~ OBR and ~~,~~ Scottish Government's Five Year Strategy published January 2021~~ scenarios for non-priority spend~~ – ~~earlier in the year have been overtaken by the UK spending plans for 2020/21 announced on 4 September 2019. This includes £1.1bn Barnett consequentials (of which around half relate to the NHS and which are likely to be passed on in full to NHS Scotland) which may give additional flexibility to Scottish Government.~~ Current government spend is focussed on recovery from the pandemic and it is difficult to extrapolate forward at present. As noted above the Scottish Government medium term financial strategy uses higher levels of funding for local government than previously seen but there are significant risks to this in terms of pressure from NHS and social security budgets.

3.5.4 Council Tax assumptions have been separated out into Council Tax percentage increase, growth in Council Tax base and Council Tax collection rate. The previous 3% capped percentage increase has been used as the mid-range from 2022/23 onward. In 2019/20 and 2020/21 Scottish Government allowed a real increase of 3% - ie a nominal 3% plus inflation, measured using the GDP inflator.~~Consumer Price Index (CPI)~~. The optimistic case is therefore shown as with 3% plus the UK government's target CPI of 2%. The current offer in the local government settlement for 2021/22 has grant compensation for a Council Tax freeze which approximates to a real 3% increase. A cap at inflation is shown as the pessimistic case. The level of growth currently projected was~~is~~ based on the projected growth of households in Moray from 2016 to 2041 per the Registrar General's Annual Review of Demographic Trends 2018 with adjustments downwards in 2020/21 to 2022/23 to reflect a pandemic downturn in construction. This matches the latest National Records of Scotland projection for increase over the ten year period. The~~is~~ pre-pandemic projected growth is used from 2023/34 onwards and this tallies with the level of actual growth seen in recent years and is used as the mid-case with small percentage variations for the optimistic and pessimistic cases. Likewise the collection rate is set at the pre-pandemic~~current~~ level for the mid-case with small percentage variances for optimistic and pessimistic for years 4 to 10, with 2021/22 reflecting the current reduced rate of collection and the next two years showing a gradual return towards pre-pandemic levels .

3.5.5 Inflation affects a small number of significant contracts – in particular the PPP schools contract – and also covers potential increases in utilities. The cost of utilities and fuel has been volatile over the past year, but the underlying trend is still forecast to increase above general inflation. Consequently the government target for inflation has been used as the optimistic scenario, with relatively modest increase for the mid-point and pessimistic scenarios, reflecting the current low inflation environment.

3.5.6 The employers' pension contribution is assessed every three years and was ~~is~~most recently revised ~~currently due for revision~~ from 1 April 2021. A variety of issues are tending to increase the cost of pensions – in particular recent legal decisions – and the contributions for 2021/22 are~~onwards will be~~ dependent on the actuarial assumptions used when the fund wa~~i~~s valued in December 2020. However, the North East Scotland Pension Fund is currently funded at 120% and this has enabled the contribution rate to be pegged at 19.3%~~of estimated liabilities and informal suggestions are that a decrease in employers' contribution would not be unlikely. Given the informal suggestion of a decrease on contribution locally,~~ ~~T~~the current contribution rate has been used as the mid-point ~~pessimistic~~ scenario, with small variations from years 4 to 10~~reductions~~ for ~~mid-point~~ pessimistic and optimistic.

3.6 Ranges of budget assumptions used are set out in the tables below, with current planning assumptions noted:

Year 1 – 2021~~0~~/22~~1~~	Optimistic	Mid-range	Pessimistic
Pay award ~~(Agreed for 2020/21)~~ under adjustment for social care funded by pass through	~~3%~~ **2% (as current) £2.5m**	~~£4.6m~~ 2.5% £3.2m	3% £4.0m
Capital Expenditure Loans pool rate Increase / (decrease) in loans charges	~~£48.42m~~ £30.42m ~~3.72%~~ 2.89% ~~£1.63m~~ (£1.65m)	~~£53.8m~~ **£33.8m** ~~3.72%~~ **2.89%** ~~£1.73m~~ **(£1.5m)** **(as current)**	~~£55m~~ £34.5m ~~3.72%~~ 2.89% ~~£1.8m~~ (£1.47m)
General revenue grant / NDR ~~(all scenarios assume increased funding for teacher's pensions)~~	Increase 2% ~~Flat cash (as current~~) ~~(£0.32m)~~ (£3.26m)	Increase~~Decrease~~ **0.9%**~~1.5~~% ~~£1.71m~~ Plus £0.43m **(£1.9m) (current)**	Decrease 2~~3~~% ~~£4.08m~~ £3.26m
Council Tax increase / funding for freeze	5% ~~(£2.41m)~~ (£2.3m)	3% ~~(£1.28m)~~ **(£1.4m)** **as current**	2% ~~(£0.85m)~~ (£0.9m)

Year 1 – 2021~~0~~/22~~1~~	Optimistic	Mid-range	Pessimistic
Growth in Council Tax base	0.5~~7~~% ~~(£0.05m)~~ (£0.25m)	0.3~~6~~% ~~(£0.29m)~~ **(£0.15m)** **as current**	0.2~~4~~% ~~(£0.19m)~~ (£0.1m)
Council Tax collection rate	98~~.7~~% ~~(£0.1m)~~ £0.35m	**97~~8~~.5%** **As current** **£0.5m**	96.5~~8~~% ~~£0.24m~~ £1m
Inflationary pressures	2% ~~£0.4m~~ £0.7m ~~(as current)~~	**2.5%** ~~£0.5m~~ **£0.8m** **(as current)**	3% ~~£0.6m~~ £1m
Pension contributions (NESPF) (Agreed for 2021~~0~~/22) Teachers (Agreed for 2020/21)		19.3%	
Additional budget pressures currently noted~~, less opening position adjustment~~ less social care pass through £1.38m	~~£2.52m~~ £3.52m	~~£2.52m~~ £3.52m	~~£2.52m~~ £3.52m
Total budget pressure, to be added to budget gap	~~£6.27m~~ (£0.03m)	~~£8.49m~~ £3.43m	~~£12.8m~~ £10.43m

The actual budget for 2021/22 is a combination of optimistic and mid-range as indicated.

Year 2 – 2022~~1~~/23~~2~~	Optimistic	Mid-range	Pessimistic
Pay award	2% £3m (as current)	2.5% £3.8m	3% £4.6m
Capital Expenditure Loans pool rate at current rate Increase in loans charges	~~£31.28m~~ £33.3m ~~£1.4m~~ £0.38m	~~£34.76m~~ £37m ~~£1.56m~~ £0.35m As current	~~£35.52m~~ £37.8m ~~£1.7m~~ £0.36m
General revenue grant / NDR	~~Flat Cash~~ Increase 2% ~~£0.29m~~ (£3.3m)	~~Decrease~~ Increase ~~1.5%~~ 1% ~~£2.08m~~ (£1.65m)	Decrease ~~3%~~ 2% ~~£4.75m~~ £3.3m
Council Tax increase	5% (£2.27m)	3% (£1.33m) as current	2% (£0.90m)
Growth in Council Tax base	0.7% (£0.23m)	0.6% (£0.3m) as current	0.4% (£0.19m)
Council Tax collection rate	98.7% (£0.1m)	98.~~5~~% (£0.25m) as current	~~98~~97.5% ~~£0.25m~~ £0.5m

Year 2 – 2022~~1~~/23~~2~~	Optimistic	Mid-range	Pessimistic
Inflationary pressures	2% £1m (as current)	2.5% £1.1m	3% £1.2m
Pension contribution (NESPF) (agreed)	~~17%~~ ~~(£0.20m)~~	~~18.3%~~ ~~(£0.10m)~~	19.3% As current
Additional budget pressures currently noted	~~£2.09m~~ £0.8m	~~£2.09m~~ £0.8m	~~£2.09m~~ £0.8m
Total budget pressure to be added	~~£4.97m~~ (£0.72m)	~~£9m~~ £3.0m	~~£13.5m~~ £9.67m

Year 3 – 2023~~2~~/24~~3~~	Optimistic	Mid-range	Pessimistic
Pay award	2% £3m (as current)	2.5% £3.8m	3% £4.6m
Capital Expenditure Loans pool rate Increase in loans charges	~~£32.86m~~ £34.2m ~~£0.9m~~ £1.6m	~~£36.51m~~ £38m £1.~~1~~8m (as current)	~~£37.31m~~ £38.8m ~~£1.2m~~ £1.84m
General revenue grant / NDR	~~Flat Cash~~ ~~£0.29m~~ 2% increase (£3.32m)	1%~~1.5%~~ ~~Decrease~~ Increase ~~£2.34m~~ (£1.66m)	2~~3~~% Decrease ~~£4.61m~~ £3.32
Council Tax increase	5% (£2.389m)	3% (£1.376m) as current	2% (£0.92m)
Growth in Council Tax base	0.7% (£1.01m)	0.6% (£0.31m) as current	0.4% (£0.19m)
Council Tax collection rate	98.7% (£0.11m)	98.5% as current	98% ~~(~~£0.25m~~)~~
Inflationary pressures	2% £0.8 m (as current)	2.5% £1.1m	3% £1.2m
Pension contribution (NESPF) agreed	~~17%~~	~~18.3%~~	19.3% As current
Additional budget pressures currently noted	£0.~~27~~9m	£0.~~27~~9m	£0.~~27~~9m
Total budget pressure to be added	~~£2.5m~~ (£0.53m)	~~£6.92m~~ £4.25m	£10.52m

Years 4 - 10	Optimistic	Mid-range	Pessimistic
Pay award	2%	2.5%	3%
Capital Expenditure Loans pool rate Increase in loans charges	£34.161m £0.9m	£37.957m £1.1m (as current)	£38.79m £1.2m
General revenue grant / NDR	~~Flat Cash~~ ~~£0.290m~~	~~1.5%~~ ~~Decrease~~	~~3%~~ ~~Decrease~~

Years 4 - 10	Optimistic	Mid-range	Pessimistic
	Increases 2%	Increase 1%	Decrease 2%
Council Tax increase	5%	3% as current	2%
Growth in Council Tax base	0.7%	0.6% as current	0.4%
Council Tax collection rate	98.7%	98.5% as current	98%
Inflationary pressures	2% (as current)	2.5%	3%
Pension contribution (NESPF)	~~17%~~ 18%	18.5~~3~~%	19.3% As current

3.7 The above scenarios do not include consideration of general growth in demand for services arising from demographic changes, except where included in budget pressures. Current medium term budget projections include some projections of growth in demand as budget pressures, but further work requires to be done in this area. The Learning Estate review incorporates projections of school rolls based on projected house building rates included in the Local Development Plan. This link between Planning and Council budgets was incorporated in the Council's latest Capital Strategy and will be an important feature of financial planning moving forward. It will never capture all considerations arising from projected demographic changes and further methodologies will be developed to attempt to capture these.

Capital

3.8 The impact of the Council's capital programme on revenue expenditure is included as a key variable in the assumptions above. The level of capital expenditure is a particularly tricky variable in terms of estimating the impact on revenue spend, as this is influenced by the level of capital grant or other external funding; the current cost of borrowing (which in turn depends on the interest charged on external borrowing and the extent to which the Council can fund capital by internal borrowing ie use of cash reserves); the expected life of the assets created, and the remaining cost of historic debt. The situation is further complicated by the need (Scottish Government requirement) to use a different method to calculate loans charges on new borrowing from 2021/22 onwards. The Council is currently benefitting from extremely low rates of interest. These will inevitably rise in the future, although forecast to remain low in the short term, and require to be a focus of careful monitoring.

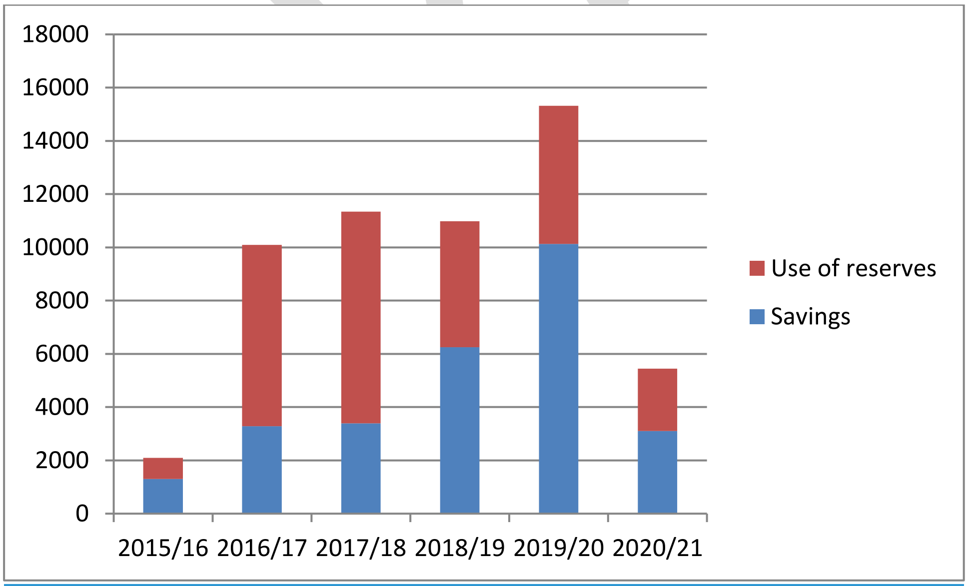
3.9 The Council's ten year Capital Plan is given a light touch review each year, with a thorough review at more infrequent intervals. Following Transformation work based on the Property Asset Management Appraisal and development of the Learning Estate Strategy a thorough review will be required. The Council's policy decision to move away from the Make Do and Mend policy, which has underpinned the capital plan in recent years, also requires such a review to enable appropriate work to be forward planned and commissioned. Work on the review will continue in 2021~~0~~ as the variables described become clearer, with a view to refining ~~developing~~ the 2021/22 to 2031/32 ten year plan.

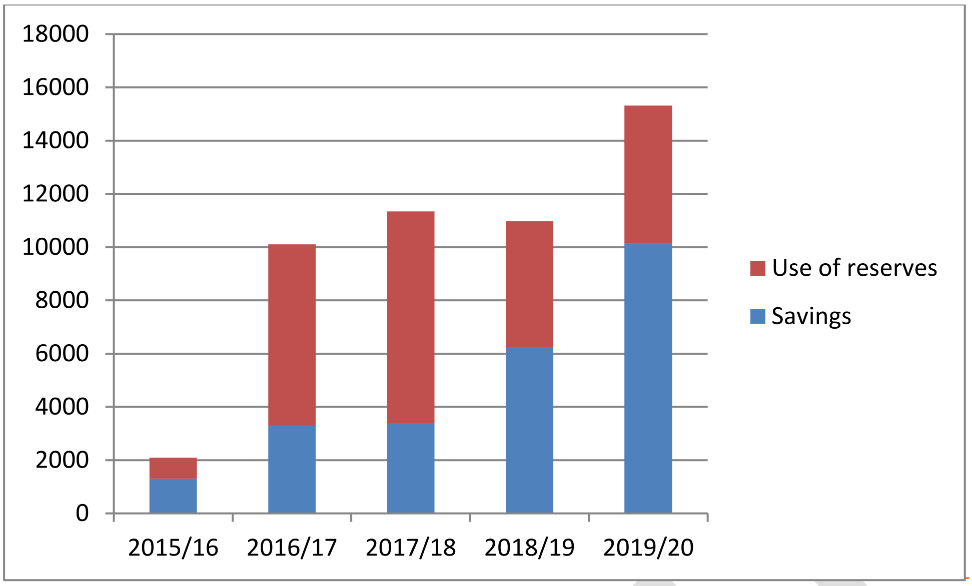
3.10 Expenditure on servicing debt to fund capital over the ~~last three years~~ period from 2016/17 to 2018/19 rose from 8.5% to 10% ~~is shown~~ as a percentage of total net revenue spend ~~in the graph below, with current projections for future years~~. Generally, as revenue budget savings are made and the council continues to invest in its asset base, the percentage of expenditure on servicing debt rises. Although the recent fall in interest rates masks this underlying trend. The ratio of Moray's gross debt to net annual revenue as reported in Audit Scotland's Local Government in Scotland Financial Overview 2018/19 is at the mid-point for Scottish authorities.

3.11 The results of the Capital Plan review will be fed back into a revised Financial Strategy. The Council also prepares a Capital Strategy, updated annually, setting out an overview of the council's capital expenditure, capital financing and treasury management activity, its relationship to asset management and the governance arrangements for the Capital Programme.

4. THE BUDGET GAP

4.1 As noted in paragraph 2.2.1, the Council has been making year-on-year savings since 2010/11. However, a budget gap still remains, and historically the Council has not managed to fill that gap with savings. The budget gap for the past five years is set out below:




18000
16000
14000
12000
10000
8000
6000
4000
2000
0
2015/16
2016/17
2017/18
2018/19
2019/20
Use of reserves
Savings

4.2 The Council currently (2020~~19~~/21~~0~~) has a planned budget shortfall of £2.35 million, albeit that shortfall is partly sheltered in year by retention of NDR of £1.8million under the Business Rates Incentivisation Scheme. Th~~at~~e underlying shortfall will roll forward to 2021~~0~~/22~~1~~. The variables from the assumptions set out in 3.7 above serve to increase / decrease the budget gap. The current planning assumption used is shown in the first column – it sits between optimistic and mid-point.

2021~~0~~/22~~1~~ current planning assumption	Budget Gap £million	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
~~9.541~~ 2.35	Optimistic	~~4.97~~ (0.03)	~~2.50~~ (0.72)	~~2.23~~ (0.53)	~~2.92~~ (0.2)	~~1.85~~ (0.2)	~~1.37~~ (0.2)	~~1.14~~ (0.2)	~~0.88~~ (0.2)	~~0.63~~ (0.2)	(0.2)
	Mid point	~~9.00~~ 3.43	~~6.92~~ 3.00	~~7.68~~ 4.25	~~9.58~~ 3.8	~~9.76~~ 3.8	~~10.58~~ 3.8	~~11.68~~ 3.8	~~12.84~~ 3.8	~~14.04~~ 3.8	3.8
	Pessimistic	~~13.5~~ 10.43	~~10.52~~ 4.25	~~12.59~~ 10.5	~~15.51~~ 10.5	~~16.73~~ 10.5	~~18.62~~ 10.5	~~20.82~~ 10.6	~~23.08~~ 10.7	~~23.63~~ 10.8	10.9

4.3 ~~4.3~~ The above figures assume that each year's shortfall is met in full by recurrent savings. The budget gap is therefore not cumulative, but represents an annual savings target. If recurrent savings are not achieved in full in one year, the balance requires to be carried forward into the next year as an additional target to be met
.

4.4 The Council's salary bill is close to the amount of general grant funding. Consequently if the percentage uplift in grant funding from Scottish Government is less than the pay award the Council will have a funding shortfall. The pay award is outwith the Council's control.

4.5~~4~~ The Council has limited flexibility to fail to meet savings targets in any one year, as the scale of the savings required are such that the Council's reserves would quickly be brought ~~are~~ close to the minimum which require to be held under the Council's Reserves Policy. The Council must always carry some free reserves – reserves not ear-marked for a particular purpose – in order to be able to cope with unplanned emergency expenditure such as expenditure arising from severe weather. The Council assesses how much free reserve it needs, based on an assessment of the risks to which the Council is exposed. It is clear from the analysis above that the risks the Council faces in coming years are significant, and will increase further to the extent that the budget gap is not met by savings as this simply compounds the financial challenge in later years. It should be recognised however that Moray Council is far from alone in this, with 23 of 32 councils having reduced their general fund reserves over the ~~past~~ three years to 2018/19.[1]. Audit Scotland in their recent report on Local Government finance 2019/20 noted a reversal of this trend in 2019/20 and noted that Moray Council was one of the 22 Council's which added to its useable reserves, as a result of additional income from a variety of sources (however, significant amounts were one-off) and having exceeded its savings target.

[1] Local Government in Scotland Financial Overview 2018/19

4.5 One risk of particular note to which the Council is now exposed is the Council's liability to bear the cost of a set proportion of any overspend on the MIJB budget. In current years t~~T~~he MIJB has had no reserves and is reliant on NHS Grampian and Moray Council for funding. Any overspend is split between NHS Grampian and Moray Council, in proportion to the amount of funding which they pass to MIJB which is currently 61:39 NHS:TMC. ~~Whilst~~ MIJB has a Transformation Strategy and Recovery Plan for the period 2020~~19~~ to 2024. ~~, this is not yet producing the budgetary change required. In proportionate terms, the impact on the Council's budget of MIJB overspends is both significant and hard to predict with a high degree of accuracy, even in the short term.~~ Progress against this plan has been slowed by the requirement of the service to respond to the pandemic but MIJB is forecasting to be within budget in 2020/21.

4.6 It should be noted that long-term financial planning is indicative and cannot be taken as an accurate prediction of the Council's budgetary requirements.

4.7 The steps the Council has taken to meet the budget gap are set out in the next section of this strategy.

5. THEMATIC APPROACH

5.1 The Council's need to reform services has been well known for some time, and a thematic approach to the issue has been taken, with the process now embedded in the Council's planning processes. This approach builds upon previous transformation programmes – Designing Better Services (DBS) and Digital Services – and started with a comprehensive categorisation of all Council services as to the scope and type of reform which was considered possible. This programme of review is also supported by Service Planning across the Council, and in particular by Workforce Planning, which is reported on annually to Policy and Resources Committee. The orderly reduction of staff numbers is facilitated by Workforce Planning and the Transform process.

5.2 Since 2017 the Council has applied a Reform Matrix to services, to identify potential reforms to service delivery to improve financial sustainability.

Reform Matrix

Transformation (Different service)	Centralise / amalgamate in-house; share services; outsource / commission; Arms length External Organisations (ALEOs) / Trusts
Redesign of service (efficiency – same service, leaner/ new approach	Digital services,; redesign jobs; streamline processes; rationalise asset base; simplify governance
Redefine services	Stop; reduce; community contribution / provision of services
Income generation and commercialisation	Charges, sponsorship, Council Tax, investment portfolio, new services to compete with private sector, sale of assets

From application of this matrix a range of measures or areas for development were identified and these form the basis of the Improvement and Modernisation Programme (IMP).

Improvement and Modernisation Programme

5.3 Development of the IMP took into account four key factors determining the importance to the Council of transforming service: statutory, reputational and political risk of failure to deliver a service at a particular level; Council priorities; the relative cost of the service / proportion of the Council's budget spent on that service and how well spend is controlled, and any other benchmarking information available and relevant.

5.4 The overall direction for the IMP was approved by Council on 12 December 2018. It ~~currently~~ consists of seven workstreams, which are being developed using the Council's approved project management governance procedures and documentation:

- Asset Management (Property Asset Management Appraisal)
- Customer Service (Digital, redesign)
- Alternative Service Delivery (Museums, Leisure)
- Internal Transformation (Flexible working, Management Structure, Governance)
- Income / commercial (Income maximisation, Sponsorship etc)
- Service Efficiency
- Transforming Education
- Transforming Children's Services

These are being refined and developed as projects develop. An update report was given to Education, Communities and Organisational Development Committee on 18 November 2020.~~The update for 2019/20, to be reviewed annually, is as follows:~~ During the pandemic most workstreams were paused or delayed but others – in particular flexible working – were accelerated. The programme has therefore been reviewed for these changes and likely impact of the pandemic on previously planned actions going forward.

5.5 Work on reshaping the focus of Children's Services had continued through the pandemic and savings of £2.6 million are currently forecast for 2020/21. Recurring savings of £1.8 million are proposed for 2021/22 and this makes a significant step towards the indicative savings of £3 million identified when the medium to long term financial strategy was presented in March 2020. An element of those savings is proposed to be reinvested in the service to assist in managing transformation.

5.6 Other areas of focus arising from IMP are the office review – although the full effect of potential savings may be delayed whilst social distancing is still required – and commercialisation. Under the latter theme the Council's Charges policy will be reviewed, with a view to removing the default position of full cost recovery and identifying services where that position is detrimental to uptake of service.

5.7 Recognising that transformation of services will take time and may require investment to achieve transformation the Council has been ear- marking reserves to fund transformation. As part of the financial planning process for 2021/22 services have been asked to identify projects for funding and the costs and benefits associated with them. These new initiatives are in the process of being evaluated. There are some clear potential early savings from efficiency measures and the introduction of new charges for services.

5.8 Savings on staff travel have already been identified as part of the IMP flexible working work stream, but it seems likely that as new work patterns are established more savings can be identified. A review of staff travel expenses and pool car use will be undertaken when some stability has been achieved.

5.9 The Council has benefited significantly from low interest charges. To ensure sustainability a sensitivity analysis will be carried out to ensure the level of risk to which the Council is exposed from future rises in interest rates is well understood. As interest rates are forecast to remain low there may be further savings in the short to medium term.

5.10 This exercise will be coupled with the review of the capital plan to ensure the plan is affordable in the medium to long term.

5.11 When the Climate Change Strategy is approved, part of the implementation of the action plan should be to capture opportunities to make savings in fuel consumption / utilities (funding for schools new build and renovation will be dependent on such improvement).

5.12 Future budget pressures will be carefully scrutinised against the Council's agreed priorities.

5.13 The long-term financial sustainability of the Council will be supported by the development of early intervention where possible, with a number of the latest transformation investment proposals focussed in this area.

5.14 A combination of the above measures will be the means of narrowing and eliminating the budget gap.

~~The Property Asset Management Appraisal estimated recurring revenue savings of £200,000 from this project. The first action was the closure of Auchernack in 2019.~~

~~Depots and general office provision are also under review for rationalisation. Backlog maintenance requirements will be reduced and capital receipts generated from the disposal of properties.~~

~~5.6 Work is ongoing to develop on the customer service and digital projects with a view to continuing to generate savings. Digital working was estimated to deliver savings of £250,000. School administration is being reviewed and potential savings from this have been identified.~~

~~5.7 The museums projects is small as it relates to the Falconer Museum only. Savings are included in the target for 2020/21. The Leisure review is potentially a more financially significant project but the scope for savings is still under development at this stage.~~

~~5.8 The first and second tier management review has been reported, with savings of £0.2 million. There is a cross-over between this review and the review of property services being carried out under the aegis of Asset Management. The related governance review is underway.~~

~~5.9 A Commercial officer has been appointed to drive forward the income generation and commercialisation agenda and it is anticipated that there is the prospect of additional income being generated from 2020/21 onwards.~~

~~5.10 Service efficiencies for cleaning, waste collection and street sweeping have been budgeted for. Service efficiencies from the new HR/Payroll system are anticipated.~~

~~5.11 Transformation of education and children's services are anticipated to be the areas where significant savings are most likely to be found. Work has commenced on reviewing Additional Support Needs (ASN) and current (early) indications are of savings commencing in 2021/22. Benchmarking of the cost of Looked After Children shows spend per capita in Moray to be above the Scottish average for both residential and community based placements, and a high proportion of Looked After~~

~~Children in residential settings. As an indication of potential savings from reform in this area, a move towards comparator authority averages for proportion of Looked After Children in community settings could generate annual savings of £3 million.~~

~~5.12 In summary, the current projected savings from IMP are up to £0.73 million plus further savings to be confirmed, mainly anticipated to be from education and children's services. The high-level scoping indication of £3 million mentioned in paragraph 5.11 is ambitious and likely to take some time to be generated. From this it is evident that the amount of savings which can be reasonably expected to be generated by the IMP will not resolve the budget gap identified in paragraph 4.2, even on the most optimistic scenario. Consequently, the Council requires to increase the scope of potential transformation beyond the IMP, recognising that the Council has limited resources to devote to transformation and must concentrate its efforts in order to achieve transformation. Spreading resource too thin heightens the risk of failure. Work beyond the current IMP is ongoing with the Council's senior management CMT/SMT. This began with horizon scanning across a range of potential long term visions for Council services supported by the Improvement Service and is continuing looking in particular at the transformation and redesign aspects of the reform matrix.~~

~~5.13 Meantime, consideration of the redefine strand of the reform matrix will be informed by the Corporate Plan 2020-2023. This sets the Council's priorities and direction of travel, giving a focus to questioning whether or not the Council continues to deliver services at all or in a particular way. In setting the corporate priorities, the Corporate Plan recognises that if we are to achieve our ambition of enriched futures in Moray we will have to target money and resources towards the areas of greatest need. In the context of increasing fiscal constraint however, this means that there will be less resources for lower priority services. For this reason consideration has been given to what core service provision may look like in lower priority areas where services cannot be withdrawn. This approach to prioritisation will be key to rethinking future service provision~~.

5.154 Recognising that much of our work will be preventative in nature and so the spend avoided may take some time to emerge, the areas of focus in this transformation process as set out across this strategy may be broadly summarised by reference to the Council's three priorities of our people, our place and our future, each underpinned by sustainability.

Our People

Work to:

- improve attainment
- develop skills
- reduce poverty
- promote wellbeing

Our Place

- CAT
- Participatory Budgeting
- Locality Plan Initiatives

Our Future

- Partnership, shared services and co-location
- Moray Growth Deal
- Environmental initiatives such as increased energy efficiency, green travel, flood prevention and surface water management

Sustainability

- IMP
- New initiatives based on the reform matrix
- Lobbying around General Revenue Grant levels for Moray
- New fiscal powers
- Capital Plan Review
- Spending restrictions for non-priority services
- Enforcement of efficiency targets across the Council
- Improved contract management
- Leveraging external funding
- Prudent use of reserves and balances

~~**5.15 Funding for Change**~~

~~The Council has budgeted for significant resource to be spent on IMP / transformation, in recognition of the timescales required for transformation change and the need to free up officer time to send on this. Projected capital receipts of £2.5 million are budgeted to be utilised for service transformation over the four year period (2018/19 to 2021/22) for which Scottish Government granted flexibility for the application of capital receipts. In addition to this, the Council has ear-marked £2.7 million reserves for transformation / council priorities and budgets to spend a further £0.5 million in 2019/20 and £0.6 million in 2020/21 on investment in change. The total "war chest" for transformation is therefore £6.3 million. Investment on this scale will only be possible if the Council achieves budget reductions to balance the budget once free reserves are reduced to the Council's policy minimum.~~

6. PERFORMANCE MONITORING AND INDICATORS

6.1 Budget monitoring is an embedded feature of the Council's performance monitoring regime, and transformation projects are reported on to committee and to Transformation Boards. The detail of medium to long term financial planning – by virtue of the scale and amount of numbers - can obscure the impact of decisions and make it difficult to judge what progress is being made. Accordingly, it is proposed that a small suite of performance indicators (PIs) is used as a health check for progress on the financial strategy.

6.2 The Council has been reducing its reliance on the use of reserves to fund core expenditure. ~~It is proposed that t~~This has been adopted as~~becomes~~ a Financial Strategy PI. The PI ~~proposed~~ is £m reserves required to fund recurring expenditure and also that amount as a %age of recurring expenditure, to be reported on as both budget and actual.

Use of reserves (recurring spend)

	Budget		Actual (est actual 2020/21	
	£m	%age	£m	%age
2017/18	7.611	3.8%	4.615	2.3%
2018/19	4.726	2.4%	3.787	1.9%
2019/20	2.094	0.97%	-	0%
2020/21	2.348	1.1%	2.114	1.0%
2021/22	nil			

6.3 The Council's Corporate Asset Management plan for 2019/20 included~~s~~ as an action the development of a PI to measure the proportion of general fund expenditure being used to service debt. The PI ~~It is~~ proposed is that loans repayment and interest as a percentage of total general fund expenditure will be reported and benchmarked against other Scottish local authorities.

6.4 Budget pressures for future years will be highlighted. The percentage of budget pressures against the total planned general fund for each year will be reported and the make-up of the total budget pressure by department analysed.

6.5 The percentage of IMP savings which have proceeded to approved mandate against total savings target for each will also be used as a financial Strategy PI.

6.6 These PIs will be reported to CMT on a monthly basis and to Policy and Resources Committee or Moray Council when quarterly budget monitoring reports are made and as part of the year end variance report.

7. CONCLUSION

7.1 The financial environment for local Government continues to be extremely challenging with many unknown variables, especially in the wake of the current pandemic. Whilst this makes it very difficult to forecast ahead, the uncertainty strengthens the need to develop a medium to long term financial strategy to unsure that the Council is aware of potential scenarios and can take decisions with long-term consequences with an appreciation of issues which may lie ahead.

7.2 The strategy encompasses consideration of the key variables affecting the cost of the Council's services, including the cost of capital expenditure. Work will be ongoing to model the impact of changing demand for the Council's services.

7.3 The strategy is written in the context of work being carried out to transform the way in which the Council delivers its services. The work requires to continue and will be supplemented by continued review of level of service and opportunities to generate income in order to balance the Council's budget now and in the future, so creating a sustainable model of service delivery for the people of Moray.