

HIGHLAND COUNCIL

Agenda Item	4
Report No	HC/1/18

Committee: Highland Council

Date: 15th February 2018

Report Title: Revenue Budget 2018/19

Report By: Director of Corporate Resources

1. Purpose/Executive Summary

- 1.1 By law the Council is required to set a balanced budget prior to the start of every financial year and agree its Council Tax rates for the coming year. This report marks the culmination of the budget process by presenting the Administration's budget proposals for financial year 2018/19 to Council for approval.
- 1.2 The Council faces a continuing squeeze on its finances and over the last seven years £132m of budget savings have needed to be delivered in order to balance the Council's budget. For financial year 2018/19 a budget gap of £15.146m has been identified that will need to be met by making savings or increasing income.
- 1.3 The work done to close the budget gap focused activity on five key areas, prioritisation, efficiency, income, commercialism and redesign. Savings proposals in all of those categories are presented to Members today.

2. Recommendations

- 2.1 Members are asked to:
 - i. Approve a 3% increase in Council tax as detailed in section 8.4 of this report
 - ii. Agree the specific proposals for additional income and reduced expenditure as per the savings proposals outlined in **Booklet A** and detailed in **Booklet B**
 - iii. Agree to no increase in the revenue budget for loans charges, thereby limiting capital spend to that which can be financed from the current loans charges budget of £56.7m
 - iv. Note the delivery of the savings approved in previous years as outlined in paragraph 9.2

3. The Budget gap

- 3.1 The Council has identified a budget gap of £15.146m (2.7% of the 2017/18 budget) for 2018/19. This gap reflects the difference between the estimated costs of continuing current service levels plus the additional costs of any new expenditure commitments and the income the Council will have available to it in 2018/19. A summary of the gap is provided in the table below.

	£m
2018/19 Base Budget	567.687
Add : <i>Staff Costs Increases (pay award)</i>	9.360
Add : <i>Budget Pressures</i>	6.861
Add : <i>Funding Changes from the Scottish Government Passed to Services</i>	3.232
Funding requirement 2018/19	587.140

Council Tax (assuming no increase)	128.161
Revenue Grant	443.833
Total Resources 2018/19	571.994

Budget Gap	15.146
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- 3.2 This budget gap is much reduced from the anticipated gap forecast earlier in the budget process but still reflects a significant real terms reduction in the Council's spending power. Whilst some reductions have been made to the assessment of budget pressures the most significant changes to the gap have come in relation to the anticipated level of Scottish Government funding the Council will receive. This has made a material difference to the scale of the budget gap. More detail on this funding is provided in section 6 of this report.

4. Funding requirement for 2018/19

- 4.1 An incremental budget approach has been used for 2018/19 and the starting point for that approach is the net revenue budget in the current financial year, 2017/18, of £567.687m.
- 4.2 Added to that figure is the anticipated cost to the Council of pay awards for Council employees. Staff pay increases in local authorities in Scotland are negotiated collectively with the trades unions and are not determined by national government. Any decisions the Scottish Government makes as part of its budget in relation to pay awards for all other public sector employees will heavily influence that agreed for local authority employees.
- 4.3 Whilst no decision on a pay award has yet been reached the Council considers it prudent to budget for a pay award in line with that proposed by the Scottish Government, namely a 3% rise for those earning up to £36,500 with a 2% rise for those earning in excess of that amount, capped at a maximum award of £1,600. In addition the Council requires to budget for the full year effect of the 2017/18 2% teachers' pay

award. The total anticipated cost of these pay awards is £9.360m.

4.4 The Council recognises the constraints that have been applied to staff pay in recent years and acknowledges the need to appropriately reward staff for their work. That said, the requirement to fund a pay award of this magnitude does place considerable strain on the Council's resources and may be in excess of what the Council would otherwise consider affordable in the absence of the national context for public sector pay awards. Given the national position there is a significant risk that any actual pay settlement may be higher than this figure.

4.5 The Council has made an allowance for budget pressures of £6.861m. This figure reflects additional funding needing to be added to service budgets to meet current cost pressures, or anticipated cost increases on service budgets. The table below provides a breakdown of that figure by type of budget pressure and service.

Service	Undeliverable 2017/18 Budget Savings £m	Existing Cost Pressures £m	Contractual Cost Increases £m	Legislative Change £m	New Expenditure Commitments £m	Total £m
Care & Learning	0.482	0.704	0.463	0.000	0.055	1.704
Chief Executive's Office (incl. Members)	0.000	0.076	0.000	0.010	0.000	0.086
Community Services	0.250	0.500	0.674	0.242	0.000	1.666
Corporate Resources	0.000	0.391	0.000	0.000	0.000	0.391
Development & Infrastructure	0.182	0.868	0.000	0.400	0.000	1.450
Corporate Pressures	0.304	0.000	0.352	0.359	0.549	1.564
Total	1.218	2.539	1.489	1.011	0.604	6.861

4.6 Finally the Council anticipates having to incur £3.232m of additional expenditure as a result of specific items contained with the Scottish Government's revenue grant settlement. Of this sum £2.873m relates to the Council's share of a national £66m intended to support additional investment in social care. Whilst an element of this relates to Children's Services the Council intends to transfer the full sum directly to the adult social care budget quantum paid to NHS Highland. More details on the funding to NHS Highland are provided in section 12 of this report.

4.7 When the items covered in sections 4.1 to 4.6 are combined that gives a total expenditure budget requirement of £587.140m for 2018/19.

5. Loans charges and capital expenditure

5.1 The budget pressures figure referred to in section 4.5 of this report does not include any allowance for increasing the budget for loans charges. This budget is the revenue budget available for funding capital expenditure through borrowing and reflects the cost of both repaying the borrowing and the associated interest.

5.2 In financial year 2017/18 the loans charges budget stands at £56.7m. This represents 10% of the Council's overall revenue budget. When financing costs included in other budget lines (principally those associated with PPP schools) are included, the Council's overall borrowing costs as a proportion of net revenue budget increase to over 13%, the fifth highest in Scotland.

- 5.3 The Council is forecast to have over £1.08bn of external debt (including PPP), underpinned by long and short term borrowing at the end of financial year 2017/18. Of the annual loans charge approximately half is spent on repaying the principal element of the debt and half on serving its associated interest costs.
- 5.4 When determining the financing of its capital programme the Council must adhere to CIPFA's Prudential Code for Capital Finance. The code allows for each authority to determine its own borrowing limits which this council does as part of its annual treasury management strategy statement. The key considerations for borrowing must be that it is affordable, sustainable and prudent.
- 5.5 Should the Council wish to increase the budget associated with loans charges this would further increase the budget gap and increase the requirement to make budget savings. In all likelihood any additional savings that would be made would have a direct impact on frontline services.
- 5.6 As the Council's Section 95 officer the Director of Corporate Resources has advised Members not to increase the budget available for loans charges in order to ensure continued compliance with the Prudential Code.
- 5.7 A revised capital programme for the next five years will be brought to the March Council meeting. Members are asked to agree the principle that the programme must be affordable within the current loans charges budget of £56.7m.
- 5.8 In the current financial year, 2017/18, the loans charges budget is forecast to be underspent as a result of slippage in the delivery of programmed capital projects and benefits that have accrued from financing any new debt with short term borrowing which has low associated interest rates. The capacity of that underspent element to fund the slipped projects, and any new projects, will be built into the proposed new programme.

6. Scottish Government Revenue Grant

- 6.1 The Scottish Parliament approved the government's proposed budget at the stage 1 parliamentary debate on the 31st January 2018. Formal approval of the budget by Parliament will occur on the 21st February (stage 3). Whilst further changes are still possible it has been assumed for the purposes of this budget report that the figures now notified to the Council are final.
- 6.2 As part of that budget Highland Council is expecting to receive a revenue grant from the Scottish Government of £443.833m. Once new expenditure commitments required as part of the settlement are excluded this broadly equates to a flat cash settlement.
- 6.3 The £443.833m figure includes Highland's £7.516m share of a national £159.5m for local authorities announced on 31st January. As yet there has been no clarity given on whether this sum will be baselined into the settlement for future years' budgets. This is particularly concerning given that £1.626m of the total amount will be paid in financial year 2017/18. In the absence of any further information it should be considered a significant risk that this funding will not be permanently baselined.
- 6.4 As part of its scenario planning for 2018/19 and beyond the Council had modelled a number of different scenarios for revenue grant funding in 2018/19. All of those scenarios had reflected a reduction in grant funding which were in line with assumptions that all other local authorities, external commentators and advisers had

also been making. Discussions between COSLA and Government during the budget process did not suggest local authorities were being unduly pessimistic in forecasting grant funding reductions.

- 6.5 Whilst the settlement is therefore welcomed as being a significant improvement on the assumed position reported earlier in the Council's budget setting process it should be noted that a flat cash settlement at a time of significant cost increases, most notably around pay, does still leave the Council with a requirement to make a significant number of savings.
- 6.6 The Council does acknowledge the challenge for public sector finances faced by the Scottish Government due to wider macro-economic considerations but at the same time would contend that the current national budget process is not fit for purpose. Most significantly the timing of the government's budget announcements does not give ample time for planning for the new financial year and one-year only settlements do not assist with medium term financial planning.
- 6.7 To illustrate the above point when a report on the 2018/19 budget was last received by Council on the 14th December 2017 three different scenarios of government grant funding for 2018/19 were presented, a 2% reduction, a 3.5% reduction and a 5% reduction. The 3.5% reduction, equivalent to a grant reduction of £15.4m was deemed to be the most likely scenario at that time.
- 6.8 Trying to plan £15.4m of budget cuts which did not actually transpire caused huge challenges and uncertainties for Council staff and stakeholders. The Council will ask government for greater clarity over future financial settlements in order for a more balanced approach to budgeting to be taken.

7. Meeting the budget gap

- 7.1 As detailed in the table at 3.1 the required expenditure for 2018/19, compared with the resources available from Government and Council Tax (assuming no increase), gives a budget gap of £15.146m, equivalent to a 2.7% real reduction in resources.
- 7.2 In order to meet the budget gap the Council needs to generate additional income or reduce expenditure. In previous years' budget rounds some savings proposals have been presented which are outlined in section 9. These total £1.260m and will reduce the budget gap to £13.886m.
- 7.3 Section 8 of this report outlines the proposed changes to Council tax which are anticipated to generate additional income of £3.448m. Section 10 of the report provides details of the Administration's budget proposals which will meet the residual budget gap. Of these proposals £3.059m relates to additional income which would be generated from fees and charges, service savings of £5.129m and redesign savings of £2.250m. The table below summarises how the budget gap is proposed to be closed.

	£m
Budget Gap	15.146
Less : Already Agreed Savings	-1.260
3% Council tax increase	-3.448
New income generation proposals	-3.059
Service savings	-5.129
Redesign savings	-2.250
Budget Gap/(Surplus) After Savings	0.000

8. Council Tax

- 8.1 Council Tax is charged on all domestic properties and each property is banded in one of 8 bands (A to H) based on the assessed value of the property. The actual level of Council Tax charged is based on a proportion of the rate, the 'multiplier', for a band D property.
- 8.2 As part of the revenue grant settlement from the Scottish Government the Council is given '*the continued flexibility to increase Council Tax by up to 3%...*'. This message from government is unclear in terms of whether it means the Council must cap any increases to Council tax at maximum of 3%.
- 8.3 Should the Council choose to increase Council tax by more than 3% it may face some sort of sanction. Correspondence from the Cabinet Secretary for Finance in response to a query from COSLA states '*...I can confirm that this is a sanction free settlement. If, however, any authority is not prepared to work in partnership then, as my letter made clear, a revised, less favourable, offer will be made.*'
- 8.4 The Administration considers it appropriate to increase Council tax to reduce the budget gap. Given the uncertainties around possible sanctions it is proposed that council tax is increased by 3%. Such an increase is anticipated to deliver additional income of £3.448m in 2018/19. Details of the increased rates can be seen in **Appendix 1**.
- 8.5 The Council Tax Reduction Scheme (CTRS) will continue to offer support to individuals and families on low incomes. The income increase shown above is net of the impact of any increases in the cost of CTRS as a result of the 3% rise.

9. Savings agreed in prior years

- 9.1 As part of budget decisions made in December 2014, February 2016 and February 2017 a number of savings proposals were presented which take effect in financial year 2018/19. Officers have been planning for the implementation of those savings as well as reviewing their overall deliverability.
- 9.2 The total value of savings assessed as deliverable is £1.260m. A summary of the savings is shown in **Appendix 2**. Detailed budget templates for these proposals were scrutinised in previous budget rounds and Members are asked to note the delivery of those savings in 2018/19.

10. Administration budget proposals

- 10.1 In order to close the residual budget gap the Administration has brought forward a number of proposals. The proposals reflect the generation of £3.059m of additional income from fees and charges, making service spending reductions totalling £5.129m and making savings from redesign of £2.250m. A summary of the savings proposals by service can be seen in **Booklet A** with individual templates for each saving included in **Booklet B**.
- 10.2 The Administration's preference has been to protect frontline services wherever possible. Each savings template categorises the service impact of the proposed saving. The table below summarises the impact of the savings proposed (excluding redesign).

Category	£m
No impact on service	3.610
Slight impact on service	2.239
Moderate impact on service	1.738
Significant impact on service	0.601
Complete deletion of service	0.000
Total	8.188

- 10.3 The table below gives the value of savings by Service along with that savings figure expressed as a percentage of the Service's net revenue budget for 2017/18.

	Previously Identified Savings £m	2018/19 Proposed Savings £m	2018/19 Total Savings £m	Total Savings as % of Revenue Budget
Care & Learning	0.478	1.343	1.821	0.5%
Chief Executive's Office (incl. Members)	0.051	0.524	0.575	10.2%
Corporate Resources	0.000	1.675	1.675	3.7%
Community Services	0.169	3.115	3.284	5.2%
Development & Infrastructure	0.497	1.531	2.028	4.1%
Service Savings Total	1.195	8.188	9.383	1.9%
Corporate Savings	0.065	2.250	2.315	
Total Savings	1.260	10.438	11.698	

- 10.4 The different proportions of Service budget put up for savings reflect the 'protection' of certain budgets whether by national government policy (such as the desire to maintain teacher numbers), areas of long-term spending commitment (such as PPP costs or loans charges), or the Administration's priorities.

11. Staffing impact of budget proposals

- 11.1 Each individual savings proposal in Booklet B includes the estimated impact on staff

numbers. An estimated 51.1 FTE posts will be deleted in order to deliver these proposals along with 3 FTE posts associated with the savings from previous years. However, as highlighted in paragraph 11.5, this reduction will be achieved through non filling of vacant posts and redeployment if necessary.

- 11.2 The level of staffing reductions required is considerably lower than the number anticipated during the earlier stages of the budget process. This is due to the reduced budget gap as a result of the January 2018 changes in the grant funding settlement and the savings now proposed by the Administration impacting principally on non-staffing and income budgets.
- 11.3 Due to the uncertainty around the funding settlement in early January, Council officers implemented their obligation to initiate statutory collective compulsory redundancy consultation with the Trade Unions on 22nd January 2018. Union officials were briefed that budget savings proposals led to initial estimates of staff at risk totalling 184FTE; all staff at risk were informed of their situation by Senior Management during the week commencing 22nd January.
- 11.4 The Council acknowledges the stress such consultation brings for any affected staff and will make representation to the Scottish Government that whilst last-minute increases to funding levels are welcomed the current national budget process has a hugely negative effect on the wellbeing of Highland Council employees.
- 11.5 Of the posts affected by the Administration's final savings proposals a significant number have been held vacant. Many of the posts relating to savings approved in prior years have already been deleted with the savings element in 2018/19 reflecting the full year effect of the post deletion.

12. Funding for partner organisations

NHS Highland

- 12.1 Under the Lead Agency Model NHS Highland is commissioned to deliver Adult Social Care Services on behalf of Highland Council. The Partnership Agreement has been in place since April 2012. Under the terms of the Agreement the Council will review the Quantum of funding provided for these services in accordance with the local government grant settlement. Following the changes announced in January 2018 this is now equivalent to "flat cash". On that basis there is no proposed change to the Quantum and no specific savings proposed as part of this report. However, a "flat cash" settlement does leave a significant financial shortfall within Adult Social Care which is discussed below.
- 12.2 A similar arrangement is anticipated in respect of Children's Services that the Council provides on behalf of NHS Highland. Whilst notification is still awaited budget assumptions have been made in anticipation of a similar funding arrangement being in place. This should be a condition of reaching an agreement over the Adult Social Care Quantum.
- 12.3 As stated in section 4.6 of this report the Scottish Government has provided an additional £66m for social care as part of the local government grant settlement. The Highland Council's share of this sum is £2.873m and it is proposed to pass this sum on in full to NHS Highland, thereby providing a cash uplift in core funding. The additional funding from the Scottish Government is to fund additional cost pressures, specifically around the Living Wage and Sleepover Allowance. Some of these new responsibilities also fall on Children's Services and therefore the Council is prioritising Adult Social

Care by passing over the full additional Scottish Government funding.

12.4 In considering this however the Council is asked to note that a cash uplift of this level will not be sufficient to meet significant cost and demand led pressures that the NHS is facing in respect of the Adult Social Care budget. These arise from a number of different service areas, but principally reflect an increasing number and complexity of care demands, as well as demographic trends and the full year cost of current year awards.

12.5 The table below, which contains figures prepared by NHS Highland, indicates that they believe that additional funding of £11.8m is required to avoid making significant service reductions. NHS Highland has stated that it is not in a financial position to fund these pressures and therefore the gap has to be met by significant savings.

	£m	£m
2017/18 Forecast Expenditure		128.3
Provision for Inflation (pay, care home fees, living wage, sleepover allowance)	4.1	
Less:- Scottish Government additional funding	<u>(2.9)</u>	
		1.2
Demand pressures		<u>4.7</u>
		134.2
Less Current Budget 2017/18		<u>122.4</u>
2018/19 Estimated Funding shortfall		<u>11.8</u>

The estimated funding shortfall includes a forecast overspend £5.9m in the current financial year. Whilst noting the NHS Highland projections Council officers are of the view that this level of “demand pressure” needs to be managed so that it does not materialise as a continuation of financial pressures and increasing cost given the financial challenges facing both organisations. Urgent action is necessary to reduce this pressure. The measures proposed to achieve a balanced budget are outlined below.

12.6 Whilst some of the funding shortfall can be met from efficiency savings which will improve the effectiveness and equity of how these funds are managed across Highland, the NHS is clear that significant changes in models of care will be required. These changes are likely to cause challenges with local communities and will have to be delivered at pace to meet the financial constraints.

12.7 The Council will need to work closely in partnership with NHS Highland to help with the acceptance and delivery of these measures. Areas to be explored may include all of the following:-

- review of care packages;
- review of the provision of day care and care at home services;
- review of the operational model of care home provision;
- reductions in housing support services;
- reassessment of care packages for clients with learning and physical disabilities, and mental health

- 12.8 The proposals to address the shortfall in funding are currently under development by NHS Highland. Early indications suggest that there will be impacts upon a range of client groups particularly older people and disabled people and may result in amendments to packages of care. There are likely to be rural implications as a result of changes in the models of care delivery. NHS Highland has indicated that there will be dialogue with communities and third sector providers in order to develop community led and based provision. As the proposals develop, full impact assessment of the proposals will be required in order to fully understand the implications for individuals and communities.
- 12.9 Should members wish to provide additional funding to NHS Highland in respect of Adult Social Care then the value of such additional funding will have to be found from savings in other Council services that currently do not form part of these budget proposals presented within this report. As such no recommendation is made to this effect.

High Life Highland (HLH)

- 12.10 Similarly the Service Delivery Contract that the Council has with HLH to provide a range of leisure and cultural services has, as its base, a proposal to review the quantum of funding based on the local government grant settlement. As stated in paragraph 12.1 this equates to “flat cash” and as such this report does not contain any specific savings proposals in respect of HLH, and retains core funding at £14.849m.
- 12.11 Under the terms of the agreement with HLH, they are required to meet all inflation and demand led pressures (e.g. pay and pension increases). HLH estimates that these amount to £0.7m and the proposed funding therefore represents a real terms reduction of 4.9%. Initial discussions with HLH suggest that this level of real reduction in funding can be managed through a combination of additional income, efficiency savings, adjustments to facility opening hours, budgets for auxiliary staff and the library Resource fund along with proactive use of balances to effect changes in service provision.
- 12.12 On this basis there are no material changes to draw to members’ attention within this report.

13. Reserves and Balances

- 13.1 The proposals contained in this report allow for a fully balanced budget in 2018/19 with no identified call on the Council’s unearmarked general fund reserves.
- 13.2 The Council’s 2017/18 quarter 3 revenue monitoring position will be reported to Corporate Resources committee later this month and will reflect a worsening position from the formally reported £1.439m overspend at quarter 2. Emerging pressures, particularly in respect of winter maintenance are placing additional demands on the Council’s budget.
- 13.3 Based on the quarter 2 monitoring position a year-end balance of £8.674m is forecast for the Council’s unearmarked general fund reserve. This figure represents just over 1.5% of the Council’s annual revenue budget and will reduce further once the quarter 3 monitoring is finalised.
- 13.4 The unearmarked fund is a key element of the Council’s balances, representing the Council’s main source of funding for delivering transformational change and providing the capacity to absorb any unbudgeted cost pressures that may arise. Guidance

provided by Audit Scotland suggests that the optimal level of this fund should be between 2 and 4% of a Council's annual revenue budget.

- 13.5 Whilst it is acknowledged that these are extraordinary times for local government finances, such a low level of balances will leave the Council exposed to any significant risk events in 2018/19, give little ability to support future Council developments such as implementing the findings of Council redesign or offer little opportunity to mitigate any 2018/19 budget savings that are not delivered.
- 13.6 The Council does have other reserves and balances but these are all categorised as earmarked and held for specific purposes. Whilst some earmarked funds may be diverted from their intended purpose other balances are statutory and can only be used for their prescribed purpose. The funds therefore only give a very marginal ability to replace the non-earmarked reserve. As such the current level of reserves is lower than is prudent, and future budgets will require to replenish reserves to a minimum of 2%.

14. Medium term financial strategy

- 14.1 A key message in Audit Scotland's report 'Local Government in Scotland- Financial Overview 2016/17' was that '*The financial outlook for councils continues to be challenging, with the need to deliver savings being increasingly critical to their financial sustainability. As such, robust medium-term financial strategies and effective leadership to deliver them are of increasing importance.*'
- 14.2 That report also highlights a number of key considerations councils should be bringing to their budgetary decisions including:
- The need to plan for savings over a three year period;
 - Scenario planning of future situations should be used and regularly updated;
 - Savings must be challenged to ensure they are realistic and achievable;
 - The service impact of reductions to ALEOs should be understood;
 - Risks should be made explicit- particularly around the proposals for income generation and the impact of cuts in services;
 - Budgets should be aligned with corporate plans;
 - The revenue consequences of capital decisions should be clearly understood;
 - The underlying demand for services should be addressed through transformation.
- 14.3 The Council acknowledges that it currently performs better in some of these areas than others and immediately after the approval of the budget for 2018/19 will begin to look to develop a medium term financial strategy. This strategy will align with broader Council strategies and plans including the corporate plan, the workforce strategy and asset management plans and will consider key financial items including borrowing and reserves.
- 14.4 In light of the fact that reserves are lower than prudent, and that financial pressures are expected to continue, the development of a medium term financial strategy is essential and needs to be in place for the period 2019/20 to 2021/22.

15. Implications

- 15.1 Each savings proposal outlines the specific implications associated with that item. Screenings have been undertaken to identify where there may be equality, rural or poverty implications as a result of any proposal. Where these have been identified

they are highlighted on the template along with whether a full equality impact assessment has been required and completed. The templates note any general customer impact, along with any mitigation identified regarding the proposal.

- 15.2 Resource implications are set out in this report.
- 15.3 Staffing Implications – Estimated staff reductions as a result of the savings proposals are detailed in **Booklets A and B** and **Appendix 2** and total 54.1 FTE posts for 2018/19. A number of these posts are vacant or have already been deleted. 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.
- 15.4 Legal Implications - The Council has a legal obligation to set a Council Tax and must set a balanced budget as part of that requirement. The proposals within this report meet these requirements.
- 15.5 Climate Change/Carbon Clever Implications – Budget proposals can have positive or negative impacts in relation to climate change. A reduction in the number of staff employed in the Council, or the number of properties the Council maintains will lead to a reduction in associated energy use and thus a reduction in the carbon footprint.
- 15.6 Community Impacts – Screening for equality, rural and poverty impacts have been undertaken as part of the development of the budget proposals. This is to help understand the potential impacts of the proposals:
- on groups protected under the Equality Act 2010 and under the Public Sector Equality Duty;
 - any specific impacts upon rural communities; and
 - socio-economic impacts, including impacts upon individuals, upon their opportunity to access services/employment or upon particular vulnerable communities.
- 15.7 Any impacts identified through this process are detailed within the budget templates at Appendix B. Any mitigation highlighted as part of this process, to minimise or negate any negative impacts, is also included within the templates. Full equalities impact assessments have been undertaken where screening has identified they were required. This is also detailed on the templates and the assessment published on the equalities pages of the Council's website.
- 15.8 Risk Implications - The Council must set a balanced budget and the recommendations from this report will achieve that in 2018/19. The development of the proposed Revenue Budget is not an exact science, and involves the identification of areas of risk and uncertainty. To mitigate this, officers are actively involved at a national level to ensure that they are aware, and have assessed, all potential risks.
- 15.9 Nevertheless, it is not possible to eliminate all risk. Some estimates, particularly around pay, are subject to national pay negotiations that are not yet concluded. Other risks are due to factors outwith the Council's control, such as severe adverse weather events, interest rate increases or cost price inflation. This emphasises the importance to maintain reserves at a level sufficient to cope with any emergency situation.
- 15.10 Agreement of this budget requires Services to manage budgets and deliver a

significant number of savings. The Council has a good track record of achieving balanced budgets, but the ongoing scale of savings makes this a significant challenge. Those savings where the actions required to deliver them are still to be fully determined carry particular risks around delivery. Close monitoring of those savings and wider service budgets will continue throughout the year.

- 15.11 Gaelic implications- The savings templates in **Booklet B** outline any specific Gaelic implications of the savings proposals.

Designation: Director of Corporate Resources

Date: 7th February 2018

Author: Derek Yule, Director of Corporate Resources and Edward Foster, Head of Corporate Finance

Background Papers:

<http://www.audit->

[scotland.gov.uk/uploads/docs/report/2017/nr_171128_local_government_finance.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_171128_local_government_finance.pdf)

https://www.highland.gov.uk/download/meetings/id/72959/item_12_budget_update

Appendix 1

Council Tax – Proposed 3% Increase

Band	Multiplier Factor	2017/18 £	2018/19 after Proposed 3% Increase £
A	6/9	798.59	822.55
B	7/9	931.69	959.64
C	8/9	1,064.79	1,096.73
D	9/9	1,197.89	1,233.82
E	473/360	1,573.89	1,621.10
F	39/24	1,946.57	2,004.96
G	47/24	2,345.87	2,416.23
H	49/20	2,934.83	3,022.86

Previously Identified Savings

Date	Ref.	Activity Heading	Savings Proposal	Savings £m	Staff Impact FTE
Care & Learning					
HC 18/12/14 Amended HC 25/06/15 Amended HC 16/02/17	48	3rd party grants and payments	Reduction of in grants and support to 3rd party organisations providing culture, leisure and learning services (Proposal excludes HLH Ltd, Inverness Leisure & Eden Court which were covered by separate proposals)	0.181	
ECAS 18/11/16		3rd party grants and payments	2018/19 impact of previous decisions	0.142	
HC 25/02/16	Ed/7	Secondary Education	Re-job sizing secondary school promotion structures	0.100	2.5
HC 25/02/16 Amended HC 16/02/17	Ed/9	Primary and Secondary Education	Efficiency saving from revised school management	0.040	0.0
HC 16/02/17	8	Hostels	Integration of Staffin respite centre and additional income	0.015	
Care & Learning Total				0.478	2.5

Date	Ref.	Activity Heading	Savings Proposal	Savings £m	Staff Impact FTE
Chief Executive's Office					
HC 18/12/14	2	Policy and Reform	Reduction in discretionary budgets	0.005	
HC 18/12/14	4	Operational Management Areas	Reduction in ward discretionary budgets	0.036	
HC 16/02/17	1	Members	Reduction to 74 Members (full year effect of 2017/18 part year savings)	0.010	
Chief Executive's Office Total				0.051	0.0
Community Services					
HC 18/12/14	2	Grounds Maintenance	Reduced contractor costs from a review of maintained areas	0.040	0.5
HC 18/12/14	4	Increase Income	Increase income from applications and inspections - roads inspectors	0.010	
HC 25/02/16	7 & 28	Burials & Cremations	Inflationary increases	0.019	
HC 18/12/14	12	Revision of Working Hours	Reduction in overtime in 2015/16 with wider review including consideration of annualised overtime, shift, and enhanced hours provision going forward	0.100	
Community Services Total				0.169	0.5

Date	Ref.	Activity Heading	Savings Proposal	Savings £m	Staff Impact FTE
Development & Infrastructure					
HC 18/12/14	3	Planning & Building Standards	Increased Planning & Building Standards fees	0.025	
HC 18/12/14	4	Project Design Unit	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme	0.005	
HC 18/12/14	5	Property	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme Savings amount is after HC 16/02/17 agreed reduction	0.035	
HC 18/12/14	6	Housing Development	Increased Industrial Development charges	0.027	
HC 16/02/17	2	Economy & Regeneration	Revise European, Business Gateway and Tourism services	0.135	
HC 16/02/17	3	Employability Service	Reduction in employability team and grants to third parties	0.270	
Development & Infrastructure Total				0.497	0.0

Date	Ref.	Activity Heading	Savings Proposal	Savings £m	Staff Impact FTE
Transformational Savings Programme (TSP)					
HC 18/12/14	WPP9	Money Advice	Review internal and external provision	0.065	
TSP Savings Total				0.065	0.0
Total				1.260	3.0