

The Highland Council

18 December 2014

Agenda Item	11
Report No	HC/36/14

Revenue Budget and Council Tax 2015/16

Report by Director of Finance

Summary

This report sets out information relating to the revenue budget for 2015/16, to allow the Council to formally agree the revenue budget and council tax for the forthcoming financial year.

The following booklets accompany this report:

- A – Summary of savings proposals
- B – Detailed templates for individual savings proposals (2 part booklet)

1. Introduction

- 1.1 In December 2013 the Council agreed a budget for financial year 2014/15 and commenced a four year budgeting process relating to the financial years 2015/16 to 2018/19. The budget gap identified at that time amounted to £78.6m.
- 1.2 Finance Officers and the Executive Leadership Team reviewed and challenged the assumptions underlying the initial budget gap calculation and in March 2014 the Council re-assessed the budget gap at £62.7m over the 4 year period.
- 1.3 The agreement between COSLA and the Scottish Government to uprate all of the needs based indicators for 2015/16 resulted in a loss of grant funding of £1.016m. This was reported to the Council in June 2014 with a consequential increase in the budget gap to £63.7m.
- 1.4 Through the multi-year budgeting approach, a package of savings has been developed relating to all 4 financial years but with further consideration required for 2016/17 to 2018/19 to achieve a balanced position.
- 1.5 Section 93(3) of the Local Government Finance Act 1992 requires Local Authorities to set a balanced budget each financial year.

2. Local Government Finance Settlement 2015-16

- 2.1 Local Government Finance circular 6/2014 was issued in July 2014 and provided details of the provisional revenue and capital funding allocations for 2015/16. The final allocations will not be confirmed until February 2015. The total for each Council is conditional on agreeing not to increase council tax from 2014/15 levels into financial year 2015/16. Funding of £3.343m would be lost if the Council

decided not to accept this condition. Whilst there is no precedent for any Council not accepting this condition, informal discussions with both COSLA and the Scottish Government Local Finance Division indicate that there is a significant risk that this would be a permanent cut in the Council's grant for future years. This is equivalent to approximately 3% of the current council tax base.

2.2 Funding to Highland Council per the above circular amounts to £439.540m with various funding streams still to be allocated.

2.3 Assumptions have been made, based on the previous year and various individual announcements, to calculate the overall funding position for the Council. The financial settlement for 2015/16 is calculated to total £456.671m as follows:

	2015/16 £m
Revenue Grant Funding from Scottish Government per FC 6/2014	439.540
Add: Council Tax Reduction Scheme	12.125
Council Tax Reduction Scheme Admin	0.223
Social Welfare Fund	0.801
Social Welfare Fund Admin	0.117
Discretionary Housing Payments	1.082
Languages Policy	0.181
Single Fraud Investigation Service	0.007
Free School Meals	2.595
Total Funding Package	456.671

The final allocations will not be announced until later, but it is not anticipated that there will be any material changes.

3. Budget Process for financial year 2015/16

3.1 The budget process began with a report to Council in June 2013, outlining a move from a 3 year to 5 year budget. The report outlined the forecast for financial years 2014/15 to 2018/19 and an initial budget strategy to address the funding gap. At that time the residual budget gap for 2014/15 was £3.6m.

3.2 The Council meeting on the 19th December 2013 approved measures to close the gap for 2014/15 and thus also agreed the budget and council tax levels.

3.3 The projections for 2015/16 to 2018/19 were also provided and a budget gap of £78.6m for the 4 years was identified.

3.4 The Council's Executive Leadership team challenged the assumptions included in the strategy and submitted a report to Council on the 13th March 2014 with a revised gap of £62.7m along with proposals to identify transformational savings in addition to setting percentage savings targets for Services. The agreed timetable stated that between April and November service reviews and assessments, options for service delivery models and stakeholder consultation would be undertaken.

3.5 An update report was presented to the Council in June 2014 identifying financial

year 2015/16 as particularly challenging, which required the frontloading of service savings proposals.

- 3.6 The timetable agreed at the meeting in March has been followed and the results of the reviews, assessments and consultation are presented as savings proposals required to set a balanced budget in 2015/16.

4. Budget Funding for 2015/16

- 4.1 Based upon the grant settlement notified for 2015/16 (section 2), with the assumption of a freeze on council tax, the total funding assumed for the revenue budget is as follows.

	2015/16 £m
General Revenue Grant	323.999
Ring-fenced Revenue Grants (Gaelic)	0.951
Non Domestic Rates Income	131.721
Total Scottish Government Grant Support (see section 2)	456.671
Council Tax Income	113.717
Planned Use of Balances	0.000
Total Revenue Funding	570.388

- 4.2 There is an increase in council tax income which relates to growth in the council tax base as a result of actual and projected increases in the number of properties which will be subject to the tax. The assumed collection rate is 98%, an increase of 0.25% on previous years' assumptions.

- 4.3 The planned use of balances is Nil.

- 4.4 In the event of any subsequent additions or changes to grant funding, these would be reported to Members during the course of the financial year and incorporated into the budget.

5. Roll Forward Budget 2015/16

- 5.1 For each year's budget, consideration needs to be given to any changes or adjustments necessary in the base budget, to meet expected costs and demands in the forthcoming financial year.

- 5.2 After a rigorous challenge to the budget assumptions as stated above, calculations indicated that a package of savings of around £18m would be required to balance the budget for 2015/16.

- 5.3 Listed below are the main budget assumptions relating to the 2015/16 proposed roll forward budget:-

- Pay awards – a provision of 1% was assumed across all pay categories.
- Expenditure inflation – continued cash freeze on all budgets, with any

exceptions (e.g. inflation pressures or contract indices) to be considered as budget pressures. Pressures are discussed later within this report.

- Income inflation – 2% inflationary increase has been assumed across all income headings except for those subject to statutory direction.
- Pay increments – provision for estimated cost of staff pay increments.
- Pensions – provision for employer contribution increases for Local Government pension scheme members resulting from the statutory triennial actuarial valuation. No provision has been made for increased employer contributions for teachers following national discussions with the SPPA.
- Loan charges – an initial increase of £2.500m to fund the expected capital programme spend was included in the assumptions. However this pressure has been reduced to £0.500m in 2015/16 as a one off saving to take account of the continued low interest rate environment and lower than anticipated long term borrowing levels. An on-going saving of £1.064m on loan charges has also been included in the savings proposals.
- Joint Boards – no inflationary provision for the Valuation Joint Board has been included.

5.4 Information on the roll forward budget adjustments is set out on **Annex 1**.

6. Administration Budget Proposals

6.1 Savings

The package of savings proposed for 2015/16 totals **£17.909m**.

6.2 Overall, the package of savings proposals can be summarised as follows.

	2015/16 £m
Finance	1.095
Chief Executive's Office	0.248
Corporate Development	0.960
Development and Infrastructure	1.728
Community Services	3.107
Care and Learning	6.486
Total Service Savings	13.624
Transformation Savings	3.535
Use of Preventative Spend (refer to paragraph 6.7)	0.750
Total Savings	17.909

6.3 The overall savings are summarised in **Booklet A** attached to this report.

6.4 Templates detailing the individual savings proposals are attached to this report in **Booklet B**.

6.5 Growth and Pressures

In relation to growth and pressures, in total a sum of £19.448m is proposed. This package of growth and pressures is categorised into the following elements:

	2015/16 £m
Living Wage increase	0.120
Loan Charges	0.500
Funding Direct to Services	4.828
Preventative Spending Investment	3.000
Budget Pressures – Specific Pressures	8.700
Budget Pressures – NHS Highland Adult Care	2.300
Total	19.448

6.6 The Funding direct to Services of **£4.828m** represents additional Scottish Government funding for specific initiatives, for example Free School meals and the Children and Young People Bill.

6.7 Preventative spending investment proposals of **£3.000m**, includes both one-off and recurring budget provision, to support preventative spending in the following areas:-

- NHS Highland Adult Care £2.000m
- Children's Services £1.000m

As part of the savings proposals only £0.250m will be made available to Children's Services to meet previous agreed new commitments. The remaining £0.750m will be invested to protect frontline services within Children's Services. This will sustain frontline child protection services and the Family Teams, as otherwise these would have been required to be included in the savings proposals.

6.8 The **£8.700m** provided for specific pressures at paragraph 6.5 above can be split into 2 categories. Firstly a range of unavoidable Service and Corporate pressures are provided for at a value of **£2.983m**. Examples of these pressures are: inflationary pressures including energy and fuel prices; contract inflation indexation for PPP; ICT Managed Service; School and Public transport; Out of Authority placements; Care Home Placements and landfill tax increases.

6.9 Specific Budget Pressures also include budget corrections and recurring pressures amounting to **£5.717m** allocated as follows:

	2015/16 £m
School and Public Transport (re-alignment to match current cost)	1.330
Waste (re-alignment to match current tonnage)	0.800
Corporate Development (re-baseline income levels)	0.440
Business Support (delay in achieving savings)	0.684
Schools Office Review (delay in achieving savings)	0.353
Additional Support Needs (recurring pressure)	1.044
Looked after Children (recurring pressure)	1.066
Total	5.717

Where there have been delays in achieving savings these have been revised in terms of future budget savings proposals.

7. Budget Consultation

7.1 Highland Council's Budget Consultation 2014 took place over 2 phases. Phase 1 ran from mid-May to the end of June and involved 14 public consultation events. These conversations, and the feedback received, helped to inform more detailed budget proposals. Phase 2 of the consultation focused on these detailed proposals and was survey based. 9 focus groups were also held with hard to reach/equalities groups.

7.2 The survey structure recognised the challenge in making the level of savings required, and therefore focused upon the impact the proposals may have on individuals/groups but also their views on how the proposals may impact on the wider community. The options available for individuals/groups to express impact were: *A change for the better, May be a helpful change, Would make no difference, A change that could be coped with and Could cause some difficulty*. Concerns have been noted from some respondents during the consultation process that the final option *Could cause some difficulty* was not strong enough to register the level of concern felt by some individuals and groups.

7.3 Feedback

The survey was sent to the Citizens' Panel, Communities Panel and was also available online. It is important to note that the feedback from the Citizens' Panel can be considered representative of the population. Feedback can be summarised as follows:

- Citizens' Panel – 1,234. This level of response provides good confidence levels for analysis.
- Communities Panel – 193 community groups responded including 67 Parent Councils and 63 Community Councils.
- Website survey – 4,601 completed the online survey.
- 4 Petitions received – 2 on protecting education, 1 on maintaining the grant to Mallaig Swimming Pool, 1 on protecting music tuition.
- General comments – a series of additional comments were also submitted. Some were general comments on the consultation; others about the proposals relating to specific organisations/facilities. A separate submission

was made by the *Highland Third Sector Interface* who undertook its own consultation on behalf of the sector. These additional comments have been included within the analysis of either the Communities Panel or Website survey depending on whether the submission was from a Community group or individual.

- 7.4 Feedback to the consultation is included within each of the Budget Templates where appropriate and the full reports for each survey and also feedback from the focus groups undertaken can be accessed at the following link: www.highland.gov.uk/budgetconsultation. A short summary of the survey responses can also be found at **Annex 3**.
- 7.5 *Analysis*
Respondents across all three surveys distinguished between the impact the proposals could have upon them as an individual/their organisation and the potential impact this could have on the wider community. With a few exceptions, all indicated that the impact was likely to be greater on the wider community than on them as an individual or their organisation.
- 7.6 Groups responding to the Communities Panel survey and individuals to the website survey were more likely to indicate that proposals *Could cause some difficulty* to individuals or their group and the wider community than those Citizens' Panel members responding. The exception to this was around the proposals on increasing charges and public toilets where groups ranked this lower. In only 2 proposals – winter maintenance on 'other' routes and further reductions to High Life Highland/Inverness Leisure funding – did the majority of Citizens' Panel respondents indicate that the proposal *Could cause some difficulty* to them or their family.
- 7.7 Across all three surveys, respondents expressed that the proposals relating to third sector funding (further reductions to High Life Highland and Inverness Leisure, further reductions or removal of the ward discretionary budget), winter gritting and education (further reductions to secondary staffing, length of the pupil day) – *Could cause some difficulty* to them/their group and the wider community. These proposals ranked amongst the highest across all surveys for *Could cause some difficulty*.
- 7.8 Whilst there were similarities between the respondents to each survey on certain proposals which were perceived *Could cause some difficulty*, there were also differences of opinion. Citizens' Panel respondents were more likely to express that the proposals around charging – burial charges above the Scottish average, 24 hour and Sunday car parking – and potentially closing some public toilets *Could cause some difficulty*. These proposals ranked amongst the highest for *Could cause some concern* for Panel Member but not for Community groups or other respondents.
- 7.9 There were few differences in responses between respondents living in the Inner Moray Firth and Rural/Remote parts of Highland in terms of impact. There were also few differences in terms of views on impact between those individuals reporting a disability and those without. This was true for both the Citizens' Panel

and Website surveys. In general, families with school aged children and Parent Councils were more likely to indicate a greater impact regarding the education proposals.

7.10 Given the feedback received, the following proposals will not be progressed for the 2015/16 budget :

- Additional reductions in funding to High Life Highland and Inverness Leisure over and above a reduction of 4% in 2015/16 and 1% in each of the following three years (saving £0.9m)
- Further proposed reductions, on top of the 3% per annum reduction, or removal of the Ward Discretionary Budget (saving up to £1.032m)
- Primary Education – Changing time spent in class (saving up to £3.2m)

Time is required to fully assess the comments received, assess the implications of these proposals, and hold further consultations at a local and national level.

7.11 Section 10 of this report highlights a range of financial risks to the balanced budget position for 2015/16, and Section 12 of this report highlights that a residual gap of £13.2m exists over the period 2016/17 – 2018/19. The issues highlighted in Paragraph 7.10 above will influence future budget discussions and action taken to address the medium term budget position.

8. Proposed Budget 2015/16

8.1 Based upon the information set out within this report, the proposed budget for 2015/16 would be as follows.

	£m
Base budget for 2015/16	564.706
Add: Roll Forward Adjustments (Annex 1)	4.143
Add: Growth & Pressures 15/16 Provision (section 6)	19.448
Less: Budget Savings (section 6)	(17.909)
Proposed Budget for 2015/16	570.388

8.2 The budget would be funded as set out in section 4.

8.3 The budget analysed by Service, would be as follows:-

	2015/16 Proposed Budget £m
Finance	27.322
Chief Executives Office	6.671
Corporate Development	15.574
Development and Infrastructure	10.855
Community Services	58.753
Care and Learning	387.788
Service Total	506.963

Service Total (b/fwd from previous page)	506.963
Joint Boards –Valuation	2.380
Loan Charges	57.171
Interest on Revenue Balances	-0.180
Non Domestic Rate Reliefs	0.606
Affordable Housing contribution from council tax	2.600
Agreed pressures and savings held centrally pending allocation to Services	0.848
Total Proposed Budget 2015/16	570.388

8.4 The proposed budget would represent a balanced budget for the year, and would provide for the condition related to the grant settlement as set out in section 2.1.

9. Council Tax 2015/16

9.1 As stated earlier, the proposed budget is based upon an assumed further year of council tax freeze. As a result, the council tax assumed for 2015/16 band D remains at £1,163. If agreed, this would be the 8th year council tax has been frozen at 2007/08 levels.

9.2 The proposed tax for each council tax band is as shown below.

Band	Tax	Band	Tax
Band A	£775.33	Band E	£1,421.44
Band B	£904.56	Band F	£1,679.89
Band C	£1,033.78	Band G	£1,938.33
Band D	£1,163.00	Band H	£2,326.00

9.3 As stated earlier within this report, overall council tax income has been assumed to increase as a result of the actual and projected increase in council tax base. A collection rate of 98% is assumed.

10. Risks and Assumptions

10.1 The setting of the budget involves a range of assumptions being made, and inevitably there will be a number of risks and factors that need to be considered in the context of the budget. The following section sets out the keys risks and assumptions to be highlighted to Members. As highlighted in the next section, the Council has a reserves and balances strategy to help mitigate the adverse effect of any budget issues that may arise during the course of the year.

- Pay Inflation – 1% (equivalent to £3.117m) has been included as an uplift to current pay rates, however the impact of a settlement in excess of the provision would be extremely challenging.
- Non pay inflation – The proposed budget will represent the 6th year the Council has held a cash freeze on non staff expenditure budgets. While certain budgets have been provided pressure funding where a significant inflationary impact or contract indices have been identified, the majority of

budgets will have remained frozen over that time.

- Delivering Savings – The implementation and delivery of a package of savings totalling £17.909m for 2015/16 represents a significant challenge for the Council both in scale and timing. A mechanism for monitoring the delivery of savings will be developed and reported to the appropriate committee.
- Costs of implementing savings – The Council has established a Strategic Change and Development Fund in earmarked balances. This fund is available to assist the Council in meeting costs associated with implementing change. However commitments on the fund have reduced the available balance to £1.1m resulting in less flexibility to invest in change.
- 2014/15 Estimated Out-turn – At the time of preparing this report, Service Budget monitoring for 2014/15 projects a £0.890m net Service overspend, with savings in loan charges producing an overall net underspend of £0.467m. Loan charge savings have been assumed in future years' budgets, therefore it is essential that services manage their budget within the resources allocated. However most of the reasons for the current year overspend have been addressed through the budget additions for pressures at paragraph 6.9.
- National Insurance Employer Contributions - On 1st April 2016 a change to the pension regulations means that contracted out schemes like the Local Government Pension Scheme will no longer benefit from reduced National Insurance Employer contributions. The potential cost to the Council amounts to around £5m. No provision has been made for the increased cost as it is assumed additional funding will be made available to Local Authorities. Should this cost not be fully funded then a significant budget pressure will arise.
- Teachers' pensions – No provision has been made in respect of increases in Employers contributions to Teachers pension based on information previously received. However at a recent meeting between COSLA, Scottish Government and SPPA officials the possibility of 2.3% increase from September 2015 was raised. Without funding to mitigate this increase a full year pressure of £2.148m would require to be met by the Council.
- Holiday pay - Recent case law will oblige the Council to reconsider the elements of pay which require to be include when calculating holiday pay. A potential annual cost of £0.630m is estimated with a consequent impact on balances depending on the agreement on back pay. Savings proposals contained within this report include options to reduce levels of overtime which will mitigate this impact.
- Capital programme – The reprofiling of the capital programme may increase the borrowing requirement resulting in additional loan charges from 2016/17 onwards.
- ICT Re-provision – The Council requires to procure ICT services over the next 18 months following termination of existing contracts. Whilst every attempt will be made to procure contracts within existing budgets, the scale of this exercise and the variety of contracts awarded means that there is a risk of increased cost and significant financial uncertainty at this stage.

11. Reserves and Balances Strategy

- 11.1 In setting its budget for the year, the Council must give consideration to its reserves and balances strategy, and the adequacy of the sums held, particularly in relation to providing a contingency against unplanned events.
- 11.2 **Annex 2** sets out details of all reserves and balances held by the Council, their purpose, and projected balance as at 31st March 2015, the end of the current financial year.
- 11.3 Included within this annex are a range of earmarked and statutory reserves and balances, the stated purposes of which are as set out.
- 11.4 The General Fund Non-Earmarked Revenue Balance, which represents the Council's contingency balance against unplanned events, is forecast to stand at **£14.851m** as at 31/3/2015. This forecast is based upon current budget monitoring and could alter before the year end. This is equivalent to 2.58% of the Council's revenue budget, and if achieved, would therefore meet the 2.5% target that is considered an adequate contingency for the Council in light of identified and potential risks.

12. Budget Planning for 2016/17 and Beyond

- 12.1 Firm grant settlements for the years 2016/17, 2017/18 and 2018/19 are not available but it is assumed in this paper that they will follow the recent trend of broadly 'flat cash' year on year. This funding position must be considered against the backdrop of inflationary pressures.
- 12.2 Flat cash settlements represent further years of real-term decline in the Council's funding.
- 12.3 The Council has a multi-year budget approach and has commenced the process of identifying savings proposals for 2016/17-2018/19 as part of a strategy to move to a five year budget commencing 2014/15. These proposals amount to £25.0m, however at this stage a residual budget gap of £13.2m remains which will require to be considered during 2015/16. A summary of the current position is shown below with more detail of the savings proposals provided in **Booklet A**. The estimated total resources for 2016/17 include the use of balances amounting to £0.467m. This sum arises from the current estimated surplus for 2014/15 which it is proposed will be earmarked and carried forward for use in 2016/17.

	2016/17 £m	2017/18 £m	2018/19 £m
Estimated Roll Forward Budget	582.967	581.820	581.583
Estimated Preventative spend	3.000	3.000	3.000
Savings Proposals	(9.935)	(6.113)	(8.912)
Estimated Budget Total	576.032	578.707	575.671
Estimated Total Resources	571.799	572.284	573.126
Estimated Budget Gap	4.233	6.423	2.545

- 12.4 At present it is assumed that the council tax freeze will continue in 2016/17 as this budget will be set before the end of the current Scottish parliamentary term. The Scottish Government has a commitment to continue the council tax freeze until then. The Government has also indicated a wish to review the current tax system with a view to bringing forward proposals.
- 12.5 At this stage it is difficult to anticipate future decisions, but it may be possible to finance the Estimated Budget Gap after 2016/17 through additional income rather than further reductions in service budgets. Future budget deliberations will also consider the items listed at paragraph 7.10.

13. Implications

- 13.1 Resource Implications – Are as detailed in this report. In total the revenue budget for 2015/16 would be set at £570.388m.
- 13.2 Staffing Implications – Estimated staff reductions as a result of the savings proposals are detailed in **Booklet A** and total 132.2 FTE for 2015/16. The process of managing this staffing reduction will be in line with the Council's Redundancy and Redeployment Policy. The Council is currently proactively managing its vacancies to ensure that posts, which become vacant through the natural turnover of staff and are suitable for redeployment, are identified and held for that purpose in the first instance. The impact on staff will be minimised by firstly seeking redeployment opportunities within the Council. Voluntary redundancies or early retirements will only be used as a last resort and where no reasonable redeployment opportunity exists.
- 13.3 Trade unions were provided with the copy of the budget proposals in mid-October and there has been three meetings between the Executive Leadership Team and staff-side representatives since then to discuss the proposals and to provide the opportunity for staff-side to engage in the budget planning process. Directors have also been engaging with staff directly affected by the proposals.
- 13.4 Legal Implications - No specific legal implications are identified in relation to the proposals within this report.
- 13.5 Climate Change/Carbon Clever Implications – Budget proposals can have positive or negative impacts in relation to climate change. The screening process will be continued as part of the process of implementing the agreed saving proposals, and any new impacts identified relating to new or revised proposals.
- 13.6 Equality Implications – The Council is committed to equal opportunities in all our activities. Under the Equality Act 2010, public authorities are required to show due regard to the elimination of discrimination, the advancement of equality of opportunity and the fostering of good relations (the general duty) on the grounds of age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex, and sexual orientation. The protected characteristic of marriage and civil partnership is covered by the elimination of discrimination duty only. Equality Impact Assessments (EQIA) have been carried out to ensure that equalities have been considered in all budget decision making.

- 13.7 An equality impact assessment is a pro-active step to ensure wherever possible preventative measures are taken to avoid discrimination or unfairness on any equality grounds before it occurs. As part of the budget process a screening assessment was undertaken to identify if any of the proposed savings could result in less favourable treatment of equality groups, and whether a full EQIA should be carried out on any proposal. Details of EQIAs are contained within Booklet B.
- 13.8 Rural Implications – Full consideration was given to Rural implications when savings proposals were being assessed and are contained within Booklet B.
- 13.9 Risk Implications – The Council must set a balanced budget and the recommendations from this report will achieve that in 2015/16. The main risks and assumptions are set out in paragraph 10.1.

Recommendations

Members are asked to consider this report and:-

- (a) agree a council tax freeze for 2015/16, with the council tax at band D for the year being **£1,163**;
- (b) agree the saving proposals highlighted in Booklet A;
- (c) agree the revenue budget for 2015/16 of **£570.388m**;
- (d) agree to accept the Scottish Government settlement package in respect of the council tax freeze;
- (e) note the initial budget outlook for years 2016/17, 2017/18 and 2018/19;
- (f) note the reserves and balances strategy as set out in Annex 2.

Designation: Director of Finance

Date: December 2014

Author: David Robertson, Head of Corporate Finance

Background Papers: Local Government Finance Circular No 6/2014

Roll Forward Budget Adjustments

		2015/16	
<i>Inflation, Increments & Pensions:</i>			
Pay Awards	Teachers	1.197	
	Other Staff	1.920	
Inflation	Other Costs	Nil	
	Income - Fees & Charges	-0.690	
	Income - Recharges	-0.784	
	Income - Other Income	0.000	
Increments	Teachers	0.825	
	Other Staff	0.820	
Pension Increases	Teachers	Nil	
	Other Staff	0.855	4.143
Joint Board Requisition Increases/Decreases:			
-	Valuation	Nil	Nil
Total Roll Forward Budget Adjustments			4.143

Reserves and Balances Strategy

	Projected Balance as at 31/03/2015 £m
General Fund	
	14.851
Non-earmarked balances	
Earmarked Balances	
Devolved School Management	1.829
Strategic Change and Development Fund	1.088
Central Energy Efficiency	0.730
Business Rates Incentivisation Scheme	1.306
IT Investment	1.397
IRA Gaelic Extension	0.152
Winter Maintenance	1.000
Welfare Issues	1.134
Community Challenge Fund	1.005
Employability Services	0.400
Learning & Teaching	0.029
ECS Take Pride, Take Part	0.100
Low Carbon Street Lighting	0.104
Commonwealth Games Legacy	0.125
Planning Projects	0.311
H&SC Commissioned Child Health	0.188
	10.898
Total General Fund	25.749
Housing Revenue Account (HRA)	7.328
Fund Balances	
Renewal & Repair Fund	1.699
Capital Fund	34.303
Insurance Fund	2.800
Usable Capital Receipts Reserve	1.855
Total	40.657

Purpose of Balances

- **General Fund Revenue Balances – Non Earmarked**
 - A general contingency held by the Council to provide balances to deal with unforeseen and unplanned events e.g. pay or inflationary pressures, interest rate rises, demand led service pressures, extreme weather events, or other unplanned expenditure. The policy position is that a sum equivalent to 2.5% of the Council's revenue budget is the target level to be held to provide a general contingency.

- **General Fund revenue Balances – Earmarked**
 - **Devolved School Management:** An earmarked balance held by schools to provide year end budget flexibility and carry forward between years. The scheme is in line with National requirements for devolved school budgets. Decisions on use of earmarked DSM balances are delegated to Head Teachers.
 - **Strategic Change and Development Fund:** An earmarked balance to provide funding for meeting costs associated with implementing change within the Council.
 - **Central Energy Efficiency Fund:** The earmarked balance represents a 'revolving' fund which was originally established from Scottish Executive grant. In line with grant terms and conditions, savings from energy investment projects have been fed back to allow the funding to continue year on year. The fund supports projects to deliver on Council and Scottish Government targets relating to energy efficiency and carbon reduction.
 - **Business Rates Incentivisation Scheme:** By exceeding the target set by Scottish Government for Non Domestic Rates Collection in 2012/13 an earmarked balance has been created from the surplus retained in accordance with the scheme.
 - **IT Investment:** The purpose of the ICT investment earmarked balance is to provide funding for essential corporate ICT infrastructure improvements. The sources of funds are both internal and external, and include Scottish Executive Modernising Government Fund.
 - **IRA Gaelic extension:** An earmarked balance to provide investment in the provision of Gaelic at the IRA.
 - **Winter Maintenance Fund:** An earmarked balance to provide a contingency for extreme weather events.
 - **Welfare Issues:** An earmarked balance to mitigate the adverse impact on welfare budgets as a result of their demand led nature.
 - **Community Challenge Fund:** An earmarked balance to help fund Community Groups to deliver Council services in their area
 - **Grant and Match Funding:** The remainder of the earmarked balances provide match funding for projects in receipt of external funding or manage the timing differences over financial years when projects don't complete within one fiscal year

- **Housing Revenue Account (HRA)**
 - The Council decides annually the application of HRA balances to housing activities.

- **Repair & Renewal Fund**
 - This statutory fund holds commuted sums received from developers, representing payment to the Council for the Council to adopt land and undertake responsibility for ground maintenance. Interest earned on the fund balance is credited to the revenue account each year to support ground maintenance expenditure. The fund is held to meet the Council's adopted land responsibilities, and relates also to legal agreements entered into with developers. As such, the fund is not available to utilise for other purposes.

- **Capital Fund**
 - **Capital Fund (a) Developer Contributions:** This statutory fund holds contributions received from developers, under Section 75 or other planning agreements. Funds held are used to fulfil infrastructure or community enhancements in line with the developer contribution.
 - **Capital Fund (b) Landbanking Fund:** This statutory fund is used to support affordable housing investment within the Highlands. The fund is used to acquire land, provide infrastructure investment, and provide loans to partner housing organisations including housing associations and The Highland Housing Alliance. Income from repayment of loans and sale of land to housing associations is used to replenish the fund. The only use of the fund is for affordable housing support.

- **Insurance Fund**
 - This statutory reserve is used to meet insurance costs and risks.

- **Usable Capital Receipts Reserve**
 - This reserve represents capital receipts generated from the sale of assets but not yet applied to support the funding of capital projects

BUDGET CONSULTATION 2014 – PHASE 2

SURVEY CONSULTATION SUMMARY

The following summary is a short comparator of the results of the Budget Consultation 2014 survey undertaken with:

- Citizens' Panel Survey
- Communities Panel Survey
- Website Survey

The full results of each can be accessed at www.highland.gov.uk/budgetconsultation

Citizens' Panel Survey

This survey can be said to be representative of the views of the Highland population.

Respondents clearly distinguished between the impact the proposals could have upon them as an individual and their family and the perceived impact upon the wider community.

Across all questions (with the exception of verge cutting), respondents were more likely to indicate that the impact of the proposal **could cause some difficulty** to the wider community than on them and their family.

Less than 10% of all respondents reported that the impact of each proposal **would make no difference** to the wider community however this was a common response when considering the impact upon them as an individual.

Proposals which generated the highest response for **could cause some difficulty**, to you and your family:

- Gritting – focus on primary and secondary routes first 55.4%
- Further reducing funding to High Life Highland and Inverness Leisure 51.3%
- Borrowing to fund infrastructure 44.7%
- Closing some public toilets 43.8%
- Removing the ward discretionary budget 42.6%
- Extend car parking charges to 24 hours 7 days a week 40.1%
- Charging above the Scottish average for burials, lairs and cremations 39.8%
- Reducing secondary staffing by a further 1% 39.8%

Proposals which generated the highest response for **could cause some difficulty**: to the wider community:

- Removing the ward discretionary budget 73%
- Reducing secondary staffing by a further 1% 73%
- Gritting – focus on primary and secondary routes first 70.9%
- Further reducing funding to High Life Highland and Inverness Leisure 69.1%
- Charging above the Scottish average for burials, lairs and cremations 66.2%

- Borrowing to fund infrastructure 61.7%
- Reducing spend of ICT 59.4%
- Closing some public toilets 59%

There were a number of the proposals that did not appear to cause concern to Panel respondents:

- 42% of respondents noted that the proposal to *recruit and train our own staff* would be **a change for the better** or **may be a helpful change** to them and their family. A further 39% also said this proposal **would make no difference** to them.
- 39% of respondents reported that the proposal to *cut road verges only for road safety reasons* would be **a change for the better** or **may be a helpful change** to them and their family.
- 31% of Panel respondents indicated that the proposal to *introduce distance learning for secondary education* would be **a change for the better** or **may be a helpful change** to them and their family. A further 47% noted that it **would make no difference** to them.
- Over half of respondents noted that the proposals around *Further reductions in the number of schools, Reducing the number of childcare centres, Reducing the number of schools, Music Tuition, Targeting Employability services and How we provide school meals* **would make no difference** to them or their family.

In terms of the proposals that would cause least impact to the wider community:

- 70% of respondents noted that the proposal to *recruit and train our own staff* would be **a change for the better** or **may be a helpful change** to the wider community.
- 63% of Panel members reported that the proposal to *introduce distance learning for secondary education* would be **a change for the better** or **may be a helpful change** to the wider community.
- 48% indicated that the proposal to *target employability services* would be **a change for the better** or **may be a helpful change** to the wider community.
- 42% reported that the proposal to *cut road verges only for road safety reasons* would be **a change for the better** or **may be a helpful change** to the wider community.

Impact on different groups

- There were few differences in responses between respondents living in the Inner Moray Firth area and other Rural/Remote parts of Highland in terms of views on impact.
- There were few differences in the responses between those indicating they had a disability and those without.
- Families with school aged children were more likely to indicate a greater impact regarding the proposals around education.

Comparison with the Communities Panel

As with the Citizens' Panel survey, groups clearly distinguished between the impact the proposals could have upon their group and the perceived impact upon the wider community.

Groups responding to the Communities Panel survey were more likely to indicate the proposals **could cause some difficulty** to their group and also the wider community than the individuals responding to the Citizens' Panel survey. This was true across the majority of questions with the exception of the ones on increasing charges and public toilets.

When considering the impact upon an individual or group/organisation, the proposals which caused the most concern – **could cause some difficulty** – also differed between the two surveys.

- *Removing the Ward Discretionary Budget* and *Further reducing the Ward Discretionary Budget* rated the highest in the Communities Panel survey for **could cause some difficulty** with 76% and 67% respectively reporting this as a concern. This compares with the Citizens' Panel results where only 42.6% and 29.9% indicated that this **could cause some difficulty**.
- *Winter Gritting* (Primary and Secondary routes) received the highest ranking for **could cause some difficulty** in the Citizens' Panel survey but was ranked 4th in the Communities Panel survey although 58% of groups believed this **could cause some difficulty** compared with 55.4% of Citizens' Panel respondents.
- The majority of groups in the Communities Panel survey also reported that the proposals for *Reprioritising Grants for Arts, Sports and Culture* and *Reducing the Ward Discretionary Budget* **could cause some difficulty**. However only 29.6% and 22.5% of respondents respectively reported this in the Citizens' Panel survey.
- The proposals related to *education* – further reductions in secondary staffing and length of the pupil day - also rated higher for **could cause some difficulty** amongst the Communities Panel compared with the Citizens' Panel.
- Citizens' Panel respondents however were more likely to note that the proposals relating to *charging* **could cause some difficulty**, than those responding to the Communities Panel.

When considering the potential impact on the wider community, the proposals causing greatest concern amongst the Communities Panel were around funding to third sector groups, High Life Highland and Inverness Leisure, the Ward Discretionary Budget and the education proposals around secondary staffing and the pupil day. The *Highland Third Sector Interface* expressed strong concerns in their submission

There were a number of proposals that groups indicated would not cause difficulty to their group:

- Over half of groups noted that the proposals around charging – *all car park charges, burial and cremation charges* –, *reducing recycling centre hours* and *closing plant nurseries* **would make no difference** to their group.

- As with the Citizens' Panel, over half also indicated that *targeting employability services* **would make no difference** to their group.

In terms of the proposals that would cause least impact on the wider community, groups noted that the proposals relating to *recruiting and training staff* (52%), *distance learning for secondary education* (41%) and *targeting employability services* (39%) could be **a change for the better** or **may be a helpful change**. This was the same as respondents to the Citizens' Panel.

Impact on different groups

Parent Councils were more likely than other community groups to indicate a proposal **could cause some difficulty** to their group around the education proposals but also around funding High Life Highland, Inverness Leisure and also Eden Court.

Community Councils were more likely to indicate the proposals relating to public toilets and reductions in the ward discretionary budget proposals **could cause some difficulty** to their group.

Comparison with the Website Survey

As with the other 2 surveys, those responding to the website survey were more likely to indicate each proposal **could cause some difficulty** for the wider community than for them as an individual.

Across all questions, those responding to the website survey were more likely to indicate **could cause some difficulty** than those responding to the Citizens' Panel survey. A majority of respondents to the website survey indicated that 8 of the proposals **could cause some difficulty** to them compared to a majority for only 2 of the proposals amongst people responding to the Citizen's Panel survey. The levels of **could cause some difficulty** were similar to those from groups responding to the Communities Panel survey.

When considering the proposals that **could cause some difficulty**, individuals responding to the website survey had similar concerns to the groups responding to the Communities Panel survey. The proposals that received the highest ranking, both for the impact on individuals and the wider community, were around third sector funding – *Ward Discretionary Grants, Funding High Life Highland and Inverness Leisure, Reprioritising Arts, Sports and Culture funding* – and the education proposals on *secondary staffing* and the *pupil day*. Individuals from the Citizens' Panel were more likely to express concern around charging, borrowing and public toilets.

There were some proposals that prompted a generally positive response from respondents to the website survey. As with the Citizens' Panel and Communities panel surveys, 67% of respondents indicated that *targeting employability services* would be **a change for the better**, **may be a helpful change** or **would make no difference** to them and their family. Similarly, the majority of respondents chose one of these three responses for the below proposals when referring to the impact on them and their families:

- Recruit and train staff ourselves (65%)
- Reducing the number of childcare centres (58%)
- Charge for evening and weekend parking at Glenurquhart Road (57%)
- Changing flower bed maintenance and closing nurseries (53%)
- Distance learning for secondary education (52%)
- Review how school meals are provided (50%)

It should be noted that respondents were more likely to indicate that the above proposals **would make no difference** than to say they would be **a change for the better** or **may be a helpful change**.

When considering the impact on the wider community, 55% of respondents indicated that *recruiting and training staff* ourselves would be **a change for the better, may be a helpful change** or **would make no difference**. 36% of respondents said that *distance learning for secondary schools* **may be a helpful change** or **a change for the better** and 38% that *targeting employability services* **may be a helpful change** or **a change for the better**.

Impact on different groups

Not everyone responding to the website survey completed the profile information, so it is not possible to fully understand any differential views between groups responding in the same way as we can for the Citizens' Panel survey. However, from the information available:

- Council tenants were more likely to indicate concern about proposals to increase charges and to review the number of schools and childcare centres in communities.
- Families with children and younger people were more likely to indicate a greater impact regarding education proposals.
- There were few differences in views of the impacts of proposals between people with and without a disability, or between people living in the Inner Moray Firth area and other Rural/ Remote areas in Highland.

Comparison across the 3 surveys ranking proposals by could cause some difficulty

Citizens' Panel Survey		Communities Panel Survey		Website Survey	
Individual	Wider Community	Group	Wider Community	Individual	Wider Community
Winter Gritting – primary and secondary routes 55.4%	Removing the Ward Discretionary Budget 73%	Removing the Ward Discretionary Budget 76%	Removing the Ward Discretionary Budget 90%	Further reduce funding to HLH and Inverness Leisure 67%	Further reduce secondary staffing by 1% 80%
Further reduce funding to HLH and Inverness Leisure 51.3%	Reducing secondary staffing by a further 1% 73%	Further reduce the Ward Discretionary Budget 67%	Further reduce secondary staffing by 1% 83%	Further reduce secondary staffing by 1% 64%	Further reduce funding to HLH and Inverness Leisure 77%
Borrowing to fund infrastructure 44.7%	Winter Gritting – primary and secondary routes 70.9%	Further reduce funding to HLH and Inverness Leisure 61%	Further reduce the Ward Discretionary Budget 81%	Winter Gritting – primary and secondary routes 61%	Winter Gritting – primary and secondary routes 73%
Closing some public toilets 43.8%	Further reduce funding to HLH and Inverness Leisure 69.1%	Winter Gritting – primary and secondary routes 58%	Further reduce funding to HLH and Inverness Leisure 74%	Funding to HLH, Inverness Leisure and Eden Court 58%	Removing the Ward Discretionary Budget 73%
Removing the Ward Discretionary Budget 42.6%	Charging above the Scottish average for burials, lairs and cremations 66.2%	Reprioritising grants to Arts, Sports and Culture groups 54%	Reprioritising grants to Arts, Sports and Culture 70%	Reducing spend on ICT 55%	Reducing secondary staffing by 1% 67%
Extend car parking charges to 24 hours 7 days a week 40.1%	Borrowing to fund infrastructure 61.7%	Reducing the Ward Discretionary Budget 54%	Winter Gritting – primary and secondary routes 69%	Reducing secondary staffing by 1% 54%	Reprioritising grants to Arts, Sports and Culture 66%
Charging above the Scottish average for burials, lairs and cremations 39.8%	Reducing spend on ICT 59.4%	Further reducing secondary staffing by 1% 52%	Charging above the Scottish average for burials, lairs and cremations 68%	Reprioritising grants to Arts, Sports and Culture 52%	Reducing spend on ICT 66%
Reducing secondary staffing by a further 1% 39.8%	Closing some public toilets 59%	Reducing spend on ICT 52%	Reducing spend on ICT 67%	Removing the Ward Discretionary Budget 52%	Funding to HLH, Inverness Leisure and Eden Court 66%
Funding to HLH, Inverness Leisure and Eden Court 39.2%	Further reducing the ward discretionary budget 57.8%	Primary education changing time spent in class 46%	Reducing secondary staffing by 1% 66%	Primary education changing time spent in class 49%	Primary education changing time spent in class 63%
Introduce car parking charges on a Sunday 35.2%	Extend car parking charges to 24 hours 7 days a week 56%		Primary education changing time spent in class 66%	Borrowing to fund infrastructure 47%	Further reduce the Ward Discretionary Budget 61%