Policy and Resources Committee

Tuesday, 02 October 2018

NOTICE IS HEREBY GIVEN that a Meeting of the **Policy and Resources Committee** is to be held at **Council Chambers**, **Council Office, High Street, Elgin, IV30 1BX** on **Tuesday, 02 October 2018** at **09:30.**

BUSINESS

8 **Application For Discretionary Non-Domestic Rates Remission** **29 - 32**

Report by the Corporate Director (Corporate Services)

9 **Question Time *****

Consider any oral question on matters delegated to the Committee in terms of the Council's Scheme of Administration.

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

10 **Keith Institute Sale Report**

- Information relating to the financial or business affairs of any particular person(s);
- Information on terms proposed or to be proposed by or to the Authority;

Summary of Policy and Resources Committee functions:

To regulate, manage and monitor the finances of the Council both capital and revenue; to deal with staffing policies and practices other than for teaching staff; to deal with equal opportunities policies and practices; to deal with procurement policies and priorities; to deal with all matters relating to the Council’s duty to initiate, maintain and facilitate Community Planning; to ensure that the organisation, administrative and management processes of the Council are designed to make the most effective contribution to achieving the Council’s objectives; to provide all central support services; to exercise the functions of the Council in connection with the Registration of Births, Deaths and Marriages; to deal with valuation and electoral registration matters.

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.

** **Written Questions** - Any Member can put one written question about any relevant and competent business within the specified remits not already on the agenda, to the Chair provided it is received by the Proper Officer or Committee Services by 12 noon two working days prior to the day of the meeting. A copy of any written answer provided by the Chair will be tabled at the start of the relevant section of the meeting. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than 10 minutes after the Council has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he or she can submit it in writing to the Proper Officer who will arrange for a written answer to be provided within 7 working days.

*** **Question Time -** At each ordinary meeting of the Committee ten minutes will be allowed for Members questions when any Member of the Committee can put a question to the Chair on any business within the remit of that Section of the Committee. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than ten minutes after the Committee has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he/she can submit it in writing to the proper officer who will arrange for a written answer to be provided within seven working days.

Clerk Name: Moira Patrick
Clerk Telephone: 01343 563016
Clerk Email: moira.patrick@moray.gov.uk

THE MORAY COUNCIL

Policy and Resources Committee

SEDERUNT

Councillor Aaron McLean (Chair)
Councillor Graham Leadbitter (Depute Chair)
Councillor George Alexander (Member)
Councillor Frank Brown (Member)
Councillor John Cowe (Member)
Councillor Lorna Creswell (Member)
Councillor John Divers (Member)
Councillor Tim Eagle (Member)
Councillor Ryan Edwards (Member)
Councillor Louise Laing (Member)
Councillor Marc Macrae (Member)
Councillor Shona Morrison (Member)
Councillor Sonya Warren (Member)

Clerk Name:	Moira Patrick
Clerk Telephone:	01343 563016
Clerk Email:	moira.patrick@moray.gov.uk

REPORT TO: POLICY AND RESOURCES COMMITTEE ON 2 OCTOBER 2018

SUBJECT: CHARGING FOR SERVICES

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

1.1 To ask the Committee to agree the default inflation increase for fees and charges for Council services for 2019/20.

1.2 This report is submitted to Committee in terms of Section III (B) (48) of the Council's Scheme of Administration relating to the setting of charges.

2. RECOMMENDATION

2.1 It is recommended that the Committee:-

(i) agrees the default inflation increase for charges for Council services for 2019/20 is 3%; and

(ii) requests Moray Integration Joint Board (MIJB) to recommend charges for services delivered under the aegis of MIJB.

2.2 It is recommended that the Committee reaffirms the current policy of permitting circus lets only if the circus concerned is a member of the Association of Circus Proprietors.

3. BACKGROUND

3.1 The current Charging for Services Policy was approved by this Committee on 24 October 2017 (paragraph 8 of the minute refers).

3.2 Under this Policy, an annual revision of charges is required. In order to preserve the Council’s financial position, charges within the control of this Council are generally inflated annually.

3.3 An inflation increase cannot be applied to all charges. Some charges levied by the Council for services provided:

- are set by statute, some are limited by statute and some have the method of calculation prescribed by statute.
- are impractical to increase by inflation on a year-on-year basis, typically small charges and those collected by coin-in-the-slot

machines where the cost of re-calibrating the machines outweighs any increased income which would be generated.

3.4 A variety of inflation measures are calculated and reported monthly by the Office of National Statistics (ONS). Although widely referred to and recognised, the Retail Price Index (RPI) is no longer an official statistic. It is still calculated as it is frequently used in transportation contracts and rail fare increases, and in salary negotiations. It currently stands at 3.2%. The government's preferred measure of inflation for some years has been the Consumer Price Index (CPI). The Bank of England target for inflation is 2%. CPI is currently (August 2018, released 19 September 2018) 2.7%. As of April 2017, the preferred measure is CPIH, a variant of CPI which includes the cost of mortgages and Council Tax. Currently CPIH is 2.4%. The main measures of inflation have been just under 3% for much of this year and it is recommended that this is used as the default inflation rate when reviewing charges for 2019/20.

3.5 The income generated by charges for services is around £8 million, of which £1 million is retained by the MIJB. Based on that budget, as a rule of thumb, income might be expected to increase by £70,000 for every 1% increase in charges. This needs to be caveated however.

3.6 Increasing prices only increases the income to the Council if usage of services remains buoyant. It is known that, generally speaking, increasing prices depresses uptake of services, more so for some services than for others. Understanding the impact of pricing on uptake of services is the first stage towards developing a more commercial approach to charging for council services, and will be taken into account when reviewing charges.

3.7 Since April 2018 the Council has a socio-economic duty and requires to consider how any decisions would impact on poverty and inequality. To fulfil this duty an Equalities Impact Assessment will be prepared prior to recommending any specific amendments to charges for council services.

3.8 A number of budget proposals as reported to Council on 26 September 2018 (at the time of writing the draft minute was not available) involve increasing charges. The impact of these will be excluded from the savings anticipated to be generated by general uplift, which will be calculated by the accountancy service following approval of the inflation rate to be used for 2019/20 by this Committee and incorporated in the overall budget for 2019/20 to be considered by Council in February 2019.

3.9 A comprehensive list of the charges proposed for 2019/20 will be reported to this Committee in February 2019 for consideration and approval.

3.10 The Council has the statutory duty of setting charges for and contributions towards social care services. The income generated from these charges is included within the MIJB funding envelope. As the level of charges has an impact on the income to the MIJB and a potential impact on the uptake of services it is considered appropriate that the MIJB recommend to the Council what charges/contributions should be set for social care services.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
The levying of charges for Council services is an essential component of delivering Council priorities on a sustainable basis.

(b) Policy and Legal
There are no legal implications arising from this report, which is in accord with the Council's policy for Charging for Services.

(c) Financial implications
Levying charges for services forms an important part of the Council's strategy for balancing its annual budget, by generating an amount of income from service users.

(d) Risk Implications
There are no risk implications arising directly from this report. There is always a risk that service usage drops if charges are increased.

(e) Staffing Implications
There are no staffing implications arising directly from this report. Increasing charges collected by direct debit entails workload for the Payments Section.

(f) Property
There are no property implications arising from this report.

(g) Equalities/Socio Economic Impact
The Equalities Officer has been consulted in the preparation of this report. There are no equalities implications arising from this report.

(h) Consultations
CMT and the Equalities Officer have been consulted in the preparation of this report.

5. CONCLUSION

5.1 A default uplift of 3% should protect the council's real income from charges, subject to any impact on demand.

5.2 The MIJB should have a strategic role in setting charges for social care.

Author of Report:	Lorraine Paisey
Background Papers:	
Ref:	LP/LJC/213-3166

REPORT TO: **POLICY AND RESOURCES COMMITTEE ON 2 OCTOBER 2018**

SUBJECT: **REPORT ON TREASURY MANAGEMENT PERFORMANCE AND TREASURY AND CAPITAL INVESTMENT PRUDENTIAL INDICATORS FOR 2017/18**

BY: **CORPORATE DIRECTOR (CORPORATE SERVICES)**

1. REASON FOR REPORT

1.1 To provide Council with the annual outturn report on Treasury Management and details of the Council's Prudential Indicators for Treasury Management and Capital Investment for the year ended 31 March 2018.

1.2 This report is submitted to Council in terms of Sections III B (3) of the Council's Scheme of Administration relating to Treasury Management and the Capital Plan.

2. RECOMMENDATION

2.1 It is recommended that the Council consider the Treasury Management Performance as set out in Section 4 of this report and the Council's Treasury Management and Capital Investment Prudential Indicators for 2017/18 as set out in the attached APPENDIX.

3. BACKGROUND

3.1 Members have agreed that reports on Treasury Management Performance are submitted twice annually. One report to agree the Treasury Management and Investment Strategies with relevant Performance Indicators and the second report to submit the annual review and actual performance of Treasury Management activities. Quarterly Treasury Management monitoring reports are posted on the Members Portal during the year.

3.2 The Local Government (Scotland) Act 2003 (the Act) and supporting regulations requires the council to adhere to the CIPFA Treasury Management Code of Practice and adopt the CIPFA Prudential Code for Capital Finance in Local Authorities and to produce the prudential indicators set out in the Prudential Code. These indicators are designed to support and record affordable and sustainable capital investment and treasury management.

3.3 The primary requirements of the Code are as follows:

- An approved Treasury Management Policy, which sets out the policies and objectives of the council's treasury management activities.

- Approved Treasury Management Practices, which set out the manner in which the council will seek to achieve those policies and objectives.

- An annual treasury management strategy report to council for the year ahead and an annual review report to council of the previous year.

3.4 CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Codes are being incorporated into Treasury Management strategies and monitoring reports.

3.5 As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3 January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met. The Council has met the conditions to opt up to professional status and has done so in order to maintain its previous MiFID II status prior to January 2018. This means the Council will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

4. <u>TREASURY PERFORMANCE 2017/18</u>

4.1 This annual Treasury Management performance report covers

- The Economy and Interest Rates in 2017/18
- Treasury Management Strategy for 2017/18
- Annual Investment Strategy 2017/18
- Investment Outturn for 2017/18
- Long Term Borrowing and Debt Rescheduling
- Short Term Borrowing
- Prudential Indicators

4.2 <u>The Economy and Interest Rates 2017/18</u>

4.2.1 Key influences in 2017/18 were: expectations of tapering of Quantitative Easing; the potential for increased interest rates in the United States and Europe and geopolitical tensions.

4.2.2 The UK economy showed signs of slowing with latest estimates showing that Gross Domestic Product grew by 1.8% in the 2017 calendar year, the same level as the 2016 calendar year. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

4.2.3 The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum outcome, resulted in year-on-year Consumer Price Inflation rising to 3.1% in November 2017 before falling back to 2.7% in February 2018. Real average earnings growth turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June 2017 and by the lack of clarity on Brexit.

4.2.4 The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate increase in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional horizon (18-24 months) with "gradual" and "limited" policy tightening. Although in March two MPC members voted to increase rates immediately, the MPC as a whole stopped short of committing itself to the timing of the next increase in rates. The increase in Bank Rate resulted in higher money market rates.

4.3 2017/18 Treasury Management Strategy

4.3.1 The Council's Treasury Management Strategy for 2017/18 incorporating the Annual Investment Strategy, was approved by the Council at its meeting on 15 February 2017 (Paragraph 7 of the Minute refers).

4.3.2 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

4.3.3 Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained and are likely to remain for the foreseeable future, lower than long-term rates, it was more cost effective to mainly utilise internal borrowing and borrow short dated loans from other local authorities.

4.3.4 The Public Works Loan Board (PWLB) is the Council's preferred source of long-term borrowing given the transparency and control that its facilities continue to provide.

4.4 Annual Investment Strategy

4.4.1 Security of capital remains the Council's main investment objective followed by liquidity. In the current economic climate it is considered to be prudent to keep investments short term and only invest with highly credited UK financial institutions who have a long-term credit rating of BBB+ or higher. An optimum return is sought within those parameters.

4.4.2 The Council's creditworthiness policy is set in accordance with credit rating criteria discussed and agreed with the Council's treasury advisers. The Head of Financial Services maintains a counterparty list in compliance with the criteria and revises the criteria and submits to Council for approval as necessary.

4.4.3 All credit ratings are monitored daily and the Counterparty List is amended to reflect any changes.

4.5 Investment Outturn for 2017/18

4.5.1 The Council manages its investments in-house and invests with the institutions listed on the Council's approved Counterparty list.

4.5.2 The table below shows the overall investment undertaken by the Council during 2017/18.

	Total Sum Deposited (£m)	Average Rate (%)
Approved Financial Institutions	54.930	0.29
Council's Bankers	189.985	0.29
TOTAL	244.915	0.29

The above figures are cumulative and the actual amounts invested at any one time ranged from 0.65 million to £24.31 million.

4.5.3 The average rate of interest earned on investments during the year was 0.29%, compared to the average 7 day London Inter Bank Bid Rate (LIBID) of 0.31%.

4.5.4 As at 31 March 2018, the following balance was invested:

Counterparty	Investment	Amount (£m)	Interest Rate (%)
Bank of Scotland	Call Account	2.56	0.40
Standard Life	Money Market Fund	5.0	0.46
Blackrock	Money Market Fund	5.0	0.39
Insight	Money Market Fund	1.0	0.39
	Total	13.56	0.42

4.6 Long Term Borrowing and Debt Rescheduling

4.6.1 The Council's long term external debt position at 31 March 2018 compared with the position at the end of the last financial year was as follows: -

	31 March 2017			31 March 2018		
	Actual (£000)	Rate (%)	Average Life (Years)	Actual (£000)	Rate (%)	Average Life (Years)
Fixed Rate Funding – PWLB	126,169	5.32	20.99	127,128	5.26	20.01
Fixed Rate Funding – Market	33,600	4.65	56.82	34,075	4.61	55.65
Variable Rate Funding - PWLB	-	-	-	-	-	-
Variable Rate Funding - Market	-	-	-	-	-	-
Total Debt	159,769	5.18		161,203	5.12	

4.6.2 The Council has been maintaining an under borrowed position which means that the capital borrowing need (Capital Finance Requirement) has not been fully funded with loan debt. Cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure to offset the need to borrow.

4.6.3 The strategy of effectively delaying new long-term borrowing by utilising internal and temporary borrowing has served well at a time when comparatively cheaper temporary borrowing from other local authorities is readily available, counterparties meeting the Council's investment criteria are limited, and historically low investment returns give rise to potentially significant carrying costs for new long-term borrowing.

4.6.4 To avoid having too large a percentage of short-term debt ie repayable in less than 12 months, compared to the overall debt portfolio, advantage was taken of historically low interest rates to borrow £5 million from the Public Loans Board (PWLB) at 1.19% for 10 years. The loan will be repaid by equal annual instalments (EIP) over the period of the loan.

4.6.5 No debt rescheduling was undertaken during the year as the average 1% differential between PWLB new borrowing rates and PWLB premature repayment rates continue to make rescheduling unviable.

4.7 <u>Short Term Borrowing</u>

4.7.1 During the year, forty new temporary loans totalling £79 million were borrowed from other UK local authorities. The following short term loans were outstanding at 31 March 2018:-

Organisation	Maturity Date	Borrowing Rate (%)	Amount £m
Middleborough Council	5-Apr-18	0.47	2.00
Chesterfield Borough Council	16-Apr-18	0.50	3.00
Cumbria Police & Crime Commissioner	30-Apr-18	0.50	2.00
Broxbourne Borough Council	1-May-18	0.46	1.00
Aberdeen City Council	29-May-18	0.46	2.00
Chichester District Council	1-Jun-18	0.50	1.00
Blaby District Council	1-Jun-18	0.75	1.00
Wakefield Metropolitan District Council	4-Jun-18	0.57	2.00
Northern Ireland Housing Executive	22-Jun-18	0.55	2.00
Bedford Borough Council	27-Jun-18	0.85	2.50
Aberdeen City Council	9-Jul-18	0.55	2.00
Angus Council	23-Jul-18	0.55	2.00
Orkney Islands Council	30-Jul-18	0.60	2.00
Western Isles	31-Jul-18	0.42	5.00
East Renfrewshire Council	23-Aug-18	0.75	2.00
Kings Lynn & West Norfolk Borough Council	23-Aug-18	0.75	2.00
East Renfrewshire Council	31-Aug-18	0.75	1.00
Edinburgh City Council	10-Sep-18	0.85	4.00
Tendring District Council.	20-Sep-18	0.75	1.00
Durham County Council	21-Sep-18	0.90	3.00
Barrow Borough Council	28-Sep-18	0.80	2.00
North West Leicestershire District Council	14-Dec-18	0.82	2.50
		0.64	47.00

4.8 Prudential Indicators

4.8.1 The Prudential Indicators for 2017/18 were approved by the Full Council on 15 February 2017 (paragraph 7 of the minute refers). There were no breaches of these indicators during 2017/18. Performance against key indicators is shown in the **APPENDIX 1.**

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
None arising specifically 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 Code of Practice for Treasury Management in the Public Sector which details best practice The Local Government Investment (Scotland) Regulations 2010.

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

(c) Financial implications
The net cost of Treasury Management activities has a significant effect on the Council's overall finances. All financial considerations are contained within the body of the report and the attached **APPENDIX 1.**

(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 manage its investments and debt over the year.

There is little risk of volatility of costs in the current debt portfolio as the interest rates are predominantly at fixed, long term levels. Shorter term variable rates and the likely future movements in these variable rates predominantly determine the Council's investment and borrowing strategies.

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

(e) Staffing Implications
None arising specifically from this report.

(f) Property
None arising specifically from this report.

(b) Equalities/Socio Economic Impact
None arising specifically from this report.

(g) Consultations

This report has been produced in consultation with Arlingclose Limited, the Council's Treasury Advisers.

6. CONCLUSION

6.1 The Council's requirement for funds continues to be managed in accordance with the agreed Treasury Management Strategy Statement. All treasury management and capital investment activities have been undertaken with the limits set by the Prudential Code Performance Indicators for 2017/18.

Author of Report: Allan Birnie/Douglas McLaren
Background Papers: Various working papers held within Financial Services
Ref: AB/DMcL/

TREASURY AND PRUDENTIAL INDICATORS

External Debt and Treasury Indicators

1. 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, DBFM and finance lease obligations. This limit provides a maximum figure to which the Council could borrow at any given point during each financial year.

Authorised Limit	2017/18 Approved Indicator	2017/18 Estimated Indicator	2017/18 Actual Maximum
	£'000	£'000	£'000
Borrowing	276,948	234,188	208,723
Other Liabilities	61,997	60,987	58,605
Total External Debt	338,945	295,175	267,328

The table shows that the limit was not breached.

2. 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 Approved Indicator	2017/18 Estimated Indicator	2017/18 Actual Maximum
	£'000	£'000	£'000
Borrowing	267,173	229,188	208,723
Other Liabilities	60,997	59,987	58,605
Total External Debt	328,170	289,175	267,328

The table shows that the limit was not breached.

3. Actual External Debt

This is measured at the end of each financial year. 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 2017	At 31 March 2018
	£'000	£'000
Borrowing	194,769	208,203
Other Liabilities	32,791	58,023
Total Debt	**227,560**	**266,226**

Other Liabilities include the PPP finance liability for the two schools which became operational during 2011/12, the DBFM finance liability for Elgin High School and the finance liability for multi-functional devices.

4. Treasury Management Indicator

There are four 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 too restrictive they will impair the opportunities to reduce financing costs. The indicators are:

- 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 covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due to refinancing within the same financial year, and are required for upper and lower limits.
- 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 so has set a limit of Nil for investing over 364 days.

Fixed and Variable Rate Limits

	2016/17 Actual	2017/18 Approved Limits	2017/18 Actual
Interest Rate Exposures	**Upper Limit**	**Upper Limit**	**Upper Limit**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	0%	35%	0%

Maturity Structure of Fixed Interest Rate Borrowing

	2016/17 Actual	2017/18 Approved Limits		2017/18 Actual
		Lower	**Upper**	
< 12 Months	2.25%	0%	15%	2.52%
12-24 Months	2.25%	0%	20%	2.36%
2-5 Years	15.17%	0%	25%	16.46%
5-10 Years	9.54%	0%	50%	9.47%
>10 Years	70.79%	0%	85%	69.19%

Maximum Principal Sums Invested Greater than 364 days

	2016/17 Actual	2017/18 Actual
Principal sums invested > 364 days	£0m	£0m

Capital Expenditure Indicators

5. Capital Expenditure

This indicator is included so the Council complies with the Local Government in Scotland Act 2003 which requires the Council to establish and keep under review capital investment plans which are affordable.

	2017/18 Approved Indicator	2017/18 Revised Indicator	2017/18 Revised Capital Plan	2017/18 Actual
	£000	£000	£000	£000
Capital Expenditure				
General Services	30,216	27,982	52,621	50,748
HRA	13,442	10,551	13,442	10,436
	43,658	**38,533**	**66,063**	**61,184**
Financed by:				
Capital receipts	1,088	1,789	694	2,049
Capital grants and contributions	16,625	15,459	14,563	14,412
Reserves	-	-	-	-
Revenue	3,184	3,800	3,833	4,924
	20,897	**21,048**	**19,090**	**21,385**
Net financing need for the year	**22,761**	**17,485**	**46,973**	**39,799**

The General Services Capital Programme for 2017/18 amounted to £52.6 million. This includes £26.2 million for the new Elgin High School Design, Build, Finance and Maintain (DBFM) project which was not included within the original indicators. Expenditure for the year was £50.7 million, representing a net underspend of £1.9 million. The schools programme underspend by £0.9 million, including £0.4 million underspend on Schools for the Future programme and slippage of £0.4 million for the nursery provision at Milnes Primary School. Industrial Estates projects showed an underspend of £0.1 million. Slippage and underspends on ICT projects added 0.4 million to the underspend. Delays to waste management projects at Moycroft and NESS Energy from Waste added 0.5 million to the underspend, while late delivery of vehicles added another £0.5 million to the underspend. Project savings and slippage resulted in an underspend of £0.6 million within roads and transportation. Harbours showed an overspend of £0.6 million due to emergency remedial works at Cullen. Elgin and Forres flood alleviation schemes overspent by £0.5 million. This was because of timing differences between budget allocation and expenditure, although overall these projects remain within total budget allocation. The Housing Capital Programme amounted to £13.4 million and actual expenditure was £10.4 million. The underspend relates mainly to slippage in the new build housing projects and existing housing stock upgrades.

Prudence Indicators

6. Gross Debt and the Capital Financing Requirement

This indicator records the extent that gross debt is less than the capital financing requirement. 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, DBFM and other finance leases).

The Capital Financing Requirement (CFR) 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).

	2016/17 Actual	2017/18 Approved Indicator	2017/18 Revised Indicator	2017/18 Actual
	£000	£000	£000	£000
Borrowing	194,769	209,902	203,797	208,203
Other Liabilities	32,791	59,073	58,026	58,023
Gross Debt	227,560	268,975	261,823	266,226
CFR	270,128	311,472	304,391	300,520
Under Limit By	**42,568**	**42,497**	**42,568**	**34,294**

The above figures confirm that the Council's borrowing is well under the Capital Financing Requirement.

Affordability Indicators

7. Ratio of Financing Costs to Net Revenue Stream

This indicator provides a measure of the proportion of the budget that is being allocated to the financing of capital expenditure. 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.

	2016/17	2017/18	2017/18	2017/18

Service	Actual	Approved Indicator	Revised Indicator	Actual
General Services	8.66%	9.60%	9.54%	9.52%
HRA	21.10%	20.79%	19.33%	19.72%

The outturn is broadly in line with the estimates.

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

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

Service	2016/17 Actual	2017/18 Approved Indicator	2017/18 Revised Indicator	2017/18 Actual
Council Tax - Band D	£(66.62)	£53.90	£51.23	£50.55
Average Weekly Housing Rents	£(0.01)	£0.46	£(0.51)	£(0.39)

The revised indicators for 2017/18 reflect that revised financing costs in 2017/18 for General Services are expected to be higher than the charges for 2016/17, but lower than the charges for 2016/17 for Housing. The 2017/18 actual outturn is broadly in line with the revised estimates.

REPORT TO: POLICY & RESOURCES COMMITTEE ON 2 OCTOBER 2018

SUBJECT: COMMUNITY ASSET TRANSFER – GRANT LODGE, ELGIN

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

1.1 This report provides an update on progress with the Community Asset Transfer interest in Grant Lodge, Cooper Park, Elgin.

1.2 This report is submitted to Committee in terms of section III (B) (16) of the Council's Scheme of Administration relating to the management of Common Good and Trust property.

2. RECOMMENDATION

2.1 The Committee is invited to consider and note that:-

(i) Grant Lodge Trust's potential asset transfer request for Grant Lodge is now being supported by tsiMoray through the provision of a dedicated project officer for a period of six months;

(ii) proposals for a Heritage Visitor Attraction based in Grant Lodge are being progressed in parallel with the potential asset transfer request from Grant lodge Trust; and

(iii) a report on progress will be brought to Moray Council before the end of the current financial year once the potential availability of funding is known.

3. BACKGROUND

3.1 Grant Lodge forms part of the Cooper Park Public Trust, having been gifted to the then Town Council in the early 20th century. The building was last used as a public library in 2004, being vacated when the library service moved to its current location within the park. The Lodge, a category B listed building constructed in the late 18th century to designs by Robert Adam, is on Historic Environment Scotland's Buildings at Risk Register.

3.2 On 12 May 2014, Moray Council organised and facilitated a workshop for interested parties with the aim of exploring options for the future of the building. This led to the setting up of a new charitable company, Grant Lodge

Trust, whose charitable objects include the preservation, conservation and development of the building through:

- promoting, and educating the general public about, the heritage and historical significance of the building; and,
- restoring and improving the building and its associated environs in order that they may function as community assets.

3.3 On 20 January 2015, this Committee agreed that officer support should be provided to the newly formed trust while it developed its proposals (para 7 of the Minute refers). No time limit was set for the availability of this support, which is ongoing and provided through the Community Support Unit.

3.4 On 29 August 2017, this Committee noted the intention of Grant Lodge Trust to submit a formal asset transfer request for the building within the next 12 to 18 months, agreed to set a limit of 18 months on its commitment to support a potential asset transfer of the asset before considering alternative options, and agreed that a report on progress be brought back to this Committee in 12 months (para 13 of the Minute refers).

3.5 Grant Lodge Trust is now being supported by tsiMoray, who have agreed to provide a dedicated project officer for a period of six months from October this year. The project officer will be responsible for carrying out additional consultations and developing the trust's business case in support of its proposed asset transfer request. The Trust has confirmed that it expects to make a formal asset transfer request by 31 March 2019. The availability of dedicated support from tsiMoray should significantly reduce the requirement for ongoing support from the Council's Community Support Unit.

3.6 Following the August 2017 decision by this Committee, dry rot treatment works were carried out to the basement, ground and first floors of the building. This involved stripping away affected timbers and plaster, carrying out structural repairs, and treatment with a fungicide spray. Following an inspection of high-level stonework, loose and dangerous stonework was removed and set aside for future reinstatement. The roofs, gutters and downpipes were inspected and cleared of accumulated debris and arrangements for regular debris clearing put in place to help keep the building wind and watertight. The final cost for these repairs was £18,595. Due to the danger of falling ceiling plaster and other risks from trailing cables providing basic power and lighting, access to the building is strictly controlled.

3.7 On 28 June 2018, Moray Council authorised the submission of funding applications to the Regeneration Capital Grant Fund for a Heritage Visitor attraction to be based in Grant Lodge, which project is part of the Cultural Quarter Growth Deal proposal (para 15 of the Minute refers).

3.8 The opportunity presented by the Growth Deal to support the restoration of Grant Lodge has been discussed with a representative of the Trust, who is now on the project board established to progress proposals for the Cultural Quarter. It has been agreed that both proposals for the future of the building should be progressed in parallel. A further report to Council, incorporating the views of Grant Lodge Trust, will be submitted early in the New Year once the potential availability of funding has been established.

3.9 The arrangements set out in this report will help ensure that Grant Lodge is kept wind and watertight pending the Council making an informed decision on the future of the building by the end of the current financial year.

4. SUMMARY OF IMPLICATIONS

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

As Grant Lodge is a trust asset, the trust purposes take precedence over the Council's Corporate Plan and the 10 Year Plan (LOIP). Nonetheless, transferring assets to the community can support the LOIP aim of creating more resilient and sustainable communities with less need for universal services provided by the public sector. It is also consistent with the Corporate Plan value of promoting community empowerment as a means of supporting communities take on more responsibility.

Both the Growth Deal and the Grant Lodge Trust proposals have the potential to support the Corporate Plan priority of promoting economic development and growth and the LOIP priority of developing a growing and sustainable economy.

(b) Policy and Legal

On 21 March 2017, this Committee approved the following policy statement in relation to Community Asset Transfer (para 5 of the Minute refers).

"Moray Council recognises the important role that the transfer of property assets can play in empowering communities and strengthening their resilience. Where appropriate, the Council will use the transfer of assets to give more control to communities and local people, inspire them to find local solutions to community needs, and as a means of helping communities become more sustainable in the long term. In determining all asset transfer requests, the Council will have regard to the guidance provided by the Scottish Government in relation to asset transfer requests made under Part 5 of the Community Empowerment (Scotland) Act 2015, whether or not such requests are made under the provisions contained in the Act."

Grant Lodge no longer has a strategic fit with Council priorities and is no longer serving the trust purposes. The Council's policy for such properties is to:

(i) sell or lease the asset on the open market;
(ii) transfer responsibility for the asset under its arrangements for community asset transfer (CAT);
(iii) demolish the asset; or,
(iv) if none of the above is possible, mothball the asset.

The Council will actively promote a CAT of a property that no longer has a strategic fit but which has a high community profile. However, it will consider on a case-by-case basis the length of time it will promote CAT before proceeding to exercise its other options. In the case of Grant Lodge, options (i) and (ii) require authorisation from the Court of Session and option (iii) is not possible due to its listed status, leaving option (iv) mothballing as the only course of action currently available.

The Council, in its role as trustee, is responsible for the upkeep of Grant Lodge and cannot pass on responsibility to a third party without a change in the trust terms. While there is no legal obligation on the Council to maintain a listed building to a particular standard, it cannot demolish the building without consent. As the enforcing authority for dangerous buildings, the Council must ensure that appropriate steps are taken to ensure public safety.

(c) Financial Implications
The Cooper Park Trust only generates a small annual income from property rental. Consequently, any significant costs relating to the Trust assets fall to the Council. There is no budgetary provision to carry out any significant repairs. The cost of regular gutter cleaning is met from Trust income.

(d) Risk Implications
Steps have been taken to mitigate the risk of catastrophic failure in the building's structural elements. Any further deterioration of the building fabric could ultimately lead to the building reaching a stage where it becomes beyond economic repair; effectively eliminating any possibility of bringing it back into beneficial use.

(e) Staffing Implications
All work required can be accommodated within existing staffing resources.

(f) Property
The Council's agreed 'Make Do and Mend' approach to property maintenance limits investment as far as possible to that required to maintain resilience in the operational asset base, i.e. those buildings needed to support current service delivery. As Grant Lodge ceased to be an operational building in 2004, it now falls to be dealt with in accordance with the requirements of the public trust and the Council's policy on assets with no strategic fit.

(g) Equalities/Socio Economic Impact
An impact assessment report is not currently required. If the funding requests are successful, or the potential asset transfer request is agreed, a derelict building will be brought back into use.

(h) Consultations
Consultation has taken place with the Asset Management Working Group's CAT Sub-Group*, Corporate Director (Economic Development, Planning & Infrastructure), Head of Housing and Property, Legal Services Manager (Property and Contracts), Property Resources Manager, Community Support Manager, Democratic Services Manager, and Equal Opportunities Officer. All comments have been incorporated in the report.

* (Corporate Director (Corporate Services), Head of Development Services, Head of Financial Services, and Educational Resources Manager.)

Elgin City North and South Members, Councillors Brown, Coy, M McLean, Divers, Leadbitter and R McLean, have been consulted and may make their views known at Committee.

5. CONCLUSION

5.1 The dedicated support to Grant Lodge Trust from tsiMoray will replace the support currently being provided to the group from the Council's Community Support Unit.

5.2 Proposals for a Heritage Visitor Attraction based in Grant Lodge are being progressed in parallel with the potential asset transfer request from Grant Lodge Trust.

5.3 Progress with both projects will be reviewed in January 2019 in the light of available funding, with a report being presented to Moray Council to allow it to make an informed decision on the future of Grant Lodge.

Author of Report:	Andrew Gray, Asset Management Coordinator
Background Papers:	Held by author
Ref:	CAT/055/EOI

REPORT TO: **POLICY AND RESOURCES COMMITTEE ON 2 OCTOBER 2018**

SUBJECT: **APPLICATION FOR DISCRETIONARY NON-DOMESTIC RATES REMISSION: FORRES AREA COMMUNITY TRUST**

BY: **CORPORATE DIRECTOR (CORPORATE SERVICES)**

1. REASON FOR REPORT

1.1 To consider Forres Area Community Trust's application for a discretionary award of Non-Domestic Rates relief for its premises.

1.2 This report is submitted to the committee in terms of Section III (A) (8) of the Council's Scheme of Administration relating to the administration of the levy, collection, payment and recovery of Non-Domestic Rates.

1.3 This application for discretionary rates relief lies outwith the powers delegated to the Head of Legal and Democratic Services at 8 (30) of the council's Scheme of Delegation. It reverts, therefore, to the discretion of the Committee.

2. RECOMMENDATIONS

2.1 The Committee is invited to consider:

(i) the application, on its individual merits, from Forres Area Community Trust for an award of some discretionary Non-Domestic Rates relief for its premises at Town Hall, High Street, Forres;

(ii) if an such an award is made, the amount of rates relief to be awarded, up to a maximum of twenty *per cent* of the rates bill; and

(iii) **make a policy decision which may be used in the disposal of any future application for a discretionary award of Non-Domestic Rates relief by a similar group which has taken responsibility *via* Community Asset Transfer for a hall within their community.**

3. BACKGROUND

3.1 Legal Framework

3.1.1 A registered Scottish charity which occupies a property in furtherance of its charitable objectives is entitled to a mandatory award of eighty *per cent* rates relief. Only charities which are registered with the Office of the Scottish Charity Regulator (OSCR) are entitled to this relief.

3.1.2 In terms of Section 4(5) of the Local Government (Financial Provisions *etc.*) (Scotland) Act 1962 rating authorities have powers to grant additional discretionary rates relief in respect of premises:

(a) occupied by charities and used for charitable purposes;

(b) occupied for the purposes of organisations which are not established for profit and whose principal aims are charitable and are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or

(c) occupied for the purposes of a club, society or other organisation not established or conducted for profit and which are wholly used for the purpose of recreation.

3.2 Applicant

3.2.1 Forres Area Community Trust is a registered Scottish Charity (SC044953). Its objects are to advance citizenship and community development, to advance and protect the environment, culture and heritage, and to advance education and lifelong learning for the benefit of the general public.

3.2.2 Forres Area Community Trust currently occupies premises at Town Hall, High Street, Forres, in which it conducts community development, social welfare, and educational classes, consultations, meetings and workshops.

3.2.3 These premises are in charitable occupation, so there is an entitlement to eighty *per cent* mandatory rates relief.

3.3 Financial Cost of Relief

3.3.1 The rateable value of the premises at Town Hall, High Street, Forres, for which an award of some discretionary rates relief is sought is £38,250.

3.3.2 Forres Area Community Trust has occupied these premises since 2 July 2018 and has already received an award of eighty *per cent* mandatory rates relief.

3.3.3 The net 2018-19 Non-Domestic Rates payable for the period Forres Area Community Trust has occupied the premises at Town Hall, High Street, Forres, for which an award of some discretionary rates relief is sought is £2,746.45.

3.3.4 The cost of making any grant of discretionary rates relief would jointly fall on the Scottish Non-Domestic Rates 'pool' and Council Tax-payers in Moray. The national pool would fund seventy-five per cent of any such award and the remaining balance would accrue as a financial burden to the council and would be funded directly by local Council Tax-payers.

3.3.5 The cost of making the maximum award of discretionary rates relief for the 2018-19 which would be borne by Moray's Council Taxpayers would be £686.61, the balance being borne by the national Non-Domestic Rates 'pool'.

4. SUMMARY OF IMPLICATIONS

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

No council/community planning priority implications for the local authority arise from the content of this report.

(a) Policy and Legal

If Members choose to make a policy decision in regard to future applications for a discretionary award of rates relief by similar organisations, as sought in point 2.1.(iii), above, this will result in no similar applications being brought before this committee.

(b) Financial Implications

If Members choose to exercise their discretionary powers to make an award of rates relief, this would create an ongoing financial liability which would accrue against the revenues raised in future years from Council Tax-payers. If the maximum amount of relief was awarded this would create a recurring cost of approximately £687 *per annum*, which would increase in future years in line with any increase in the rates poundage set by the Scottish Government.

(c) Risk Implications

No risk implications for the local authority arise from the content of this report.

(d) Staffing Implications

No staffing implications for the local authority arise from the content of this report.

(e) Property

No property implications for the local authority arise from the content of this report.

(f) Equalities/Socio Economic Impact

No equalities implications for the local authority arise from the content of this report.

(h) Consultations

No consultation has been carried out in the preparation of this report.

5. <u>CONCLUSION</u>

5.1 This report has laid before Members of this Committee the application by Forres Area Community Trust for an award of discretionary Non-Domestic Rates relief for its premises and the cost to the Council of making such an award.

5.2 It also seeks to obtain from Members a policy decision which may be applied to future applications for a discretionary award of rates relief by similar organisations.

Author of Report: James Taylor, Taxation Manager (ext. 3160).
Background Papers
Ref: JGT/LJC/