

Shetland Islands Council



The Council Budget Book 2015-16

Securing the Best for Shetland

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Executive Summary

- 1.01 Shetland Islands Council's 2015-16 budget will ensure that public services in Shetland continue to be better funded than any other local authority in Scotland. This is because the Council will top up its Council Tax income and core Scottish Government grant with an additional £15.095m, which is affordable as a result of the budgeted Harbour Account surplus, budgeted income from the TOTAL gas plant and expected investment returns.
- 1.02 For the first time since the 1990s the Council is setting a sustainable budget that requires a draw on reserves of £6.946m which is an affordable amount, and will protect the capital value of reserves. This represents an 80% decrease on the position that the current Council inherited, which required a £36m draw on reserves to balance the 2011-12 budget. This has been achieved despite significant reductions in government funding and rising costs.
- 1.03 It is possible for Shetland Islands Council to have a higher level of service than mainland councils because of the reserves at its disposal, and this budget seeks to ensure that the real value of the reserves is protected during 2015-16.
- 1.04 It is important that the Council now continues this responsible budgeting approach into the future and avoids returning back to budgets with unsustainable draws on reserves which have been so damaging to the Council. Previous decisions to spend 60% of the Council's reserves between 2000 and 2012 mean that today's 2015-16 budget is deprived of £15m of extra spending on services that would have been affordable had a sustainable approach been taken over those 12 years.
- 1.05 The 2015-16 Budget adheres to the Medium Term Financial Plan, by delivering the required savings of £2.145m and contributing towards the strategic aim of realigning more available resources towards Children's Services and Community Care in particular.
- 1.06 This is demonstrated by the progress made in re-allocating resources between the directorates to meet these priority areas as shown in the table below:

Directorate	2012-13	2015-16	Change
	%	%	%
Children's Services	37.18	39.53	2.35
Corporate & Executive	10.98	9.64	-1.34
Community Care	18.79	19.80	1.01
Development Services	14.41	13.64	-0.77
Infrastructure Services	18.64	17.39	-1.25

- 1.07 Further information on how the 2015-16 Budget will support the delivery of the Council's Corporate Plan is set out in Section 4 of this report.

1.08 Financial sustainability is a journey and not a destination and therefore Members will need to continue to set future budgets in line with the Medium Term Financial Plan to ensure that the good work to reach this position continues into the future.

Progress to Date & Future challenges

1.09 The Council can take comfort with regard to the deliverability of the 2015-16 Budget. At present it is currently on course to deliver its 2014-15 Budget which included £6.539m of savings. When added to the £12.5m of savings delivered in 2013-14, the £15m in 2012-13 and £11.5m in 2011-12, the Council is demonstrating a track record of budget delivery.

1.10 However, it is anticipated that there will be further reductions in the core revenue grant from the Scottish Government over the forthcoming years, and simultaneously the Council will have to manage an ever increasing demand for Council services, such as in Community Care, and having to manage cost pressures such as pay awards.

1.11 This Budget will keep the Council on track to manage these significant challenges.

Draw on Reserves

1.12 The Council is asked to approve an affordable and sustainable draw on reserves to balance the 2015-16 Budget:

Draw on Reserves	Budgeted Draw on/ (contribution to) Reserves (£m)
General Fund	12.982
General fund Carry Forward from 14-15 to meet Contingency Requirements	1.943
Asset Investment Plan	0.170
Harbour Account Surplus	(6.382)
TOTAL Gas Plant	(1.349)
Housing Revenue Account	(0.418)
TOTAL BUDGETED DRAW ON RESERVES 2015-16	6.946

Key Budget Messages

1.13 Some of the most significant Budget proposals are as follows:

- The Council is freezing Council Tax for the eighth consecutive year so a Band D property continues to incur an annual charge of £1,053. This means that Shetland Islands Council continues to charge the 4th lowest level of Council Tax out of the 32 local authorities in Scotland whilst providing the best funded services.

- The budget contains total savings of £3.326m, exceeding the General Fund savings target of £2.145m as set out in the Medium Term Financial Plan. This has largely been achieved through service efficiencies and focussing on eradicating historic over-budgeting for risk items. The over-achievement of budget reductions by each directorate this year will be used to reduce their savings targets for 2016-17 in the Medium Term Financial Plan.
- The budget includes cost pressures and contingencies totalling £6.774m which is significantly higher than in previous years. The reason for this is to ensure that there will be sufficient budget to absorb any unplanned expenditure, as services were asked not to carry risk/contingency budgets in their proposals. At the end of 2015-16 the approach to contingency budgeting will be reviewed to identify whether it is possible to reduce the size of the corporate contingency budget in order to offer up more savings for the Council.
- The TOTAL gas plant is due to come on stream in 2015-16 and it has been estimated that there will be income of £1.349m during the year. This is a welcome new income stream for the Council and it is anticipated that this, and future income, will be utilised to supplement current expenditure on Council services.
- The Housing Revenue Account budget seeks to increase overall rental income by 0.86% in 2015-16 by simplifying the rents charging policy which will eradicate price differences between properties based on attributes such as whether the house has double glazing or central heating. This is possible because all houses will have these attributes in place by next year in order to meet the 2015 housing quality standard.
- The ambitious Asset Investment Plan budget seeks significant investment in the Council's infrastructure and will require borrowing of £17.544m in 2015-16 to meet the funding shortfall. The borrowing is required to finance the new Anderson High School, the Eric Gray Resource Centre and Ferry Vessel Life Extensions.
- It is estimated that the Council will have to forego spending of £1.428m per year on providing day to day services for the next 25 years to fund the costs associated with this borrowing.

Introduction to the Budget Report

Medium Term Financial Plan

2.01 The Medium Term Financial Plan is the Council's strategic finance document which focuses on the five year period of the current Council term. The key strategic objectives included within the plan are –

- To maintain the reserves by ensuring expenditure remains at a level that can be met from all available resources so as not to erode the capital value of the reserves;
- Achieving a level of spending that is financially sustainable during the course of the current Council term and beyond, thus safeguarding the future economic viability of Shetland Islands Council;
- To offer a level of protection for day to day revenue services by cutting the draw on reserves for capital expenditure, so that more can be affordably spent on revenue services;
- The Target Operating Budgets set for each Directorate reflect the priorities of the Council. This means that by the end of the 5 year plan, the Children's Services, Community Care Services and Infrastructure Services directorates will each have a larger percentage of the budget than they currently do, whilst Development Services, Corporate Services and Executive Services will each have a smaller share of the budget as a consequence; and
- The Medium Term Financial Plan will be updated annually to reflect external developments and changes in the Council's policy direction.

The 2015-16 Budget

2.02 The 2015-16 Council Budget is a tactical financial plan that complements the strategic Medium Term Financial Plan and will ensure that the Council moves towards delivering its strategic financial objectives.

2.03 The Budget encapsulates all aspects of the Council's business; the General Fund, the Housing Revenue Account, the Harbour Account and the Capital Programme. This means it is clearer for Members to see the full impact that the spending proposals will have on the Council's reserves during the financial year.

The Approach to Setting the Budget

- 2.04 The Council has a rolling programme for selecting one directorate to use a zero-based budgeting approach each year while the remainder of directorates use traditional incremental budgeting. This year the directorate chosen to do zero-based budgeting was Children's Services (with the exception of the schools service), and Community Care voluntarily chose to adopt zero-based budgeting.
- 2.05 The outcome of this budgeting exercise is that the aggregated budget proposals put forward by directorates are under the budget reduction targets that were set within the Medium Term Financial Plan, and those proposals are aligned to the Council's priorities insofar as possible.

Other Aspects of the Budget Report

- 2.06 The objective of the Overall Council Budget 2015-16 Report is to provide a high level summary of the proposals and their contribution towards delivering the Medium Term Financial Plan, and their impacts on the Council's reserves.
- 2.07 The detailed budget proposals for each area of the Council are set out in separate reports which were presented to Special Committee Meetings during November 2014. This report guides Members to those other reports where more detailed information can be found on the General Fund committees' services, the Harbour Account, the Housing Revenue Account and the Asset Investment Plan.

The 2015-16 Budgeted Draw on Reserves

3.01 The 2015-16 budgeted draw on reserves is proposed as follows:

Draw on Reserves	Budgeted Draw on/ (contribution to) Reserves (£m)
General Fund	12.982
General fund Carry Forward from 14-15 to meet Contingency Requirements	1.943
Asset Investment Plan	0.170
Harbour Account Surplus	(6.382)
TOTAL Gas Plant	(1.349)
Housing Revenue Account	(0.418)
TOTAL BUDGETED DRAW ON RESERVES 2015-16	6.946

3.02 The total budgeted draw on reserves for 2015-16 is £6.946m. This is both affordable and sustainable, but further work will be required in future years to ensure that the Council remains on track with regard to setting sustainable budgets.

Spend to Save Budget

3.03 Only £0.070m of new Spend to Save funding has been proposed for 2015-16 to complete the ET and Taing project in the Asset Investment Plan. It is forecast that there will be an under-spend of nearly £0.7m on the Spend to Save budget in 2014-15 and it is proposed that this is carried forward to fund Spend to Save projects in 2015-16.

3.04 The purpose of the Spend to Save scheme is to provide up front funding to a service in order to effect a change that will result in recurring savings in the future. Given the requirement to make significant savings over the forthcoming years it is important that ring-fenced funds are available to enable changes to take place that will result in future savings.

3.05 In order for a directorate/service to qualify for Spend to Save funding, the following criteria must be met –

- The up-front investment of Spend to Save funds must be recouped from recurring savings within 3 years;
- The budget savings generated by a directorate/service are offered up as a Council saving and not re-invested in other areas of the directorate/service unless agreed by Council;
- The Spend to Save application is signed off as competent by the Executive Manager – Finance.

Linking the 2015-16 Budget to the Council’s Corporate Plan

- 4.01 The 2015-16 General Fund Budget proposes to incur net expenditure of £109.660m on services to the people of Shetland during the next financial year.
- 4.02 Although budgets have reduced to get the Council to a position where it is now on a sustainable footing, Shetland Islands Council is still able to provide the best funded services to the public of any local authority in Scotland.
- 4.03 In order to maximise the potential impact of the available funding for services it will be targeted towards achieving the priorities in the Council’s Corporate Plan which are –
 - Supporting adults to be independent;
 - Providing the best possible start for every child;
 - Providing the transport services we need most;
 - Supporting a healthy economy – strong communities;
 - Supporting vulnerable and disadvantaged people;
 - Working with partners and communities;
 - Being a properly led and well managed council;
 - Dealing with challenges effectively; and
 - Living within our means.
- 4.04 Further detail on how these priorities will be delivered in the 2015-16 financial year can be found in the 5 Directorate Plans. These set out how the budgets of each directorate will be used to contribute towards the delivery of the Corporate Plan. These reports were presented to the Special Service Committee meetings:

Community Health & Social Care Directorate	CC-035-F Community Health & Social Care Directorate Plan 2015-16 http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16913
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Development Services Directorate	DV-047-F Development Services Directorate Plan 2015 http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=
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Children's
Services
Directorate

CS-031-F

Children's Services Directorate Plan 2015-16

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16919>

Infrastructure
Services
Directorate

ISD-021-F

Infrastructure Services Directorate Plan 2015-16

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16942>

Corporate & Chief
Executive
Directorates

CRP-021-F

Corporate and Chief Executive's Directorate Plan 2015-16

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=>

The 2015-16 General Fund Budget

5.01 The 2015-16 General Fund budget is set out in the table below:

Line No.	Description	2015-16 £000s	2015-16 £000s
1	Chief Executive & Cost of Democracy	1,832	
2	Children's Services	39,423	
3	Community Care Services	19,743	
4	Development Services	13,601	
5	Infrastructure Services	20,551	
6	Corporate Services	7,779	
7	Corporate Services (Fund Manager Fees)	700	
8	GENERAL FUND SERVICES NET EXPENDITURE (equals lines 1-7)		103,629
9	Contingencies and Budget Pressures	6,774	
10	Borrowing Support Costs funded corporately for AHS Replacement	1,256	
11	Recharges Out (to Harbour Account , HRA and Capital)	(1,999)	
12	TOTAL NET GENERAL FUND EXPENDITURE (equals line 8 plus lines 9-11)		109,660
	Funded by -		
13	GRG/NNDR (Scottish Government Allocation)	(86,314)	
14	Council Tax	(8,421)	
15	TOTAL CORE FUNDING (equals lines 13-14)		(94,735)
	Deficit to be funded from Reserves		
16	Draw on Reserves – Core Expenditure General Fund 2015-16	(5,251)	
17	Draw on Reserves – Equivalent to Harbour Account Surplus	(6,382)	
18	Draw on Reserves – Carry Forward from 2014-15 to meet Contingency Requirements	(1,943)	
19	TOTAL Gas Plant Contribution	(1,349)	
20	TOTAL FUNDING FROM RESERVES (equals lines 16-19)		(14,925)
21	TOTAL FUNDING (equals line 15 plus line 20)		(109,660)
22	Balanced budget (line 12 plus line 21)		0

5.02 The proposals in the 2015-16 General Fund budget fall within the agreed directorate Target Operating Budgets as agreed by Members in the Medium Term Financial Plan 2014-2019.

5.03 The table below shows directorate proposals compared to revised Target Operating Budgets:

	2015-16 Target £000s	Transfers £000s	Cost Pressures £000s	2015-16 Revised Target £000s	2015-16 Actual Budget £000s	Variance £000s
Corporate & Chief Executive Services	10,629	(963)	0	9,666	9,611	55
Children's Services	39,769	343	104	40,216	39,423	793
Community Care Services	19,551	138	55	19,744	19,743	1
Development Services	12,725	712	500	13,937	13,601	336
Infrastructure Services	20,281	350	(84)	20,547	20,551	(4)
Total directorate budgets	102,955	580	575	104,110	102,929	1,181

Expenditure

5.04 The General Fund Services Net Expenditure is budgeted to be £103.629m in 2015-16 as shown at Line 8 in the table above which represents the spending on day to day Council services. The table below shows how the directorate Target Operating Budgets reconcile to the detailed budget proposal reports that have been through the five Special Committee meetings in November 2014:

Directorate	Development Committee £000	Social Services Committee £000	Education & Families Committee £000	Environment & Transport Committee £000	Policy & Resources Committee £000	Total £000
Executive & Corporate Services					9,611	9,611
Children's Services		1,296	38,127			39,423
Community Care		19,743				19,743
Development	4,852	2,532	674	5,369	174	13,601
Infrastructure				20,551		20,551
TOTAL	4,852	23,571	38,801	25,920	9,785	102,929

5.05 The detailed General Fund budgetary information which underpins this section of the budget report can be found in the following Budget Proposals Reports (including appendices) which were presented to Special Service Committee Meetings:

Special Development Committee 24 November 2014	F-066-F 2015-16 Budget and Charging Proposals Development Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16940
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Special Education & Families Committee 24 November 2014	F-070-F 2015-16 Budget & Charging Proposals Education and Families Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16922
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Social Services Committee 25 November 2014	F-067-F 2015-16 Budget and Charging Proposals Social Services Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16916
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Special Environment & Transport Committee 25 November 2014	F-059-F 2015-16 Budget and Charging Proposals Environment and Transport Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16945
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Shetland College Board 26 November 2014	F-071-F 2015-16 Budget Proposals for Shetland College http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=
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Policy & Resources Committee 26 November 2014	F-056-F 2015-16 Budget and Charging Proposals Policy & Resources Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=
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Contingencies and Cost Pressures

- 5.06 A figure of £6.774m has been included in the General Fund budget to cover contingencies and cost pressures (as set out in Line 9 of the table at 5.01). This figure has been calculated based on the best information known as at November 2014. The Medium Term Financial Plan allowed for cost pressures and contingencies of £4.831m. To fund the remaining £1.943m, the Council is being asked to approve carry forward of the 2014-15 contingency which is projected to be no longer required. This will be removed from the 2014-15 on approval of this report.
- 5.07 This budget line covers Council-wide issues and therefore will be held centrally by the Executive Manager – Finance. It will only be released when the Executive Manager – Finance is satisfied that the cost pressure has materialised or the conditions exist to legitimately release contingency monies.
- 5.08 The following tables show how the figure of £6.774m (£3,162k for cost pressures and £3,612k for contingencies) has been calculated:

Cost Pressures	Description	Allowance for Cost Pressure in 2015-16 budget (£000)
Pay Award	Estimated provision to meet a 2% pay award. There is no agreement with COSLA on pay awards as yet.	1,751
Holiday Pay	This is to meet the cost of holiday pay relating to overtime and additional hours.	300
Free School Meals	The Government has introduced free school meals for primary 1-3. This is to meet the loss of income plus additional food costs.	253
Nursery Places for 2 year olds	The Government has introduced nursery places for some 2 year olds who qualify. There will be additional staff costs in nurseries depending on eligibility and uptake.	110
Demographics Pressures	Based on Shetland's ageing population, it is anticipated that there will be extra demand on Community Care resources in 2015-16.	301
Health & Social Care Integration	To take account of any additional costs as a result of the new Health and Social Care Integration Board.	15
Social Care Workers	To meet the cost of an additional 2 social care workers required to delivery children and family services.	92
Bus & Air Contract Inflation	To cover the cost of inflationary increases in contracts for bus and air services.	120
Rent Review and Legal Fees	To meet the cost the annual rent review for North Ness and to cover legal fees.	80
IT Licences	This is for the additional cost of IT licence fees.	140
TOTAL COST PRESSURES		3,162

Cost Pressures	Description	Allowance for Cost Pressure in 2015-16 budget (£000)
Funded by:	Allowance in Medium Term Financial Plan	(2,643)
	Carry Forward from 2014/15 Cost Pressures and Contingency	(519)
TOTAL FUNDING		(3,162)

Contingencies	Description	Allowance for Contingencies in 2015-16 budget (£000)
Off-Island Placements (Community Care/ Children's Svs)	The need for off-island placements varies significantly from year to year. It is an unpredictable demand led activity.	1,000
Children's Resources	To meet contingent demand across Children's Resources as requested by the service which cannot be met from within budget.	200
Schools/Quality Improvement	To meet contingent demand across Schools/QI as requested by the service which cannot be met from within budget.	140
Supply Teachers/ Reliefs in Schools	The need for supply teachers/reliefs varies year to year. This is to meet any additional demand which cannot be met from within budget.	258
Community Care Income	To meet any shortfall in income as a result of changes to COSLA's charging policy for Community Care services. The Council may not be able to charge at the current level.	150
Ferry Vessel Fuel & Biennial Drydocking	Cost pressure arising from anticipated increases in the price of fuel (6p per litre), and to meet the additional biennial drydocking costs.	252
Electricians for Street Light Maintenance	There may be a need to attract agency electricians to do essential street light maintenance.	105
Infrastructure Equipment Failure	To meet unexpected high cost equipment failure throughout Infrastructure Services.	300
Winter Maintenance	Contingency to meet any unforeseen costs due to a severe winter.	110
Ferry Fare Income	To meet any shortfall in fare income should income levels not be achieved.	80

Contingencies	Description	Allowance for Contingencies in 2015-16 budget (£000)
Infrastructure Staffing Costs from Shortages	Building Maintenance and Ferry staff shortages arising from the buoyant employment position in Shetland at the moment. There may be a need to employ agency staff or mainland contractors.	300
Organisational Change Fund	There is still a need for organisational change to bring the Council into a financially sustainable position over the term of the Council. This may result in the need to supplement the capacity of management with the temporary use of external specialists.	500
External Recruitment for Senior Officers	To meet the cost of a number of senior posts for which recruitment is anticipated to be required in 2015-16.	150
Corporate Training	To meet any additional training requirements to ensure Council services can continue to be provided.	181
CIPFA Trainee Programme	The programme has been put into contingency to use only that required.	70
Valuation Joint Board	There has been a proposed restructuring of the staff within the Board; the full cost of this is not yet agreed.	40
ERVR - Housing	Housing Support Services are to be reviewed which may result in ERVR costs.	50
Homeless Accommodation Costs Inflation	The price of accommodation for homelessness is currently inflated and may require additional resources until prices return to normal levels.	60
Insurance cost for NAFC/SSQC	This is a one off cost in 2015-16 until the Tertiary Review has been carried out.	50
Tertiary Education Shortfall	Until the review is complete there is likely to be a Tertiary Education budget shortfall.	300
3 rd Sector Funding Shortfall	Contingency to meet possible 3 rd Sector funding shortfalls in 2015/16.	50
TOTAL CONTINGENCIES		4,346
	Reduction based on risk of events occurring - 17%	(734)
REVISED TOTAL CONTINGENCIES		3,612
Funded by:	Allowance in Medium Term Financial Plan	(2,188)
	Carry Forward from 2014/15 Cost Pressures and Contingency Budget	(1,124)
	Carry Forward from 2014/15 Development Department Budget	(300)
TOTAL FUNDING		(3,612)

Funding

- 5.09 The Scottish Government will provide £86.314m of funding for General Fund services to Shetland Islands Council in 2015-16 which is in line with expectations. This funding represents the Council's General Revenue Grant and the level of income that the Council will receive from the National Non-Domestic Rates Pool.
- 5.10 The Council is freezing Council Tax for the eighth consecutive year so a Band D property will incur an annual charge of £1,053. This means that Shetland Islands Council continues to charge the 4th lowest level of Council tax out of the 32 local authorities in Scotland whilst providing the best funded services. At this rate of taxation it is expected that the Council will generate £8.4m from Council Tax during 2015-16.
- 5.11 The remainder of the funding required to balance the General Fund will come from the Council's reserves. This is budgeted to total £14.925m in 2015-16 (Line 20 in the table at 5.01).

The 2015-16 Harbour Account Budget

6.01 The Proposed budgeted surplus for the Harbour Account as follows:

Line No.	Description	2015-16 £000s
	<i>Expenditure</i>	
1	Ports Management & Engineering	170
2	Sullom Voe	10,328
3	Scalloway	689
4	Terminals	804
5	Other Piers	371
6	Jetties & Spur Booms	2,294
7	TOTAL EXPENDITURE (equals lines 1-6)	14,656
	<i>Income</i>	
9	Harbour Fees & Charges	(15,538)
10	Terminal Charges	(3,206)
11	Jetties & Spur Booms	(2,294)
12	TOTAL EXPENDITURE (equals lines 9-11)	(21,038)
13	TOTAL SURPLUS (equals line 8 plus line 12)	(6,382)
	<i>Surplus to contribute to Reserves</i>	
14	Contribution from the Marine Fund	(138)
15	Contribution to the Reserve Fund	6,520
16	Balanced HA budget (line 13 plus lines 14 and 15)	0

6.02 The terminal operator still requires a 24 Hour, 7 day per week Harbour operation to facilitate tanker movements. From the point of view of the Council, this means that there is a requirement to continue to incur a high level of expenditure to maintain this level of service against reducing tanker numbers and therefore charges have had to increase by 6% to cover these costs.

6.03 This has allowed the Council to budget for the surplus on Harbour activities that it required in the Medium Term Financial Plan (after contributing £1.6m to the Pension Fund to cover the towage pension liability). It is proposed to increase all other charges by 3%. The increase on other charges has been raised by 3% to increase the contribution to the maintenance and future investment in piers/equipment.

- 6.04 The shore based ferry terminal assets have been transferred to Ports and Harbours with a charge for inter-island ferries introduced on a “per berthing” basis. The net income from that charge is £3.206m.
- 6.05 Income from the Total Gas Plant throughput activity is anticipated to be £1.349m over and above the surplus identified in the Harbour Account budget for 2015-16.
- 6.06 The detailed Harbour Account budgetary information which underpins this section of the budget report can be found in the following Budget Proposals Report (including appendices) which was presented to the Harbour Board on 26 November 2014:

Harbour Board
26 November
2014

F-062-F

2015-16 Budget and Charging Proposals Harbour Board
<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=15275>

The 2015-16 Housing Revenue Account Budget

7.01 The 2015-16 Housing Revenue Account budget is set out in the table below:

Line No.	Description	2015-16 £000s
	<i>Expenditure</i>	
1	Supervision & Management	803
2	Repairs & Maintenance	2,474
3	Void Rents & Charges	181
4	Garages	26
5	Capital Funded from Current Revenue	978
6	Capital Charges - Dwellings	1,827
7	TOTAL EXPENDITURE (equals lines 1-6)	6,289
	<i>Income</i>	
8	Interest on Revenue Balances	(4)
9	Rents - Dwellings	(6,526)
10	Rents - Other ie garages/sites etc	(177)
11	TOTAL INCOME (equals lines 8-10)	(6,707)
12	TOTAL SURPLUS (line 7 plus line 11)	(418)
	<i>Surplus to contribute to Reserves</i>	
13	Contribution to Housing Repairs & Renewals Fund (Reserves)	418
14	Balanced HRA budget (line 12 plus line 13)	0

7.02 The objective of the 2015-16 Housing Revenue Account (HRA) budget is to deliver a sustainable position and minimise rent increases for the year. The budget is a one-off stand alone budget whilst the 30 year HRA business plan is under development. It is anticipated that the 2016-17 budget will be prepared in line with the proposals in the 30 year plan.

7.03 The proposal on rents is to remove the disparity in rents between similar properties of the same size and location group as property attributes are no longer valid as a result of stock meeting the Scottish Housing Quality Standards. This will generate an increase in rental income of 0.86%. Properties that are unaffected by these changes will not see an increase in their rents during 2015-16.

7.04 The capital expenditure in the Asset Investment Plan is set at £1.728m in 2015-16. This is a holding position until the 30 year HRA business plan is developed.

7.05 The detailed HRA budgetary information which underpins this section of the budget report can be found in the following Budget Proposals Report (including appendices) which was presented to the Policy and Resources Committee on 26 November 2014:

<p>Policy & Resources Committee 26 November 2014</p>	<p style="text-align: center;">F-068-F 2015-16 Housing Revenue Account Budget and Charging Proposals http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=15275</p>
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The 2015-16 Asset Investment Plan (Capital Programme) Budget

8.01 The 2015-16 Asset Investment Plan Budget is set out in the table below:

Line No.	Description	2015-16 Budget (£000)
1	New Developments	17,143
2	Maintenance of Existing Assets	7,045
3	Spend to Save Projects	70
4	Housing Revenue Account Projects	1,728
5	Contingency	2,500
6	TOTAL EXPENDITURE (equals lines 1-5)	28,486
7	Scottish Government General Capital Grant	(7,363)
8	Other Capital Grants	(981)
9	Capital Receipts (General Fund and HRA)	(1,150)
10	Capital Funded from Current Revenue (GF, Harbour and HRA)	(1,278)
11	Draw on Reserves – Spend to Save	(70)
12	Draw on Reserves – Second Homes Council Tax	(100)
13	TOTAL FUNDING (equals lines 7-12)	(10,942)
14	FUNDING SHORTFALL (equals line 6 plus line 13)	17,544
15	Borrowing for the AHS Replacement	(15,498)
16	Borrowing for the Eric Gray Replacement	(1,620)
17	Borrowing for Ferry Vessel Life Extensions	(426)
18	TOTAL BORROWING (equals lines 15-17)	(17,544)
19	TOTAL FUNDING AND FINANCING (equals line 13 plus line 18)	(28,486)
20	BALANCED CAPITAL PROGRAMME BUDGET (equals line 6 plus line 19)	0

8.02 There are 11 key implications for capital expenditure included within the Medium Term Financial Plan. These were –

1. No growth in the asset base.
2. All capital expenditure is to be focussed on the maintenance of existing assets (exception new Anderson High School and high-speed broadband).

3. Scottish Government Capital Grant will be applied to short life assets.
4. Capital Receipts will be targeted at core capital maintenance costs.
5. Capital Funded from Current Revenue will be used where appropriate to fund low value, shorter life capital expenditure.
6. All other capital expenditure will be financed by borrowing.
7. The services that benefit from the capital asset will be required to make sufficient revenue savings to free up budget to pay debt charges (interest charges and principal repayments of debt) for the borrowing. The only exception to this will be in relation to the New Anderson High School replacement project as this project was agreed prior to the introduction of the borrowing policy.
8. A full business case, including projected future demand and investment appraisal process should be completed before a project can be considered for inclusion on the Asset Investment Plan.
9. All capital projects clearly demonstrate the revenue consequences arising from a capital spending decision to assist Members in understanding the full financial impact.
10. No project will be considered for inclusion on the Asset Investment Plan, and existing projects will be removed, unless they have a robust financial estimate of cost.
11. Focus on selling existing assets that are surplus to requirements to reduce the asset base.

8.03 The proposed capital programme for 2015-16 (as set out in the Asset Investment Plan) adheres to all of these requirements set out in the Medium Term Financial Plan.

8.04 As a result of the Council being successful in securing £31m of external funding for the new Anderson High School and a higher level of capital grants, the 5 year programme can be delivered without requiring significant draws on reserves as previously required.

8.05 However, there is a requirement to borrow £17.544m for the AHS replacement, Eric Gray Resource Centre replacement and Ferry Vessel life extensions. The revenue consequences of which have been built into either the Medium Term Financial Plan or in the 2015-16 service budgets.

Asset Investment Plan 2015-2020

- 8.06 The Asset Investment Plan proposes to spend £94.587m over the next 5 years which represents a significant investment in the Council's infrastructure and this will require borrowing of £21.620m to meet the funding shortfall. The borrowing is required to finance the new Anderson High School, the new Eric Gray Resource Centre and Ferry Vessel Life extensions.
- 8.07 The focus of the Asset Investment Plan over the 5 years is on the maintenance of existing assets rather than the creation of new assets. The main exceptions to this rule are the building of a new Anderson High School and the new Eric Gray Resource Centre.
- 8.08 The detailed Capital Programme (Asset Investment Plan) budgetary information which underpins this section of the budget report can be found in the following Budget Proposals Report (including appendices) which was presented to the Policy & Resources Committee on 26 November 2014:

Policy &
Resources
Committee
26 November
2014

CPS-017-F

Proposed 5 Year Asset Investment Plan 2015-20

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=15275>