

The Highland Council
Resources Committee – 24 February 2016

Agenda Item	4(b)
Report No	RES/02/16

Service Savings for 2015/16 – Quarter 3 Progress Report

Report by Director of Finance

Summary

This report provides an overview of progress made by Services on agreed savings proposals for 2015/16.

1. Background

- 1.1 The Council agreed a range of savings measures at its meeting on 18 December 2014. The savings agreed have been removed from Service budgets and therefore Services require to achieve savings targets to ensure a balanced Service budget for financial year 2015/16. Where a savings proposal is unlikely to be achieved within the financial year Services are required to identify alternatives.
- 1.2 At any point in time a range of assumptions are made about the scale of potential savings, work required to deliver, and associated risks. In reality there will always be some difference between estimate and actual, and this needs to be monitored and the implications assessed.

2. Service Savings Proposals

- 2.1 The report presented to Council in December 2014 contained a Service savings target of £13.624m.

Amendments to the following savings proposals were agreed at the meeting:

Removed	- Rangers Service	£0.048m
	- Fostering and Adoption	£0.003m
	- Catering Food Specification	£0.123m
Deferred	- Waste Management Social Enterprises	£0.050m
	- Reduced Secondary staffing allocation	£0.400m
Total		£0.624m
Additional - Members' Budget (Voluntary Charging)		£0.015m
Total		£0.609m

To balance the budget, £0.500m was met by a one-off reduction in the level of the Community Challenge Fund, a one-off contribution of £0.050m from the Strategic Change and Development Fund and an increase of £0.059m to the Loan Charge savings target contained in the Transformational Saving list.

A further change to the savings proposals was made at the Council meeting on 25 June 2015 when the saving of **£0.120m** to Winter Maintenance was reversed.

The Service savings target is now as follows:	£m
Original Target	13.624
Proposals removed and deferred	(0.744)
Additional Proposals	0.015
Total	12.895

- 2.2 The assessment of the Service Savings proposals at Annex 1 shows that £10.316m (80%) is ranked Green, £0.030m Yellow, £1.812m Amber and £0.737m Red.
- 2.3 It is anticipated that of the savings ranked Red, Amber and Yellow, £0.686m, will be partially achieved, the detail on these savings is provided at Annex 2.
- 2.4 Services have identified alternative measures amounting to £1.879m to mitigate the impact of the savings currently ranked Red, Amber and Yellow. The detail of these alternative measures is attached at Annex 3.
- 2.5 The alternative savings are short term and only mitigate the impact of non delivery of the savings in this financial year. In future years these same savings or long term alternative proposals will be required.

3. Conclusions

- 3.1 At quarter 3, Services are making good progress in their efforts to achieve their savings targets and where proposals look unlikely to be realised alternatives have been identified. A shortfall of £0.014m is currently anticipated and efforts will continue throughout the financial year to balance the budget.
- 3.2 There are clearly a number of financial challenges in delivering a balanced budget. Whilst the original savings were (in some cases) ambitious they represented best estimates at the time of what could be achieved in the timescale.
- 3.3 The Care and Learning Service has the largest share of the Yellow, Amber and Red categories. However the Service continues to manage all budget lines proactively and will do all it can to ensure a positive outcome. One of the techniques used, as in previous years, is to manage vacancies when they arise to deliver savings in the current year. This is being done successfully,

and is an important management tool, albeit the material impact on service delivery needs to be closely monitored to ensure standards and safe services. Whilst the current savings attributable to vacancy management is in excess of £1m this represents a small proportion of the overall staffing budget.

4. Implications

4.1 Resource implications are contained within this report.

4.2 There are no legal, equalities, climate change/Carbon Clever, risk, Gaelic or rural implications arising as a direct result of this report.

Recommendation

The Committee is asked to note the progress made by Services towards their savings targets at Quarter 3.

Designation: Director of Finance

Date: 2 February 2016

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Background Papers: Revenue Budget and Council Tax 2015/16

2015/16 Savings Monitoring - Quarter 3

Service	2015/16 Agreed Budget Savings £m	Green £m	Yellow £m	Amber £m	Red £m	Total £m	Projected 2015/16 Savings - Green Proposals £m	Projected 2015/16 Savings - Red, Amber & Yellow Proposals £m	Projected 2015/16 Savings from Alternative Measures £m	Total Projected 2014/15 Savings £m	2014/15 Surplus/ (Shortfall) Against Agreed Budget Savings £m	Staff Impact	
												2014/15 Staff Impact per Agreed Savings Proposal FTE	2014/15 Projected Staff Impact FTE
Care & Learning	5.960	3.788	0.030	1.472	0.670	5.960	3.788	0.350	1.822	5.960	0.000	35.5	17.3
Chief Executive's Office	0.263	0.228	0.000	0.035	0.000	0.263	0.228	0.021	0.000	0.249	-0.014	2.0	0.5
Corporate Development	0.960	0.960	0.000	0.000	0.000	0.960	0.960	0.000	0.000	0.960	0.000	9.0	9.0
Community Services	2.937	2.582	0.000	0.305	0.050	2.937	2.582	0.315	0.040	2.937	0.000	23.5	23.5
Development & Infrastructure	1.680	1.663	0.000	0.000	0.017	1.680	1.663	0.000	0.017	1.680	0.000	9.6	9.6
Finance	1.095	1.095	0.000	0.000	0.000	1.095	1.095	0.000	0.000	1.095	0.000	20.0	20.0
Total Service Savings	12.895	10.316	0.030	1.812	0.737	12.895	10.316	0.686	1.879	12.881	-0.014	99.6	79.9

2015/16 Savings Monitoring - Quarter 3
Savings Categorized as Red, Amber or Yellow

Annex 2

Service	Ref.	Activity Heading	Savings Proposal	2015/16 Agreed Budget Savings £m	Status R A Y G	2015/16 Projected Savings - Red, Amber & Yellow Proposals £m	Comments
C&L	34	Secondary Education	Remove any over entitlement teaching posts	0.520	R	0.000	Work is ongoing to reduce over entitlement posts in particular schools, however, with the requirement now to maintain teacher numbers overall, there will not be a net reduction in teacher posts across Highland. At individual school level, all over entitlement posts will be removed by August 2016
C&L	41	Secondary Education	Introduce a standard timetabling structure across Highland secondary schools, based on 33 periods, which is the optimal staffing and timetabling model	0.150	R	0.000	Having considered the impact of additional school transport costs, implementation of the 33 period week is not now expected to deliver a net saving. Where implementation has benefits for operational/education reasons, this will still be considered.
CS	14	Taking Vehicles Home	More rigorous monitoring of policy	0.050	R	0.010	Shortfall to be met from in-year vacancies
D&I	14	Glen Nevis Centre	Transfer of Glen Nevis Visitor Centre to Highlife Highland	0.017	R	0.000	Shortfall to be met from increase in Planning & BW Fee Income
C&L	13	Major School Capital Projects	Savings arising from capital investment in new schools projects. Savings derive from staffing structures, energy efficiency improvements, and other school budgets.	0.150	A	0.075	Fort William Schools savings on programme. However Noss PS opening delayed which is expected to impact on savings in 15/16.
C&L	22	Catering Services	Increased income generation - with a focus on commercial opportunities and new income sources.	0.030	A	0.000	Opportunities being explored but impacted by loss of existing contracts e.g. Hospice contract while re-located
C&L	29	PPP1	Estimated saving from renegotiation and refinancing of contract	0.350	A	0.035	Discussions ongoing with PPP providers around renegotiation of contract terms, with August Committee agreeing in principle to ongoing discussions around proposals.
C&L	30	PPP2	Estimated saving from renegotiation and refinancing of contract	0.500	A	0.050	

Service	Ref.	Activity Heading	Savings Proposal	2015/16 Agreed Budget Savings £m	Status R A Y G	2015/16 Projected Savings - Red, Amber & Yellow Proposals £m	Comments
C&L	36	Schools with continuous DSM deficit	Management action to address those schools which exceed the DSM deficit carry forward limits and require a budget top up (this represents removal of all budget provided for budget top-ups)	0.250	A	0.125	Some progress being made with schools in deficit but not all issues likely to be resolved in 15-16
C&L	37	Schools staffing budgets - centrally held	Remove contingency budget for teaching staffing costs traditionally met centrally (this represents 100% removal of this budget)	0.175	A	0.050	Ongoing cost pressures against this budget mean achieving saving in current year is unlikely.
C&L	47	Management of Secondary School Facilities	Transfer of management of secondary school community use to HLH	0.017	A	0.000	Pilot at Lochaber HS underway which will be used to inform future arrangements. Amber pending assessment of that pilot.
CEO	8	Members	Reduction in Members' budget & Additional income through charging (voluntary)	0.035	A	0.021	Shortfall in income from members' catering.
CS	36A	Car Parking	Update formal Parking Orders to include charging on Sundays for all city centre car parks and the Rose St MSCP, plus Fort William.	0.095	A	0.095	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	36E	Car Parking	Review charging structure for the Rose Street multi-storey	0.210	A	0.210	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
C&L	1	Court Reports	Introduce charging for identified court reports undertaken by social workers, for example step-parent adoptions	0.010	Y	0.005	New income stream going ahead as intended- just slight uncertainty over whether actual level of income will be generated
C&L	27	School Lets	Additional income generation from more consistent application of the existing 2009 school lets policy	0.020	Y	0.010	Some drop off in level of letting activity occurring as charges have increased. Will be considered as part of review of school lets charging policy, to review what remedial action can be taken.

Service	Ref.	Activity Heading	Savings Proposal	2015/16 Agreed Budget Savings £m	Status R A Y G	2015/16 Projected Savings - Red, Amber & Yellow Proposals £m	Comments
				0.737	R	0.010	
				1.812	A	0.661	
				0.030	Y	0.015	
				2.579		0.686	

2015/16 Savings Monitoring - Quarter 3
Alternative Savings

Annex 3

Service	Description of Alternative Measure	Projected 2015/16 Savings from Alternative Measures £m
C&L	General vacancy management pan-service	1.000
C&L	Delays in implementing newly funded initiatives	0.500
C&L	Use of earmarked funds for maintenance of teacher numbers	0.322
CS	Vacancy management savings to offset shortfall in CS/14	0.040
D&I	Increase in Planning & BW Fee Income to offset shortfall in D&I/14	0.017
Total 2015/16 Projected Savings from Alternative Measures		1.879