



REPORT TO: THE MORAY COUNCIL ON 17 FEBRUARY 2016

SUBJECT: 2016/17 REVENUE BUDGET

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To set the level of Council Tax for 2016/17 and to agree the Council's Revenue Budget for 2016/17.
- 1.2 This report is submitted to the Council in terms of the Council's Administrative Scheme Section (II) (2) relating to the approval of the Annual Estimates of Revenue expenditure for all services.

2. RECOMMENDATION

2.1 It is recommended that Members:

- (a) **Agree to freeze Council Tax for 2016/17.**
- (b) **Agree that**
- (i) **The budgetary position is a material change in circumstances (standing order 82) which justifies the review of the Car Park Review decision detailed in paragraph 6.2.3 and any other spending decisions made in the last 6 months**
- (ii) **Standing Orders are suspended to allow the Car Parking Review decision, and any other spending decisions which the budget proposals in this report may directly or indirectly affect, to be reviewed in line with schedule APPENDIX 2 (Standing Order 81)**
- (c) **Approve the Revenue Budget for 2016/17;**
- (d) **Approve savings of £722,000 for 2016/17 only and of £2,535,000 as detailed in APPENDICES 2 and 3;**

- (e) **Note that £305,000 will be required from reserves to fund the corporate Sharepoint team in 2016/17;**
- (f) **Approve that up to £6,315,000 be allocated from reserves if required during the year, to balance the 2016/17 Revenue Budget;**
- (g) **Note the Revenue Budget estimates for 2017/18 and the need to agree further substantial savings beyond 2016/17;**
- (h) **Note that at present, the council is unable to meet the policy objectives it has set for suitability and condition of its assets, as described in section 9 of this report**

3. BACKGROUND

- 3.1 Previous reports to Members highlighted the financial challenges facing the Council over the next two years and agreed a process for consultation on Council priorities.

For information the latest report to the Moray Council meeting on 11th November 2015 highlighted that:

- (a) The expected General Revenue Grant excluding funding for new burdens was assumed to be £160,800,000 in 2016/17.
 - (b) A report on the Council's financial position and estimates for 2016/17 and 2017/18 was provided to this Council meeting.
 - (c) At that time the financial and economic forecasts showed that the Council would require finding savings of £6,449,000 in 2016/17 and a further £6,420,000 in 2017/18 and the assumptions used in making this estimate were also detailed in the report.
- 3.2 On 16th December 2015, the Scottish Government issued the Local Government Finance Circular No.7/2015 which contained the provisional total revenue and capital funding allocations to Local Authorities for 2016/17.
- 3.2.1 A further letter was sent to the President of COSLA on 27 January 2016 and copied to council leaders to finalise the conditions of the grant offer. The conditions are summarised as follows, with the financial consequences noted at the end of each point:
- An additional £250 million is to be made available to integrated Health and Social Care Services, via the local NHS board. Of this amount the council must confirm that at least 50% of its allocation would be allocated for growth in services, expanding the objectives of integration and making progress on charging thresholds for non-residential services to address poverty – Moray share of the £250 million additional funding is £4 million.

- A commitment to maintain teacher/pupil ratio at 2015 levels nationally and that all probationary teachers requiring a placement will be allocated one. Moray share of the additional funding to support the maintenance of teacher/ pupil ratios is £1.1 million.
- A council tax freeze for which £1.1 million is included in the council's grant allocation.

3.2.2 It should be noted that the Scottish Government subsequently clarified the third bullet point to indicate that if the council tax freeze is not maintained then the Health and Social Care funding and the funding to maintain teacher numbers would also be withdrawn. The letter copied to the council leader indicated that he was required to respond by 9 February 2016. The Leader provided a response, indicating that he did not have the authority to accept or reject the offer, as this is a matter reserved for the council. He indicated that the Administration Group's budget would, reluctantly, incorporate acceptance of the terms of the financial settlement.

- 3.4 The council has managed to reduce its operational costs by 12.5 % and totalling £24,145,000 over the last 5 financial years.

| | 2010/11 £000s | 2011/12 £000s | 2012/13 £000s | 2013/14 £000s | 2014/15 £000s | Total £000s |
|--|------------------|------------------|------------------|------------------|------------------|----------------|
| Apprenticeship schemes | | 40 | | 12 | 28 | 80 |
| Building cleaning – cuts in service | | 173 | | 32 | 15 | 220 |
| Building repairs and maintenance | | | | 250 | 250 | 500 |
| Community Planning / CSU – cuts in service | 50 | 199 | | 111 | | 360 |
| DSM funding and other additional teaching funding | 405 | 537 | 402 | 725 | 494 | 2,563 |
| Falling school rolls | 300 | 549 | 295 | 92 | | 1,236 |
| Increased charges / income from sales | 61 | 552 | 15 | 189 | 306 | 1,123 |
| Joint Boards | 1,512 | 600 | | | | 2,112 |
| Lands & Parks – cuts in service | 30 | 471 | | 304 | 640 | 1,445 |
| Libraries & Museums – cuts in service | 250 | 22 | | | 320 | 592 |
| Risk management | | 15 | | | | 15 |
| Roads maintenance – cuts in service | 100 | 265 | | 400 | 977 | 1,742 |
| Shift from permanent to domiciliary care | | 384 | | | | 384 |
| Subsidised bus services | 160 | 121 | | 160 | 149 | 590 |
| Take services in-house | | 223 | | 218 | 100 | 541 |
| Vacancy targets | | 720 | | | 48 | 768 |
| Waste Management – cuts in service | 103 | 466 | | 28 | 22 | 619 |
| Other efficiency savings with no impact on service | 292 | 572 | 9 | 342 | 224 | 1,439 |
| Other staff reductions | 383 | 849 | 166 | 686 | 246 | 2,330 |
| Other cuts in service | 1,152 | 1,350 | 35 | 898 | 298 | 3,733 |
| Various other miscellaneous savings | 497 | 888 | 7 | 66 | 295 | 1,753 |
| Total | 5,295 | 8,996 | 929 | 4,513 | 4,412 | 24,145 |

- 3.5 The Local Government settlement for 2016/17 was a one-year settlement and no figures are available for 2017/18. However, current indications are that significant savings will be required again in 2017/18.

4. REVENUE BUDGET 2016/17 – REVENUE EXPENDITURE ASSUMPTIONS

- 4.1 The starting point for the 2016/17 budget is the budget allocated to departments and loans charges for 2015/16. The brought forward Devolved School Management balance is removed and budgets further adjusted to reflect the full year effect of budget adjustments made for part of 2015/16 only, and the resultant starting point for the 2016/17 budget is £195,359,000.
- 4.2 Time-limited savings of £15,000 approved when the budget for 2014/15 was set are reinstated. Funding from reserves to resource the DBS programme is reduced by £124,000 according to the profile approved by Policy and Resources Committee on 12 May 2015 (paragraph 9 of the minutes refers).
- 4.3 Provision is made within the budget for pay awards and some other inflationary pressures. Pay awards for teaching and non-teaching staff for 2016/17 have been agreed at 1%. A provision of £2,000,000 is included in the budget to accommodate pay awards, increases in care home fees, purchase of other care services, other contracts (principally for school transport) and fostering allowances.
- 4.4 An additional £720,000 has been included to reflect the part year borrowing costs for capital expenditure made in 2015/16 and an estimate of capital expenditure for 2016/17. In addition to this sum increased loans charges arising from decisions made during 2015/16 are also listed as budget pressures. The part year effect of these amount to £576,000. The total full year effect impact of capital investment decisions in this single year is a recurring increase in annual expenditure of £2.1 million. The Council's Capital Plan will be considered by Council in March 2016.
- 4.4.1 The allowance made for increased loan charges in the draft revenue budget for 2016/17 is sufficient to include all items in the draft Capital Plan for 2016/17 which relate to the Council's current asset base or which reflect current decisions relating to Capital spend. The draft Capital Plan will be considered along with a number of new proposals for capital projects. No allowance has been made in the draft revenue budget for these additional capital projects. Further background on capital expenditure is included in section 9 of this report which is headed Asset Management.
- 4.5 New burdens are placed on the Council as a result of new statutory duties arising from the Children and Young People (Scotland) Act 2014 and the Social Care services under the remit of new Integrated Joint Board. These duties have been funded by the Scottish government and the monies are included in the revenue grant figure shown on **APPENDIX 1**. A total of £2,372,000 new burdens funding is anticipated.

- 4.5.1 The additional cost of provision of early learning and childcare of 600 hours for all three and four year olds and vulnerable two year olds is estimated at £211,000 in 2016/17 and funding is contained within the local government settlement.
- 4.5.2 The full year effect of the cost of bringing allowances for informal kinship carers into line with other foster carers is estimated at £92,000 in 2016/17, with funding of £66,000 included in the local government settlement for 2016/17. £8.2 million is to be made available nationally for allowances to informal kinship carers, and Moray's share of this has been estimated at £82,000.
- 4.5.3 In addition funding of £3,000 is anticipated for monitoring the National Care Homes contract. Further new burdens are estimated to arise from the integration of health and social care, payment of the Living Wage by care providers and growth in social care services as a consequence of demographic growth. Funding of £4,020,000 has been confirmed for Moray; with the condition that half of this money is allocated to service additionality spend on integration, including demographic growth. Consequently £2,010,000 is shown under new burdens.
- 4.6 A further sum of £5,682,000 has been allowed in 2016/17 for budget pressures. Budget allocations in respect of cost pressures will be made by Policy and Resources Committee following consideration of the need for funding as costs crystallise. Budget pressures are listed as **APPENDIX 4** to this report with brief descriptions in **APPENDIX 5**. Pressures arise from a variety of reasons: new statutory requirements, impact of Council decisions, demographic changes etc. Although the list is extensive, there are other known potential budget pressures which have not been included where it has not been possible to make an estimate of the financial impact. Experience over the last few years indicates that whilst some new budget pressures emerge during the year, a number of those allowed for are deferred or are lower than anticipated. Therefore the total amount identified has been reduced by £700,000 to reduce the risk of overprovision.
- 4.7 The total estimated expenditure requirement for the Council for 2016/17 to continue all current operations at the 2015/16 level and to meet all budget pressures estimated to arise in 2016/17 is **£206,024,000**.

5. REVENUE BUDGET 2016/17 – INCOME ASSUMPTIONS

- 5.1 Government Grant is a combination of General Revenue Grant and Non-Domestic Rates (NDR) Distribution. The latest confirmed amount of £154,994,000 has been used as the basis for estimating the grant for 2016/17. Some funding streams still require to be allocated, mainly the funding for Free School Meals and Teacher's Induction. It is estimated that the funding yet to be notified amounts to £1,712,000. The estimated General Revenue Grant expected for 2015/16 is £156,344,000 (2015/16: £161,321,000). This is a reduction of £4,977,000. Funding for new burdens (£2,372,000) and pressures in health and social care (£2,010,000) bring the total revenue grant funding to £160,726,000.

- 5.2 The core of General Revenue Grant is Grant Aided Expenditure (GAE): an allocation of funding based on a variety of statistical measures, such as population, school pupil numbers, and length of roads, which is designed to align funding with an objective measure of need. The total amount of funding distributed by GAE is the same as in 2015/16 (£7.901billion). Moray's share of GAE increased from £135,640,000 in 2015/16 to £137,440,000 in 2016/17, an increase of £1,790,000. However, overall revenue funding to local authorities has been cut by £332 million (3.3%). Moray's share of that reduction is £6,250,000. The net effect of these movements, plus some other minor changes in funding, is the reduction of £4,977,000 referred to in paragraph 5.1. So the movements in the grant distribution recognised a requirement to increase Moray's share of the grant by £1,800,000 overall, this means that with no inflation or other pressures, an increase of £1,800,000 would have allowed for a standstill position for the council.
- 5.3 Scottish Government funding varies from £1,621 per head of population in Aberdeen City and Edinburgh (after adjustment for the 85% floor, which increases the lowest per capita funding to 85% of the Scottish average) to £3,730 per head in Eilean Siar. Moray at £1,759 per head receives the sixth lowest per capita funding in Scotland.
- 5.4 The Council's General Revenue Grant figure includes a sum of £1,156,000 for the Council Tax freeze; £591,000 relating to teacher numbers; £4,020,000 additional funding for Health and Social Care and an estimate of £550,000 for probation teachers: a total of £6.3 million which will be held back if the Council does not agree to the terms of the local government settlement.
- 5.5 Part of the terms of the settlement is the continuation of the Council Tax freeze. Accordingly the level of Council Tax for 2016/17 is assumed to continue at £1,135 for Band D Properties. The Bands for Council Tax properties are based upon the capital value of domestic properties (as at 1st April 1991) which is determined by the Assessor. Once the capital value of properties is assessed, properties are allocated to one of eight bands as follows:

| BAND | PROPERTY VALUE £ | PROPORTION OF BAND D | ANNUAL CHARGE £ |
|-------------|-----------------------------|---------------------------------|----------------------------|
| A | Up to £27,000 | 6/9 | 756.67 |
| B | £27,000 - £35,000 | 7/9 | 882.78 |
| C | £35,000 - £45,000 | 8/9 | 1,008.89 |
| D | £45,000 - £58,000 | 9/9 | 1,135.00 |
| E | £58,000 - £80,000 | 11/9 | 1,387.22 |
| F | £80,000 - £106,000 | 13/9 | 1,639.44 |
| G | £106,000 - £212,000 | 15/9 | 1,891.67 |
| H | Above £212,000 | 18/9 | 2,270.00 |

- 5.6 The estimated income from Council Tax is calculated using the Council Tax base reported to Scottish Government in October 2015, with an element of growth assumed, based on the General Registry Office prediction of population growth, and assuming a collection rate of 98%. Income from the levy on long-term empty properties is also assumed. Loss of income from Council Tax Reduction is also taken into account. An estimated income of £35,200,000 is included.
- 5.7 A detailed list of individual charges is the subject of a separate report to this Council. The report recommends charges which are estimated to generate an additional £463,000 and this amount has been included in the budget figures shown in **APPENDIX 1**.
- 5.8 The Council has previously approved funding from reserves to fund the Sharepoint team, a legacy from the Designing Better Services programme. That funding amounts to £305,000 in 2016/17. That sum brings the total projected income to fund Council revenue expenditure to **£196,231,000** – a shortfall of **£9,793,000**.

6. **SAVINGS**

- 6.1 Based on current assumptions, the Council will need to generate £9,793,000 savings to balance the budget for the year ahead. Savings totalling £221,000 have been previously approved by Council and are listed below:

| | 2016/17 | 2017/18 |
|--|----------------|----------------|
| | £000s | £000s |
| Designing Better Services | 178 | |
| Approved 2013/14 | | |
| Principal Teachers posts (loss of salary conservation) | 43 | 43 |
| | 221 | 43 |

- 6.2 In response to the grant funding announced in the local government settlement being considerably less than anticipated, CMT instigated a review of all budget with Heads of Services, to identify temporary measures which could be implemented in 2016/17 to achieve some breathing space for longer term solutions to be developed. These savings are listed at **APPENDIX 2** of this report and are proposed for 2016/17 only. They total £722,000 and these budgets will be re-instated for 2017/18.
- 6.2.1 It will be noted that line A16 on APPENDIX 2 refers to training and conferences and this one year saving will result in no expenditure on external trainers, courses or conferences during the year. The exceptions to this will be for: Health and Safety, ongoing commitments to employees in relation to formal training programmes (e.g. apprentices), any requirements to operate equipment, machinery, vehicles or systems, and attendance at the annual COSLA conference.

6.2.2 The Council's CMT have also reviewed the council's vacancy management arrangements. Whilst the term vacancy freeze has been used in the past, the reality is that there are a significant number of exceptions that are required if essential service delivery is not to be put at risk and so there will be a need to advertise some vacancies. An additional layer of scrutiny will be added to the vacancy management process to enable the CMT and councillors to be assured that all are assessed prior to being advertised. Initially CMT will review the forms and will then review the arrangements based on the applications that are received and further criteria that can be established to ensure staffing costs are reduced as far as possible during the year.

6.2.3 Include in the savings schedule **APPENDIX 2** is at least one item that will require the suspension of standing orders to allow for the inclusion of these budgets as savings in 2016/17 only. The Car Parking Review was considered at Economic Development and Infrastructure Committee on 15th December 2015 and allocated £60,000 from the Economic Development Budget to fund this.

In order to defer this review and take the £60,000 as savings in 2016/17 the Council will require the suspension of standing orders to reverse the decision of the Economic Development and Infrastructure Committee and recommend delaying this review until after 2016/17.

The savings schedule **APPENDIX 2** may indirectly affect spending decisions made in the last 6 months. Recommendation 2.1 (b) (ii) seeks suspension of Standing Orders to allow decisions to be reviewed.

6.3 From the financial projections made during 2014, it was apparent that significant savings would be required for 2016/17 and 2017/18. The Corporate Management Team (CMT), therefore, arranged for an analysis of budget allocations to be prepared for consideration by councillors as well as potential options for budget reductions to be identified. This work was completed for most areas in April 2015 with an initial review by the Service Development Group and then all of the information prepared was provided to all councillors at a briefing on 24 June 2015.

6.4 Savings of a permanent nature have been identified during reviews by Committee Chairs, utilising the information referred to in the foregoing paragraph. In light of the impact of the financial settlement CMT undertook a further review of budgets and identified further savings to add to the list of savings agreed by Committee Chairs with the service Development Group. These savings are listed at **APPENDIX 3** of this report. Some proposed savings require consultation with staff Trades Unions before implementation and these have been indicated by the letter C.

6.4.1 For 2016/17, £107,000 of savings are achieved by Spend to Save capital projects which have been approved by Council. A further £42,000 arise as a result of identified opportunities to make efficiency savings. £302,000 saving are made by reducing establishments by deleting vacant posts. The staff savings target is increased by £400,000, reflecting that staff savings achieved in 2015/16 are projected to be well above budget. Where income budgets have been exceeded in 2015/16 and this is projected to continue, income targets have been increased, accounting for £301,000 savings. Increased charges for services and rent reviews for industrial units are anticipated to generate additional income of £208,000. Other savings of £1,360,000 brings the total to £2,535,000 in 2016/17.

6.5 The funding gap required to balance the budget in 2016/17 is £6,315,000. The Administration Group is proposing that general reserves are used to make up the budget shortfall. General reserves of £23,730,000 were reported as part of the annual accounts for 2014/15. When the Council approved revisions of the Capital Plan on 11 November 2015, it was agreed to fund the purchase and development of land near March Road Industrial Estate, Buckie from reserves. Accordingly, £4,225,000 of reserves are ear-marked for this purpose. The latest monitoring report which will be submitted to Policy and resources Committee on 16th February 2016 forecasts that £815,000 will be returned to reserves at 31 March 2016, and a remaining balance of £1,423,000 is estimated to be required for earmarked projects in 2016/17. These are listed below:

- Elgin High School (£745,000)
- Children and Young People (Scotland) Act 2014 (£400,000)
- Social Care Contracts (£165,000)
- Developing Young Workforce (£113,000)

This leaves an estimated free balance of £18,897,000 at the end of March 2016. The proposed use of reserves to balance the budget and fund the DBS Sharepoint team would leave un-ear-marked general reserves of £12,231,000.

7. **SUMMARY OF PROPOSED NET BUDGET FOR 2016/17 BY SERVICES**

7.1 The Proposed Budget for 2016/17 has been summarised by service and is shown below with 2015/16 Revised Budget, net of the DSM carry forward:

| <u>Service</u> | Revised Budget 2015/16 | Proposed Budget 2016/17 |
|---|---------------------------------------|--|
| | £000s | £000s |
| Environmental Services | | |
| Direct Services | 23,968 | 23,957 |
| Development Services | 4,384 | 4,219 |
| General Services Housing and Property | 3,863 | 3,698 |
| Education and Social Care Services | | |
| Education & Integrated Children's Services | 94,233 | 94,800 |
| Health and Social Care Services | 39,877 | 40,829 |
| Corporate Services | | |
| Legal and Democratic Services | 4,153 | 3,988 |
| Human Resources and ICT Services | 4,465 | 4,488 |
| Financial Services, inc Internal Audit | 2,200 | 2,200 |
| Designing Better Services / Sharepoint team | 429 | 305 |
| Chief Executive | 2,084 | 2,084 |
| Other Expenditure | 1,955 | 1,955 |
| Loan Fund | 12,727 | 13,447 |
| Pay & Price Increases | | 2,000 |
| Provisions unallocated | 3,255 | |
| New Burdens (funded by Government Grant) | | 2,372 |
| Budget Pressures | | 5,682 |
| TOTAL BUDGET | 197,590 | 206,024 |

8. COUNCIL RESERVES

- 8.1 Reserves are held for a number of general and specific purposes. A General Fund is maintained to ensure that the Council has a working balance to help cushion the impact of uneven cash flows and avoid necessary temporary borrowing and as a contingency to cushion the impact of unexpected events or emergencies. The table below provides a summary of the useable general reserves held by the Council:

| | Balance as at 01/04/2015 £000s |
|--------------------------------|---|
| FREE BALANCES | |
| General Fund | |
| General Services | 23,730 |
| Devolved School Management | 1,025 |
| Central Energy Efficiency Fund | 168 |
| Other | 120 |

- 8.2 In previous years, a figure of £5 million has been identified as a desirable balance to maintain on the General Services Fund. The main reasons for maintaining a General Services Fund are described in paragraph 8.1 above. By their nature, it is not possible to define or quantify unforeseen events. However, it is important to continuously review the level of funds held and the target level. The three most significant risk factors at the current time are:
- (a) Winter Maintenance – The budget for roads winter maintenance is based on mild winter weather and any adverse weather conditions could result in a budget overspend.
 - (b) Flood Emergency Response – the major schemes are complete but recent severe weather events have seen significant flood damage in areas not historically considered to be at risk of floods.
 - (c) Additional Transitional Costs – Changing council services to become more efficient or reducing service provision is likely to result in severance costs (e.g. redundancy) and also timing issues where services continue for longer than funding is available (this can result from the time necessary for consultation and implementation of changes).
 - (d) The balance of earmarked reserves required to be carried forward into 2016/17 is £1,423,000 and are detailed in paragraph 6.5.
 - (e) There are significant uncertainties regarding the level of funding for the General Revenue Grant for 2017/18 and in future years.
- 8.3 The outturn for the current year is estimated to result in the return to revenue balances of £815,000 and this will be reported to Policy and Resources Committee on 16th February 2016.
- 8.4 The Sharepoint implementation project has been approved to be funded from reserves. It is estimated that this will require a budget of £305,000 and further budget of £228,000 in 2017/18.

9. **ASSET MANAGEMENT**

9.1 The Council owns a range of assets which are used to deliver – directly or indirectly – services to the people of Moray. The investment needed to ensure that these assets meet the Council approved standard for the asset type are ascertained through the asset management planning process.

9.2 The Council's Asset Objectives were approved by the Policy and Resources Committee on 11 October 2011:

- To ensure that our assets are fit for purpose in terms of condition, sufficiency, suitability, and accessibility.
- To ensure that our asset use demonstrates Best Value in terms of running costs and environmental impacts.
- To ensure that our Asset Management processes reflect good practice.
- To ensure that our assets reflect the policies and priorities of the Council.

9.3 The Council adopted the following standards for the asset classes within the Capital Plan on 11 February 2014:

| Asset Type | Recommended Standard |
|---------------------------------------|---|
| Schools | B condition B suitability |
| Offices, Depots etc | Of a standard that supports the efficient delivery of services |
| Leisure Centres and Community Centres | B condition B suitability |
| Children's Play Areas | To meet safety standards |
| Town Halls | B condition B suitability |
| Day Centres and Resource Centres | B condition B suitability |
| ICT | Schools 5 Year Replacement Offices etc 7 Year Replacement |
| Plant and Vehicles | Replacement based on cost effectiveness – assessment of replace or repair |
| Industrial Estates | B condition B suitability |
| Other Economic Development | None currently agreed |
| Waste Management | Of a standard that supports the efficient delivery of services |
| Roads | At end of 10 year period aim to be at the midpoint of the table for road conditions in Scotland |
| Bridges | |
| Street Lighting | |
| Harbours | B condition B suitability |
| Flood Alleviation Works | None currently agreed |

9.4 To achieve these standards and to maintain them thereafter requires both revenue and capital expenditure. Day-to-day maintenance is funded through revenue. Major component replacement, refurbishment or construction is funded through capital.

- 9.5 Capital expenditure is funded from three sources:
- Borrowing
 - Capital grants from Scottish Government and other sources
 - Capital receipts from the sale of assets or developer contributions.
- 9.6 When the Council borrows for capital expenditure, the capital financing charges incurred are met from the revenue budget. Therefore the capital programme has a direct impact on the revenue budget. It also has an indirect link: when reviewing the Capital Plan, due account must be taken of the revenue costs associated with the asset base, to ensure that the operating costs within the revenue budget are complete and adequate, particularly with regard to the whole-life maintenance costs of assets.
- 9.7 As stated in paragraph 4.4, the Council will consider the draft Capital Plan in March 2016, and the draft Revenue Budget has included a budget for loans charges sufficient to accommodate the current draft plan of £38,886,000, based on the known requirements for investment in the Council's asset base plus commitments already approved by Council. However, councillors have been provided with details of the work required to deliver current council policy in relation to assets, from which it is clear that the policy is unaffordable by a huge margin. Continuing to maintain the current council infrastructure and deliver services from existing facilities is not sustainable and the council will, very soon, be forced to make difficult choices about the number of assets it continues to use and or the standard to which they are maintained.
- 9.8 In addition to the financing costs associated with capital investment there are two categories of assets for which there is a requirement to increase the Repairs and Maintenance budgets. For Educational Properties an additional £2million per year is required with immediate effect as part of the programme to bring have all schools to a BB condition and suitability standard. The same amount (£2million) is also required to meet the council's policy in relation to its roads. No allowance has been made for these increases in 2016/17 and therefore, in approving a budget which excludes these amounts councillors are accepting that the council is not able to achieve its policy set out in paragraphs 9.2 and 9.3 above.

10. COMMUNITY ENGAGEMENT

- 10.1 It is clear that the current arrangements for providing council services are not sustainable. This position has been made clear to the council on a number of occasions, most recently at the council meeting on 11 November 2016. Grant funding for the year ahead is significantly lower than the council had anticipated and this reduction has accelerated the pace at which the council needs to change the way in which it delivers services and the volume of service it is able to deliver. The budget strategy recognises the importance of community engagement in addressing the challenge of reducing and changing council services.

- 10.2 The council works with other public service providers and tsiMoray on a range of issues and the Community Planning Board, which oversees this partnership working, is promoting a new joint approach to community engagement. The council will be provided with a report on the Community Planning Partnership approach to engagement for 2016 at its meeting on 30 March 2016. The report will include proposals for engagement on the financial challenges faced by the council. Councillors have previously highlighted the importance of involving employees in community engagement and the proposals will incorporate engagement with staff.
- 10.3 As shown in **APPENDIX 1** and using current forecasts the Council requires savings of £3,478,000 and a further use of reserves of £6,315,000 to balance the 2016/17 budget. As reserves can only be used once, required savings of £6,315,000 will be carried forward to 2017/18 and a further funding gap is anticipated for that year resulting in £14,260,000 savings required for 2017/18 financial year

11. **SUMMARY OF IMPLICATIONS**

(a) **Moray 2023: A Plan for the Future/Service Plan**

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

(b) **Policy and Legal**

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

(c) **Financial implications**

The proposals outlined within this report would result in budget pressures of £5,682,000 being funded with a further £2,000,000 for pay and price increases and provision of £720,000 for increased loan charges. Savings of £221,000 have been previously approved and a further £722,000 temporary savings (2016/17 only) and £2,535,000 permanent savings have been identified for 2016/17. The balance of £6,315,000 will be funded from reserves in 2016/17. In total the revenue budget will be set at **£206,024,000**.

(d) **Risks Implications**

The proposed Budget for 2016/17 is subject to the following risks:

- Budget assumptions are below actual levels required
- Price inflation will add pressure to budgets. Budget Managers will control their spend to the budget agreed and may have to reduce service levels or identify further savings.
- Budget pressures exceed the allocation available. Corporate Directors will be responsible for closely monitoring the issues identified and will report any issues to Committee.

- Unforeseen factors can impact on the Council's financial position. At present it has been assumed that the integration of Health and Social Care services can be managed on a cost-neutral basis but this may prove not to be the case.
- Government funding may be less than anticipated for the elements yet to be allocated.
- Council Tax income may be less than anticipated, depending on the collection rate, income from the levy and loss of income under the Council Tax Reduction Scheme.
- There may be slippage in achieving savings, savings may not be achieved in full, or the impact of spend-to-save measures may be less than anticipated.

(e) Staffing Implications

The Council currently proactively manages its vacancies to ensure Service structures reflect the need of the service.

(f) Property Implications

There are no property implications arising directly from this report.

(g) Equalities

To ensure that the Council has complied with the public sector equalities duties, and to ensure that any decision made does not unfairly discriminate, the Council has to carry out robust equality impact assessments and consult and involve relevant stakeholders as part of the decision-making process. The equalities duties are legal obligations which should remain a priority, even in time of economic difficulty.

The budget savings previously identified were part of the programme of savings identified in the 2012 budget which was the subject of extensive consultation with a variety of stakeholders including equality groups, including the Equality Forum for Moray.

(h) Consultations

The Corporate Management Team has worked with the Administration Group to prepare the budget proposals presented in this report.

Information on the council's financial position and the budget proposals from the Administration group has been shared with Trade Unions. The SJC and Craft trade unions were updated on progress in relation to the financial plan at the last meeting with officers on 5 February 2016 and an e-mail was issued to those representatives not in attendance on Monday 8th, including the LNCT employee secretary. The trade unions indicated at the meeting that the management of vacancies was preferred to other consequences as long as any workload issues are managed and those affected are consulted. It was also noted at the meeting that an extensive programme of community and workforce engagement would take place over the months to October 2016 to plan for future budget years and scope was identified to work jointly with the trade unions to engage the workforce in this agenda.

Managers continue to be provided with briefings to enable them to brief staff on the underlying position and progress with the financial planning process.

12. CONCLUSION

- 12.1 The report sets out the Administration's proposals for the 2016/17 revenue budget.**
- 12.2 The Council has calculated that a further £14.3 million savings will be required in 2017/18 and therefore a significant amount of work will have to be undertaken by Members with assistance of Officers in order to identify savings of this scale.**
- 12.3 Over the next year as part of the medium term budget strategy, the Council needs to identify the reductions in service to provide these savings and the impact on the Council's assets. This will ensure that public funds are not used to develop or maintain council assets which will not continue to be used in the foreseeable future.**

Author of Report: Margaret Wilson, Head of Financial Services

Background Papers:

Ref: MW/LJC/213-2468

APPENDIX 1

| | Para | 2015/16 £000s | 2016/17 £000s | 2017/18 £000s |
|--|------|------------------|-----------------------|------------------|
| Revenue Expenditure | | | | |
| Service allocations (assuming prior year savings are achieved) | 4.1 | 194,336 | 195,359 | 202,546 |
| Projected departmental variance | | (875) | | |
| Adjustments to brought forward figure: | 4.2 | | | |
| One-off savings reinstated | | | 15 | 753 |
| DBS / Sharepoint Team | | | (124) | (77) |
| Pay and price increases | 4.3 | 180 | 2,000 | 2,000 |
| Increase in Loan Charges | 4.4 | | 720 | 1,200 |
| New Burdens | 4.5 | 2,065 | 2,372 | - |
| Budget pressures | 4.6 | | | |
| Approved / noted for future years when budget was set | | | 2,970 | 1,000 |
| Approved since budget set | | | 512 | 16 |
| Emerging | | | 2,200 | 2,370 |
| | 4.7 | <u>195,706</u> | <u>206,024</u> | <u>209,807</u> |
| Revenue Income | | | | |
| Government Grant | 5.1 | 161,321 | 156,344 | 157,200 |
| Grant for New Burdens not included above | | | 2,372 | - |
| Balance of funding for Health & Social Care | | | 2,010 | 2,010 |
| Council Tax | 5.4 | 35,200 | 35,200 | 35,320 |
| Funding from Reserves | 5.5 | | | |
| DBS / Sharepoint Team | | | 305 | 228 |
| (Returned) / Required to balance budget | | (815) | 6,315 | |
| | | <u>195,706</u> | <u>202,546</u> | <u>194,758</u> |
| SAVINGS REQUIRED | | <u>-</u> | <u>3,478</u> | <u>15,049</u> |
| Savings Summary | | | | |
| Savings Approved | 6.1 | 1,279 | 221 | 43 |
| Temporary savings (2016/17 only) | | | 722 | |
| Other savings proposed | 6.2 | 613 | 2,535 | 746 |
| Savings to be identified | | | | 14,260 |
| | | <u>1,892</u> | <u>3,478</u> | <u>15,049</u> |
| Estimated Free Balance on General Reserves* | 8.1 | <u>18,897</u> | <u>12,231</u> | <u>12,003</u> |

TEMPORARY MEASURES – FOR 12 MONTHS ONLY

C= consultation with staff unions

| Ref | | 2016/17 £000s |
|------|--|------------------|
| | Direct Services | |
| A 1 | Increase in Minibus contracts fuel duty rebate to current level | 10 |
| A 2 | Reduction in the budget for repairs to the core paths network and maintenance of woodland | 20 |
| A 3 | Waste Strategy (recycling centre maintenance limited to essential repairs only) | 60 |
| | Development Services | |
| A 4 | Uncommitted Economic Development projects | |
| A 4a | Not to utilise Economic Research Intelligence services | 5 |
| A 4b | Temporary reduction in Moray Towns Partnership budget | 60 |
| A 4c | Grampian Food Forum (business support) | 3 |
| A 4d | Exhibitions/Promotions | 8 |
| A 4e | Temporary reduction in Rural Areas Regeneration Programme (Moray Towns Partnership for rural areas) budget. Note this funding was to be used to match fund a participatory budgeting grant from the Scottish Government. If the saving is approved the grant will not be issued. | 60 |
| A 4f | Visitor Events programme uncommitted balance | 5 |
| A 4g | Remaining uncommitted balance from Economic Development Budget | 32 |
| A 5 | Efficiency savings from Planning Gain agreement with Aberdeenshire Council | 6 |
| A 6 | Reduction in contribution to Citizens Advice Bureau | 14 |
| | Housing and Property Service | |
| A 7 | Reduce Discretionary Housing Repairs budget in line with the estimated outturn for 2015/16 which is considered to be reasonable for the year ahead. | 13 |
| | Education | |
| A 8 | Review Job Advertising for teachers - most applicants use web-based adverts. Reduce newspaper advertising and assess impact. | 20 |
| | Integrated Children's Services | |
| A 9 | Review Child and Adolescent Mental Health Service with a view to redesign | 75 |
| A 10 | Additional Support Needs budget was increased by £500k. Full increase not required. | 40 |
| | Lifelong Learning and Culture Services | |
| A 11 | Library marketing and promotions | 5 |
| A 12 | Reduction in book fund expenditure | 60 |
| A 13 | Reduce contribution to Moray Leisure for annual capital spend | 60 |
| | Social Care Services | |
| A 14 | Reduce Care First system budget | 5 |
| A 15 | Reduce BALL Group Budget | 5 |
| | All Departments | |
| A 16 | Training and Conferences | C 146 |
| A 17 | Holiday buy-back by staff | 10 |
| | Total | 722 |

PERMANENT SAVINGS C= Consultation with Staff Unions

| Ref | | | | 2016/17 £000s | 2017/18 £000s |
|------|---|-------------------|---|------------------|------------------|
| | Direct Services | | | | |
| B 1 | Replace existing street lighting lanterns and replace with LED light sources | Spend to Save | | 80 | 115 |
| B 2 | Transfer the management harbours structural maintenance to engineering design team | Vacant post | C | 46 | |
| B 3 | Reduce number of car park attendants | Vacant post | C | 23 | |
| B 4 | Remove emergency contingency budget from the maintenance of the new flood schemes. | | | 50 | |
| B 5 | Remove refuse disposal professional fees no longer required | | | 6 | |
| B 6 | Additional income from School meals by increasing charges by 10% to meet 68% of cost. | Income generation | | 120 | |
| B 7 | Increase in Catering income budget in HQ (soup and scones) to current level | | | 15 | |
| B 8 | Removal of Vending machine - rental savings | | | 15 | |
| B 9 | Reduce maintenance budget for car parks | | | 25 | |
| B 10 | Cease to maintain Real Time bus service information system | | | 20 | |
| B 11 | Reprioritise staff to capital works | | | 41 | |
| | Development Services | | | | |
| B 12 | Remove budget for vacant trainee post - post has been vacant for some time despite attempts at recruitment. | Vacant post | C | 12 | |
| B 13 | Increase Building Standards income budget in line with current level | | | 10 | |
| B 14 | Recovering administration costs for private water supply grants | Income generation | | 20 | |
| B 15 | Remove part-time Building Standards Officer post | Vacant post | C | 7 | 20 |
| B 16 | Remove financial support for Elgin Museum | | | 13 | |
| B 17 | Reduce operational budget of Development Services to required level | | | 10 | |
| B 18 | Cease financial support for the Visitor Information Service when contract ends in March 2016 | | | 34 | |
| | Housing and Property Service | | | | |
| B 19 | Increase share of Unauthorised Encampment Officer recharged to HRA to reflect reduction in unauthorised encampments | | | 3 | |
| B 20 | Redesign Homelessness / Housing Allocations service and transfer of Landlord Registration service to the Home Improvements team | Efficiency saving | C | 10 | |

| Ref | | | | 2016/17 £000s | 2017/18 £000s |
|-------|--|-------------------|---|------------------|------------------|
| B 21 | Impact of Temporary Accommodation Charging Policy | | | 40 | |
| B 22 | Industrial Units rent review 2015/16 + new units | | | 120 | |
| B 23 | Industrial Units rent review 2016/17 | Income generation | | 40 | |
| | Education and Integrated Children's Services | | | | |
| B 24 | Increase charges for music tuition by 20% to meet 38% of cost | Income generation | | 28 | |
| B 25 | Reduce essential skills for adults operational budget | | | 4 | |
| B 26 | Remove Performance and Strategy manager's post (0.4 fte) which is no longer required post from Integrated Children's Services | Vacant post | C | 27 | |
| B 27 | Review of how Psychology Service is delivered | | | | |
| B 27a | - Operational budget | | | 3 | |
| B 27b | - Replace Depute Principal Educational Psychologist post which is no longer required with Educational Psychologist | Vacant post | C | 19 | |
| B 28 | Reorganisation of Children Wellbeing Service | | | | |
| B 28a | -Combine Beechbrae Outreach and Pinefield management structures | Efficiency saving | C | 5 | |
| B 28b | - Remove balance of Surestart funding for health visitors | | | 50 | |
| B 28c | Reduce Home Tuition budget to reflect current level of expenditure | | | 8 | |
| B 28d | Localise provision of Outreach reducing travel costs | | | 3 | |
| B 28e | Remove support from the Intake Assessment Team for Dialogue Youth | Vacant post | C | 12 | |
| B 29 | Remove 0.4fte Senior Social Worker post which has never needed to be filled in ICS Reviewing team and is no longer required | Vacant post | C | 21 | |
| B 30 | Remove 0.2 fte secretarial support post in Integrated Children's Services Reviewing Team which has never been filled and is no longer required | Vacant post | C | 5 | |
| B 31 | Reduce current maintenance budget for Viewpoint Software no longer required | | | 3 | |
| B 32 | Remove Early Years Change Fund Budget as implementation has been completed | | | 33 | |
| B 33 | Efficiencies in Youth Justice operational budget | | | 7 | |
| B 34 | Reduce budget used to purchase/ maintain equipment to reflect current level of need | | | 5 | |

| Ref | | | | 2016/17 £000s | 2017/18 £000s |
|------|--|--------------------|---|------------------|------------------|
| B 35 | ASN additional budget of £500k allocated in 2015/16 not fully required | | | 70 | |
| B 36 | Remove unallocated innovation fund monies | | | 15 | |
| B 37 | Remove contribution to dietician post to promote good nutrition as this is now embedded in schools directly to reflect current Health & Wellbeing practice | | | 8 | |
| B 38 | Remove Nurture teacher as work being carried out by schools and will not impact on the Council's teacher numbers | Vacant post | C | 45 | |
| B 39 | Remove Learning & Teaching Officer Post in HQ and replace with Educational Support Officer post | Vacant post | C | 10 | |
| B 40 | Reduce budget for Skillforce to take into account repeated underspend | | | 30 | |
| B 41 | Reduce budget for Childcare strategy training external providers which has been underspent in the last two years | | | 22 | |
| B 42 | Teaching Quality Assessment - budget no longer required | | | 3 | |
| B 43 | Remove Budget for Pre-school Care and Learning Alliance contract which ceased 2014 | Contract ended | | 10 | |
| B 44 | Seemis software licence savings | | | 10 | |
| B 45 | Reduction in Visiting specialists travel budget no longer required | | | 5 | |
| B 46 | Merge Project Officer post with Social work Post and reduce Moray Youth Justice Service budget | Vacant post | C | 33 | |
| | Lifelong Learning and Culture Services | | | | |
| B 47 | Remove contribution to PPP projects officer post no longer required | | | 17 | |
| B 48 | Increase in Leisure income budget | Increased Footfall | | 100 | |
| B 49 | Increase in Community Centre income budget to current level | | | 6 | |
| B 50 | Increase in Halls income budget to current level | | | 10 | |
| B 51 | Reduction in School Estate operational budget not required | | | 8 | |
| B 52 | Reduction in Educational services equipment service and repair | | | 8 | |
| B 53 | Remove additional furniture budget for two PPP schools as costs are borne by the private contractor | | | 9 | |
| B 54 | Remove Library self-service machines support contract | | | 5 | |
| B 55 | Remove Libraries Newstand licence - no longer used | | | 1 | |

| Ref | | | | 2016/17 £000s | 2017/18 £000s |
|------|--|-------------------|---|------------------|------------------|
| | Social Care Services | | | | |
| B 56 | Reduce Postage budget no longer required | | | 5 | |
| B 57 | Reduce telecare purchase of equipment budget not utilised | | | 7 | |
| B 58 | Reduce Aids and Adaptations for informal care not utilised | | | 5 | |
| B 59 | Reduce recycling team and coffee shop employability budgets to reflect operational requirement | | | 10 | |
| | Legal and Democratic Services | | | | |
| B 60 | Reduction in Members Services operational budget to reflect current requirement | | | 16 | |
| B 61 | Restructure of Legal Services to reduce Principal Solicitor post to 31 hours and appoint additional part time solicitor (0.5fte) to assist with workload | | C | 4 | |
| | HR&ICT | | | | |
| B 62 | Efficiencies in Staff travel budget | | | 2 | |
| B 63 | Reduction in Protecting Vulnerable Groups (PVG) Implementation Budget no longer required | | | 26 | |
| | Financial Services | | | | |
| B 64 | Reduction in Financial services operational budgets from efficiencies | | | 6 | |
| B 65 | Removal of part time Fraud Officer (0.73 fte) as part of implementation of corporate fraud section | Vacant post | C | 22 | |
| B 66 | Removal of software licences budget within financial services no longer required | | | 10 | |
| B 67 | Introduce e-invoicing and transfer payments to BACS | Efficiency saving | | 12 | 6 |
| B 68 | Electronic communication Accounts Payable and Receivable | Efficiency saving | | 11 | |
| B 69 | Implementation of a credit management module to digitise the service | Spend to Save | | | 6 |
| | Chief Executive | | | | |
| B 70 | Remove part time Public Performance Report (PPR) & Communications Officer 0.5 fte no longer required | Vacant post | C | 20 | |
| | Corporate | | | | |
| B 71 | Charges increased by 5% where possible in 2016/17 and assumed 2% increase in 2017/18 | | | 314 | 154 |
| B 72 | Implementation of Self Directed Support contributions policy | | | 30 | 30 |

| Ref | | | | 2016/17 £000s | 2017/18 £000s |
|------|---|---------------|---|------------------|------------------|
| B 73 | Savings from Increase in National Insurance threshold | | | 38 | 38 |
| B 74 | Increase staff vacancies target in line with pay award | | | 22 | 22 |
| B 75 | Increase staff vacancies target by 10% | | C | 400 | |
| B 76 | Implementation of Scotland Wide Area Network (SWAN) | | | | 355 |
| B 77 | Reduction in training budgets no longer required - council wide | | C | 70 | |
| | From capital investment | | | | |
| B 78 | Reduction in costs of "lost" salt by the construction of the Salt Store | Spend to Save | | 27 | |
| B 79 | Renewable Heat Incentive (RHI) payments - biomass system at Milne's HS | | | 60 | |
| | | | | | |
| | Total | | | 2,535 | 746 |

C = Consultation with Staff Unions

APPENDIX 4

| Ref. | BUDGET PRESSURES | 2016/17 £000s | 2017/18 £000s |
|------|---|---------------------|------------------|
| | Pressures previously approved | | |
| | Waste Management | | |
| 1. | Landfill tax | 47 | 71 |
| 2. | Food waste disposal | 20 | |
| | Energy | | |
| 3. | CRC allowances | 16 | 16 |
| 4. | Climate Change Levy | 2 | 7 |
| 5. | Electricity prices | 23 | 93 |
| 6. | Gas prices | 0 | 3 |
| 7. | Heating oil prices | 0 | 5 |
| | Property repairs & maintenance | | |
| 8. | Loans charges on additional capital | 12 | 18 |
| | Pensions | | |
| 9. | Pension autoenrolment | 100 | 200 |
| 10. | Teachers pensions | 320 | |
| 11. | National Insurance contributions | 1,800 | |
| | Social Care | | |
| 12. | Replacement for Maybank (financing costs) | 28 | |
| | Schools | | |
| 13. | Financing additional contribution to Elgin High School | 92 | 92 |
| 14. | Financing contribution to 4 primary schools upgrade | 295 | 4 |
| 15. | Staffing 4 primary schools upgrade | | (26) |
| 16. | Non Domestic Rates (NDR) 4 primaries | | 95 |
| 17. | Elgin High School NDR | | 80 |
| 18. | Elgin High School Facilities Management | | 200 |
| 19. | Additional cleaning, water and energy costs at extended primary schools | See note 19 in APP5 | |
| 20. | School roll numbers | (140) | 128 |
| 21. | Curriculum for excellence | (65) | |
| 22. | Interim leadership and management arrangements in 7 Moray primary schools | (13) | (30) |
| 23. | Primary school management | 116 | 84 |
| | ICT | | |
| 24. | SWAN (Replacement for Pathfinder) | 187 | (177) |
| 25. | Microsoft licences / Cyborg maintenance | 2 | 30 |
| 26. | Public Sector Network Disclosure checks | (15) | |
| 27. | Digital Services | 310 | 74 |
| 28. | Payroll HR system replacement | 144 | (112) |
| | Income | | |
| 29. | Hostel transfer to General Services | 42 | 217 |
| 30. | DWP admin grant reduction | 117 | |
| 31. | DBS contribution from HRA | 130 | |
| 32. | Closure of swimming pools for refurbishment | 70 | 55 |

| Ref. | BUDGET PRESSURES | 2016/17 £000s | 2017/18 £000s |
|------|--|------------------|------------------|
| | Other | | |
| 33. | Workforce Culture | (73) | |
| | Allowance for slippage | (104) | (110) |
| | Total approved pressures | 3,482 | 1,016 |
| | Emerging budget pressures | | |
| | Waste Management | | |
| 34. | Zero Waste | 124 | 145 |
| | Children's Services | | |
| 35. | Kinship carers – parity with foster carers | 27 | |
| 36. | Out of Area placements / residential facility | 1,000 | |
| | Schools | | |
| 37. | Temporary accommodation – new Elgin primary school | 133 | |
| 38. | Financing costs new Elgin primary school | | 450 |
| 39. | Increase in class contact hours | | 354 |
| | Social Care | | |
| 40. | Living Wage (care homes) | 156 | |
| 41. | Living Wage (other care providers) | 230 | |
| 42. | Children in Transition | 600 | 200 |
| | Repairs and Maintenance | | |
| 43. | High level inspections of stonework | 50 | |
| 44. | Bridges repair (previously from capital budget) | 80 | |
| | ICT | | |
| 45. | Relocate data and telephone links at Ashgrove | 50 | (50) |
| | Income | | |
| 46. | Dredger | 250 | (125) |
| 47. | End of Right To Buy | 17 | |
| 48. | Income from recyclates | | |
| | Other | | |
| 49. | Insurance premium tax | 38 | |
| 50. | Non Domestic Rates review | 0 | 1,000 |
| 51. | Apprenticeship Levy | 0 | 500 |
| 52. | Shortfall in water charges budget | 40 | |
| | Allowance for slippage | (600) | (200) |
| | Total emerging pressures | 2,195 | 2,371 |
| | Round for budget summary | 2,200 | 2,370 |

| Ref (App 2) | Description | Detail |
|---|---|--|
| Waste Management | | |
| 1. | Landfill tax | The cost of landfill tax is due to increase from £82.60 to £84.40 per tonne in 2016/17. The provision is based on residual waste tonnage of 26,360 in 2015/16, which is less than the current tonnage of residual waste (estimated to be 27,360 in 2015/16). Tonnage is assumed to reduce to 22,000 in 2020/21. |
| 2. | Food waste disposal | This is for the introduction of new food waste requirements which require all establishments producing waste over 5 kg per week from 2016 to ensure that the food waste is separated out and appropriately disposed of. Establishments producing food waste over specified limits have to present this separately for collection and incur costs for this additional uplift. |
| Energy | | |
| 3. | CRC allowances | The Council has to pay Carbon Reduction Commitment allowances on its electricity consumption. The budget pressure assumes constant electricity consumption and an increase in the allowance of £1 per tonne. |
| 4. | Climate Change Levy | The climate change levy on both electricity and gas is due to increase. The budget pressure assumes constant consumption of both fuels. |
| 5 - 7. | Electricity, gas and heating oil prices | These are assumed to be rising at 5% from 2017/18 onwards, as this is the projected increase now used by Scottish Futures Trust for assessing business cases for street lighting replacement schemes (previously 15%). Given the current fall in oil prices no budget pressures for 2016/17 for oil and gas is assumed. However, the non-energy components of electricity charges have been steadily rising and so a modest increase for 2016/17 is assumed. |
| Property repairs & maintenance | | |
| 8. | Loans charges on additional capital | It was agreed by P & R on 4 November 2014 that expenditure previously funded from revenue but which is properly classed as capital be transferred to the capital plan. This enabled savings to be made on the revenue repairs and maintenance budget but brought with it a concomitant increase in finance charges. |
| Pay and Pensions | | |
| 9. | Pension autoenrolment | This budget pressure is assumed to crystallise from 1 September 2017 and calculated over a two year period, assuming that around half of the employees enrolled under autoenrolment remain in the pension scheme. |
| 10. | Teachers pensions | This is the full year effect of a budget pressure which arose in 2015/16 as a result of an increase in the employer's contributions to the teachers' pension scheme by 2.3% to help meet the deficit on the scheme. This increase was not funded by Scottish Government. |

| Ref (App 2) | Description | Detail |
|----------------|---|--|
| 11. | National Insurance | When the revised state pension scheme is implemented by the UK Government there will be additional cost to the Council from the loss of the employer's rebate and reduced employer's National Insurance rate. This is by far the biggest budget pressure facing the council in 2016/17 (£1.8 million) <i>and COSLA are lobbying on the Council's behalf to achieve funding for this.</i> |
| | Social Care | |
| 12. | Replacement of Maybank | The capital project of constructing a replacement facility for people with challenging behaviour was approved by Council on 24 June 2015. The budget pressures is the increase loans charges arising from this project. |
| | New schools / other schools | |
| 13. | Financing additional contribution to Elgin High School | Council approved additional costs for the upgrade of Elgin High School on 5 February 2014. This budget pressure is for the additional loan charges estimated on that expenditure. |
| 14. | Financing contribution to 4 primary schools upgrade | Council approved additional capital expenditure to contribute towards the upgrade of 4 primary schools on 27 August 2014. This budget pressure is for the additional loan charges estimated on that expenditure. |
| 15. | Staffing 4 primary schools upgrade | Council also approved additional staff to manage the upgrade project. This was a short-term pressure and the table above shows it ceasing in 2017/18 as the project is completed. |
| 16. | Non Domestic Rates (NDR) 4 primaries | The rateable value of the 4 primaries will increase as a result of the upgrade. This budget pressure is an estimate based on the impact of previous upgrades. |
| 17. | Elgin High School NDR | The rateable value of the replacement Elgin High School is expected to be higher than the current rateable value. This budget pressure is based on the impact of the replacement Elgin Academy on Non Domestic Rates. |
| 18. | Elgin High School Facilities Management | As reported to Council on 5 February 2014. |
| 19. | Additional cleaning, water and electricity costs at the extended primary schools. | This pressure is unquantified but will require to be met. |
| 20. | School Roll numbers | An estimate of projected school rolls on expenditure under the current DSM scheme is included. These should be mirrored by movements in General Revenue Grant but the Council's share depends also on movements of school rolls in other councils. |
| 21. | Curriculum for excellence | Additional funding was approved in 2014/15. This element of General Revenue Grant is time limited and the associated expenditure is anticipated to cease at the end of 2015/16. |
| 22. | Interim leadership and management arrangements in 7 primary schools | £43,000 additional expenditure was approved by P&R 14 April 2015. The shows the additional funding being reduced back to the original base budget. |
| 23. | Primary school | The revised policy was approved by Council on 24 June |

| Ref (App 2) | Description | Detail |
|------------------------|---|---|
| | leadership and managements | 2015. The budget pressure is that estimated and reported to that meeting of Council. The policy will be implemented in August 2016. |
| | ICT | |
| 24. | SWAN - replacement for Pathfinder | One-off revenue costs in 2016/17 plus one-off capital costs of £55,000 – 7 years loan charges included. |
| 25. | Microsoft licences / Cyborg maintenance | Based on previous upgrades. The corporate licences are on a three year contract. |
| 26. | Public Sector Network Disclosure checks | The cost of this was reported to P&R on 5 November 2013. The necessary additional checks will be complete by the end of 2015/16 and so the cost pressure is reduced. |
| 27. | Digital Services | Approved by P&R on 14 April 2015 – the cost included elements for additional staff, revenue costs and loan charges on the capital costs. |
| 28. | Payroll / HR system replacement | Approved by P&R on 14 April 2015 – the cost included elements for additional staff and loan charges on the capital costs. |
| | Income | |
| 29. | Hostel transfer to General Services | This budget pressure recognises the decreasing component of General Revenue Grant associated with hostels. |
| 30. | DWP admin grant reduction | The grant from DWP for administering benefits will further reduce to fund the Single Fraud Investigation Service. This budget pressure is based on an estimate of Moray's share of the reduction forecast by COSLA plus a general reduction in grant from DWP. |
| 31. | DBS contribution from HRA | The Housing Revenue Account benefited from savings made as a result of Designing Better Services. Accordingly the cost of the investment in DBS, funded by General Services, which enabled that benefit was recharged. This charge has been reduced over two years and will cease after 2016/17. |
| 32. | Closure of swimming pools for refurbishment | This budget pressure reflects an estimate of the income which will be lost when the pools are closed for refurbishment. |
| | Other | |
| 33. | Workforce culture | Approved by P&R 14 April 2015. This budget is reduced in 2016/17. |
| | Emerging budget pressures | |
| | Waste Management | |
| 34. | Zero Waste | The Council has embarked on a joint venture with Aberdeen City and Aberdeenshire Councils to develop an Energy from Waste plant to deal with residual waste after the closure of landfill sites under Zero Waste legislation. Funding for phase 1 of the project was approved by Council on 11 November 2015. At this stage in the project it is not known whether the Council will be able to capitalise its contributions and so this is shown as a revenue pressure. |
| | Children's Services | |

| Ref (App 2) | Description | Detail |
|--------------------------------|--|---|
| 35. | Kinship carers – parity with foster carers | This budget pressure is the gap between the funding from Scottish Government to achieve parity between kinship carers and other foster carers and the actual cost estimated for the Council to achieve this. |
| 36. | Out of Area placements | This budget is projected to overspend by £1,000,000 in 2015/16. Although it is anticipated that costs will reduce with the opening of the new residential facility in Elgin, budget will be transferred from the Out of Area budget to meet the running costs of this facility and it is not anticipated that the overall budget shortfall will diminish in the immediate future. |
| Schools | | |
| 37. | Temporary accommodation – new Elgin primary school | Council on 11 November instructed officers to bring forward details of the next steps of establishing a new primary school in south-east Elgin, including any temporary arrangements. A sum is included to cover the likely cost of such arrangements. |
| 38. | Financing costs new Elgin primary school | An estimate of the additional loans charges cost associated with this project is included. |
| 39. | Increase in class contact hours | The recently announced increase in class contact hours is estimated to add £610,000 costs. The budget pressure shows the effect in 2017/18 of introducing this from August 2017. |
| Social Care | | |
| 40.and 41. | Living Wage | The national care home contract is being renegotiated to include the cost of care homes implementing the minimum wage. An estimate of the impact of this for Moray is included. There will also be increased costs from other social care providers and an estimate based on the first request for a renegotiated rate of payment is included. |
| 42. | Children in Transition / hospital discharge | Young people make the transition to adult care services between the ages of 16 and 18. Budget pressures arise when children move into adult care and when adults cared for in a hospital setting move into the community. This allocation is made on a case by case basis and details are reported to P & R before any of the provision is drawn down. The costs of individual cases vary greatly, and the provision is made on the basis of the average cost over past years. The cost of this varies greatly but the service estimates around £200,000 a year on average for new service users. In 2015/16 cost increased by £800,000 and an additional provision of £400,000 is made in 2016/17 for the full year effect of these care packages. |
| Repairs and maintenance | | |

| Ref (App 2) | Description | Detail |
|------------------------|---|--|
| 43. | High level inspections of stonework | Stonework at a high level on Council buildings has been identified as a risk area. To manage this risk it is proposed to undertake a programme of high-level inspections and carry out any work identified as urgently needed. An additional budget requirement of £50,000 has been estimated as sufficient to allow this to proceed without impacting on other planned repairs. |
| 44. | Bridges repair | An element of the bridges capital budget has been allocated to routine maintenance in the past, to make up a deficiency on the revenue budget. This does not conform to approved funding practice and consequently the bridges repair budget requires to be increased. There is a corresponding decrease in the capital requirement. |
| ICT | | |
| 45. | Relocate data and telephone links at Ashgrove | The links as situated are at risk of water penetration through a life-expired roof. The proposed relocation is part of a least-cost proposal to deal with the problem of the roof. |
| Income | | |
| 46. | Dredger | The new dredger will be operational in April 2016/17. It is estimated that it will generate income of £250,000 pa but potential customers may have other arrangements in place and it has been assumed that there will be minimal income in the first year of operation, rising to full income generation in year three. |
| 47. | End of Right To Buy | Loss of income consequent on legislative change. |
| 48. | Income from recyclates | Difficult to quantify but rates have been falling dramatically throughout 2015/16. |
| Other | | |
| 49. | Insurance premium tax | The insurance premium tax increased from 6% to 9.5% wef 1 November 2015 and will increase the amount the Council pays in 2016/17. |
| 50. | NDR review | An NDR review is due to take effect from 1 April 2017. A high level desktop exercise has been carried out and an average increase of 26% is estimated. This would cost the Council around £1 million. The movement in Rateable Values will differ between property types and individual properties. |
| 51. | Apprenticeship levy | A 0.5% levy on employers with staff costs in excess of £3 million was announced in the last UK budget. It is unclear whether teachers' staff costs will be liable to the levy but the budget pressure at this juncture assumes that they will be. Further details on how the levy will operate including access to funding are expected in early course. |

| Ref (App 2) | Description | Detail |
|----------------|---------------------------|---|
| 52. | Shortfall in water budget | A review of water charges carried out during the assessment of the new Scotland-wide contract for water supplies indicated a shortfall in budget over the last three years. It is proposed to rectify this shortfall. There may be the prospect of savings from this contract in future years but costs in 2016/17 are expected to be comparable to those in 2015/16. |