Agenda Item	**15**
Report No	HC/50/18

HIGHLAND COUNCIL

Date: **13 December 2018**

Report Title: **Your Voice – Budget Engagement and Financial Update**

Report By: **Chief Executive and Deputy Chief Executive**

1.   Purpose/Executive Summary

1.1   Like other local authorities, and the wider public sector, Highland Council faces significant financial pressures over the next few years. The actions taken just now, leading to decisions in February 2019, will need to set out options for securing long term financial sustainability for the Council. This includes allocating resources to deliver the Council's strategic priorities, restoring reserves to an appropriate level of at least 2% of revenue budget, and addressing current budget pressures. The Council also needs to align its Workforce Plan to its Financial Strategy.

1.2   Despite the financial challenges the Council will still have in excess of £0.5bn to spend on service delivery, and the Budget process, moving towards an outcome based approach, is intended to ensure that resources are targeted to deliver the most effective services in line with Council priorities.

1.3   This report outlines the Scottish Government budget process, summarises key external commentaries on the Scottish financial context, provides a summary of the budget work to date including engagement activity undertaken, and provides an update on the overall financial position, current risks and uncertainties. It summarises the emerging findings from the budget engagement and focuses on key themes related to the resourcing of the organisation. The report points to the key organisational drivers for change which will support the Council in developing a sustainable budget strategy for the future and enable the organisation to deliver improved outcomes for Highland communities.

1.4   The budget gap (agreed for planning purposes in September at £66.7m) will need to be closed by spending less, by reducing services and by delivering them more efficiently; and by increasing the level of income the Council generates from Council Tax or other fees, charges and taxes. All of these actions will be needed to balance the budget over the period 2019/20 to 2021/22, and require much greater collaboration between and across Members, Staff, Partners and Communities.

1.5   A refreshed and dynamic approach to engagement and decision making has been exemplified in the budget engagement process which has been set within the ethos of the Council's revised Programme. The communication strapline 'Your Voice ,Your Council ,Your Future' embraces the capacity of the people of the Highlands to further adopt a more empowered and autonomous approach within their local communities to work in partnership with each other including the Council to deliver a far greater ambitious ,sustainable and connected future for all.

2.   Recommendations

2.1   Members are asked to

- Note the very positive contributions and the significant effort made by communities, staff and members to the budget engagement process in the month of November
- Agree to a Member's seminar in January 2019 to take forward the matters raised into clear actions which will then be incorporated into the February budget paper

3.   Scottish Government budget 2019/20

3.1   The Scottish Government will announce its draft budget in parliament on the 12th December. At the time of writing this report there is no indication as to the detail of that budget, nor whether the budget will have the support of another political party to give it majority support.

3.2   In the last two years the Government's formally approved budget in February has changed significantly from the draft budget submission in December. In both cases significant additional funding for local government was forthcoming- a requirement to get agreement on the budget from another parliamentary party. If no cross parliamentary support for the budget is evident at this stage in the process we will be able to place little reliance on any suggested settlement figures for local government.

3.3   Any headline announcements of increased funding for local government, or a smaller reduction in funding than previously assumed, do not necessarily mean a reduction in the budget gap the Council is currently forecasting. This is because the local government finance settlement may contain additional funding for new initiatives/policy areas which will require additional investment by the Council.

3.4   By the time of this Council meeting officers will not have had sufficient opportunity to review the draft budget, finance circular and other supporting documentation in order to properly assess the impact for the Council. There may well be a number of issues within the documentation that will require investigation with Government. As such it may well be towards the end of the following week before we have a clear idea of what the budget means for Highland.

4.   External Commentaries on the Scottish Financial Context

4.1   **Local government in Scotland- Financial overview 2017/18**
Audit Scotland have recently released their annual report looking at local authority finances for the previous financial year. The report also looks ahead and comments on the financial outlook for councils. A link to that report is provided in the background papers section of this report. The sections below identify some of the key messages contained in that report.

4.2   The outlook for local authority funding is challenging. To deal with the challenges ahead '*requires effective political leadership and communications. It is essential that all councillors, not just the administration, work effectively with officers and other stakeholders to identify and deliver necessary savings. It is important that councils engage effectively with their communities about plans for savings and service redesign.*' The work underway as part of the current budget process demonstrates how the Council is pursuing this approach, led by the Administration Budget Group and an update on the engagement activity to date is provided later in this report.

4.3   As with previous reports Audit Scotland highlight the importance of medium and longer term financial planning to *'support consistency in financial decisions with corporate priorities and outcome aims, as well as supporting transformation initiatives.'* The Council's intention to set a three year budget highlights an increasing focus on the medium term but further development of a long term strategy which considers the financial impact of population, demographic and demand changes over the longer term will be required.

4.4   Members will be aware of the Council's low level of reserves and this is illustrated by Exhibit 7 on page 20 of the report. The Council is factoring into its plans an annual increase of £1m in the level of the non-earmarked general fund reserve.

4.5   **COSLA- Fair Funding for Essential Services**
In early November COSLA launched their 'Fair Funding for Essential Services' publicity campaign highlighting the key role that local authorities play in the Scottish economy. The campaign highlights the erosion of local authority budgets for core services and a national requirement for additional funding of £549m additional funding in 2019/20 to meet cost and demand pressures.

4.6   This campaign is highlighting many issues that the Council is feeling locally and bringing it to attention nationally. The briefing document (for which a link is provided in the background papers section of this report) is a useful tool for both Councillors and the wider public to understand the pressures on council budgets.

5.   Current year position
5.1   The financial position of the Council for the current financial year, 2018/19 was reported to Resources Committee in late November. A link to that report is provided below. Many of the issues faced in 2018/19 will impact on future years' budgets

unless addressed by management action or as part of the 2019/20 to 2021/22 budget process.

5.2   At quarter 2 the Council is forecasting a budget overspend of £2.238m, down from a £5.112m overspend forecast in Q1. Management action continues, focussing on recruiting only to essential posts and a freeze on non-essential spend, with a view to delivering at least a balanced budget by year end.

5.3   A number of risks do still prevail, all of which could impact adversely on the current year position and have consequential impacts into future years. Chief among the risks are services that are demand-led, such as looked after children or winter maintenance, which may see significant moves in cost over the year from that currently forecast. Other risks include the agreement of a staff pay award in excess of the level budgeted or a failure to deliver planned savings. Additional information on risks, particularly those that might arise from 2019 onwards, is provided in section 10 of the report.

Further Management action is being planned for from January in response to the prevailing risks within the current financial year.

6.   Budget Engagement

6.1   The Council's Administration, and in particular the Administration budget group, has been working with officers to explore areas of opportunity for budget savings. This work will be reviewed in light of the wider engagement activity that has been underway throughout the month of November with a view to forming detailed budget savings proposals for approval in the new year. An update on the engagement activity is provided below.

6.2   A budget engagement exercise was undertaken throughout November with the intention of informing the development of the Council's Programme, the Council's three year budget and supporting how the Council moves forward in partnership with communities.

6.3   The engagement utilised a range of methods and tools:
- A video and supporting public engagement leaflet
- Public, staff and member engagement sessions
- An online survey
- Budget Challenge – an online tool to consider where budget should be spent
- Facebook chat sessions and accompanying online polls
- A dedicated email address for comments and general responses

6.4   *Engagement Sessions*
Over 50 separate engagement sessions have been held over the month of November and the start of December throughout Highland with the aim of speaking to as many members, staff and communities to hear about their ideas for change and the

priorities for the organisation. Key questions were asked at each of the sessions:

- What is working well – what does the Council do well?
- What could work better?
- What ideas to you have for being more efficient or doing things differently?
- What are the priorities for the Council?
- What is important to you in your role (staff specific question), to you and your family and to your wider community

Full details of the different sessions can be found at **appendix 1**, however in total there were:

- 8 sessions with local committee members
- 20 sessions with staff groups – in depots, office buildings and school settings
- 14 public engagement sessions – a mixture of drop-in and public space sessions
- 10 sessions with specific representative groups – Community Councils, Parent Councils ,Tenant Groups and Community Groups

Although it was not possible to undertake sessions in every community, a commitment has been made to a regular programme of engagement four times annually. The next scheduled engagement will be in January which will focus on the feedback received through this exercise and as part of the budget setting process.

6.5   *Budget Engagement Survey*

An online survey was circulated to staff, community groups, through our third sector partners and promoted on the Council's website and social media channels. The survey had four sections asking about:

- Individual priorities
- The Council's role
- Being more efficient
- Increasing income

470 completed responses were received although a further 156 people responded to specific questions within the survey. Responses were received from across the Highland area, in the main representative of the balance of the population across the area. The slight difference was a higher response from residents in Sutherland and Skye and lower from residents living in Inverness. More women responded than men (58% female respondents) and the working age population made up around 75% of responses, with over 65s and under 35s under-represented in relation to the population as a whole. 42% of respondents reported having school aged children.

Detailed analysis of the survey feedback is still ongoing at the time of writing this report, and a full report will be published once complete. However, early findings emerging are:

Income generation
- Just under half of respondents (49%) indicated that they agreed or strongly agreed that the Council should increase charges annually in order to generate income.
- 70% of respondents reported that they agreed or strongly agreed that a tourism levy should apply in Highland.
- When asked to rank in order of priority, residents were more likely to indicate that we should increase charges, followed by increasing Council tax compared to reducing services.
- 60% of respondents were prepared to pay more Council tax. This varied from 20% supporting a 3% increase, 27% a 5% increase and 13% a 7% increase. A third of respondents went on to support an increase of up to 10% in Council Tax if this was specifically targeted at an area of service however, 48% were not in favour of this approach and a further fifth reported they were unsure.

Priorities
- When asked about the Council's role across a number of service areas, those service areas rated as of the highest importance were:
    - Caring for vulnerable children (55%)
    - Maintaining roads and infrastructure (53%)
    - Improving educational outcomes (44%)
    - Caring for vulnerable adults (40%)
    - Protecting the environment (street cleaning, refuse collection) (36%)
    - Involving communities in local decisions (35%)

Efficiencies
A wide range of comments and suggestions have been made on how the Council could operate differently and what efficiencies could be made. Initial analysis suggests key themes include:
- Staffing – reduction in use of agency staffing, delivering services in-house, improved distribution of staffing resource across Highland to ensure more effective local delivery and decisions, streamlining the workforce to focus on only the top priorities.
- More efficient use of resources – use of renewable resources, more efficient heating systems and building insulation, more electronic billing, introduction of mobile working technology for staff, better IT and streamlined systems, focus on staff efficiency and performance.
- Reducing internal costs – reducing upper and middle management, reduction in Councillor expenses.
- Reducing services – reducing bin collections, grass cutting, street lighting, meetings, civic events, buildings, the number of small schools.
- Greater income generation – support for increasing income through charging for public events, parking, tourism, increase the cost of the Highlife card.

6.6   *Budget Challenge*
The Budget Challenge is an online tool which enables individuals to consider how to balance the Council's budget. The tool gives respondents the opportunity to indicate which services they prioritise most or feel are least important. Respondents can reduce and increase budgets whilst better understanding the consequences of the decisions they are making.   It also allows respondents the opportunity to increase Council tax or increase charges in order to address the budget gap.

259 separate budgets were submitted over the month of November. The tool only enables people to submit the budget once it is balanced and achieving the savings target of £23.6m. Web-statistic analysis has indicated that over 2000 people viewed the Budget Challenge over this period.

Of the 259 budgets submitted, 217 provided demographic details. This tells us that of the respondents to the challenge: 57% were male; there was a good response across the age range with over a fifth of responses from those under 35; 94% of respondents were employed and 30% reported they had children under 18.

Appendix 2 provides a summary of the average expenditure change for each individual service area. It also notes what that would equate to in monetary terms which of course is dependent upon the total service budget. For example the level of reduction appears greater in the areas of adult social care and primary and secondary education however this is because the size of these budgets is greater than others. Across all the budgets submitted, this provides the average reduction/increase for the different areas of Council spend. Headline figures for this suggest:
- Overall, the average budget is fairly balanced; reflecting changes across all the areas of Council spend within the simulator.
- There appears to have been an attempt to balance reductions across different service areas rather than concentrating on one particular section.
- Considering the feedback received on a *percentage reduction* basis, the public have appeared to prioritise a number of service areas including:
  - Roads and bridge maintenance (-1.89% reduction)
  - Winter maintenance (-2.93% reduction) and
  - Services for vulnerable adults (-3.42% reduction)
- On a *percentage reduction* basis, the areas identified for the greatest reductions were
  - Street lighting (-7.95%),
  - Leisure, sporting and cultural services (-7.92%)
  - Supporting business, tourism and employability services (-7.70%)
- In order to balance the budget, the average income increase for Council Tax was 3.75% and against general fees and charges a 5.91% increase.

6.7   *Facebook engagement*
A range of social media engagement has taken place for the period of public and staff engagement during November. Public events have been advertised on twitter and as

Facebook events and the YourVoice webpage, video, survey and budget challenge have all been promoted on twitter, Instagram and on Facebook. Two Facebook chats were held covering Income generation and Education.

The Facebook chat on Income Generation was held on 20 November and was supported by the Leader and the Director of Community Services. The live event reached 13,300 users and received a total of 135 responses. The event focused on asking how respondents believed the Council could generate income and also what people would be prepared to pay more for.

As with the online survey, people were supportive of the Council increasing its income through charges. There was a strong theme of generating more income in connection with tourism related activities. The online poll carried out during the live event, found the tourism levy and campervan facilities as the most popular income generation channels. Other themes included comments on council tax, fees and charges, efficiencies, waste and outsourcing.

A second Facebook chat was held on 27 November and involved the Youth Convener, Vice Chair of Care Learning and Housing, along with the Interim Director of Care and Learning and Chief Executive. The event reached 1600 users, generated 97 event page views and comments from 23 respondents.

The event asked about how the Council can use its education resources differently to get the best results. A live poll was also held asking about the most important factor or factors in children's education. A small number of people participated in the poll, with those voting highlighting emotional and mental health support and a stable teaching workforce as the most important factors. During the event, the state of some school buildings was a strong theme for questions and comments. Additional support needs training and choices for school lunches were also highlighted.

7.   Emerging Themes

7.1   Analysis of the various strands of engagement is ongoing and a full report will be produced and shared with the public, staff and members. However, it is already clear that a number of key themes are emerging which, it is intended, will form the basis for further engagement in January. These themes have been drawn from staff, public and member engagement and focus on where we have been told we need to be more efficient and better use our resources; how we can work better as an organisation and improve performance but also addressing where we have been told greater support is required within communities in order to deliver more efficient and improved services. These elements will support the Council in its budget setting process with a view to achieving best value for the organisation moving forward.

7.2   5 key themes around the resourcing of the organisation are emerging from the engagement feedback. These link well with the revised vision for the organisation as set out in the Council Programme: An Ambitious, Sustainable and Connected Highland.

7.3 **Theme 1 – Efficient Processes**

Staff, members and communities have strongly indicated that there are clear opportunities to improve and simplify our processes in order to create efficiencies. This would build on the work already started through digital transformation and Lean approaches but would also require structural changes to the way Council Services are managed and organised as well as significant cultural and attitudinal change . Key areas identified for improvement by staff include:

- ICT – improving reliability and connectivity in order to improve productivity
- Opportunities for more on-line processing and on line forms to reduce duplication of effort. Forms need to be fully automated to reduce processing time.
- Building on digital transformation - Systems to enable and support more efficient working, particularly shared systems between departments to enable improved joint working.
- A review of functions across the organisation to determine where best certain tasks fit for maximum productivity and efficiency.
- Opportunities to simplify internal processes such as recruitment and performance management.
- Improved cross-service working.
- Need to consider invest to save approaches in key areas such as (plant) vehicles and IT systems.
- More involvement of staff in reviewing and taking an improvement approach to their service area - opportunities for staff to further develop the Lean approach and to review and improve processes and efficiency.
- Combining staff teams with similar roles in order to achieve greater productivity.
- Greater staff autonomy and decision making in local delivery.
- Recognition that a 'one size fits all' approach does not work across the Highlands and allowing processes and service delivery to be adapted by local staff in response to local demographics and environmental contexts.

7.4 **Theme 2 - Flexible Workforce**

Feedback from staff and communities suggests that there are opportunities to make better use of the staff we have to undertake a range of roles within communities.

Areas highlighted for improvement include:

- Developing staff with flexible skill sets to avoid multiple staff being deployed to one job.
- Staff suggest training and developing the skills of internal staff within local areas. This would support staff development, make better use of the staff we have but also avoid remote, and at times expensive, deployment for jobs that could be undertaken locally by staff or local contractors..
- Developing and supporting staff and local people to train for key service roles within communities, particularly where recruitment challenges have been identified e.g. teaching, social work, mechanics, HGV drivers.

This thematic area would build on the Modern Apprentice and Workforce Development programmes. Engagement with trade unions will be crucial to enabling this area to be taken forward.

7.5   **Theme 3 – Sustainable Local Workforce**
Closely linked to theme 2, sustainable local workforce captures a range of issues highlighted by staff, members and communities as challenging efficient and sustainable service delivery in communities across Highland. It was highlighted as a particular challenge in communities outwith the inner Moray Firth area.

Areas for improvement include:
- Staff report challenges with staff shortage and recruitment difficulties. Lower staffing levels following voluntary redundancy have resulted in lack of capacity when staff vacancies or sickness occur. This is particularly challenging around teaching and social work. Strategies are required for attracting people to jobs in Highland communities, particularly in remote rural communities where the problem is particularly acute and compounded by the availability and cost of local housing.
- Staff report there are opportunities to enhance staffing levels in localities by reviewing in-house employment options and undertaking previously externally procured activities or services.
- Enabling multiple roles working across different departments within localities and potentially our partners in order to create sustainable local jobs.
- How best to grow and develop staff within local communities within the degree structure format in order to avoid people having to leave communities to train and develop.
- The loss of staff and management in recent years has resulted in greater centralisation of roles. Stronger management visibility is required at a local level to ensure staff support and maintain performance.

Work is already underway across the Community Planning Partnership on a Talent Attraction and Retention approach across Highland and how the public sector offer could be developed in order to jointly attract, retain and support families to live and work in Highland.

7.6   **Theme 4 – Addressing local priorities and local needs**
A strong theme from across communities was the differing priorities and issues between localities and the importance of addressing local need. Within this was strong support for enabling greater community involvement in priority setting locally and building on opportunities to collaborate on shared local priorities. There is recognition of the benefits of pan-Highland collaboration and the strategic oversight and lead required for certain shared areas of Council business.   Communication and dialogue were common themes and the importance of listening and feeding back to communities on what action is taking place.

Areas for potential action include:
- A review of current disaggregated budgets and potential new areas for disaggregation.
- Agreeing a new policy for local budget disaggregation based on the principle of budget subsidiarity.
- Reviewing the Council's operational structure in order to support local engagement and decision making – this also supports the direction under theme 3 to provide greater local management support to staff.

7.7 **Theme 5 – Income generation**
A further theme emerging from local engagement has been on the need to focus on income generation as a way of avoiding reductions in service. This was a key message from the budget engagement survey as well as through the engagement session. Income generation is seen as a core workstream alongside the need to be more efficient in what we do, and this is picked up under theme 1.

Key themes that have emerged are:
- Support for a local tourism levy, both through the survey feedback and local discussion but with the power to vary this locally. Feedback highlighted the opportunities for developing and supporting local infrastructure through this approach. Further discussion was noted to explore how this could operate across Highland.
- Reviewing enforcement activity with a view to maximising the opportunities through this.
- Increased local taxation to enable spend on local services with clear guidance and scope agreed in advance of any form of public engagement.
- The Council adopting a far more robust 'commercially' minded culture in all income generation opportunities.

7.8 The themes noted above will form part of the engagement focus with communities and staff in January. As previously noted, engagement will continue throughout the year and further areas identified for future focus include:
- Waste
- Infrastructure to support local visitors e.g. roads
- Infrastructure to support communities e.g. affordable housing
- School estate
- Energy
- Transparent guidance and communication around the range, administration and decision making of all funding sources e.g. Common Good Funds

Full analysis of the feedback is ongoing and the ideas shared for potential efficiencies and doing things differently will be considered and responded to.

7.9 As noted at 6.1, an internal parallel process has been ongoing throughout November focused on identification of potential areas for greater efficiencies and change to

service delivery. This work is now being considered in light of the budget engagement feedback. It is anticipated that following analysis some of these areas may also form part of the budget engagement activity in January to support the budget setting process.

8.   Organisational Support for Change

8.1   Initial analysis of the key themes emerging from the budget engagement point towards the need for change – change in order to support how we make better use of our financial resources to avoid service reductions and how we improve performance across the organisation. Alongside this, we need a structure to deliver on the key aims of the Council's programme including a greater focus on local priorities. As a result, there will be a need for the organisation, governance and scrutiny processes to change in order to support delivery of the Council's priorities and enable the organisation to be more flexible, efficient and responsive in the future.

8.2   The key organisational drivers for change have been identified as:

8.2.1   i)   Demography and Localism
         Local priorities vary widely because of different demographic challenges and opportunities. In the same way that that one size does not fit all across Scotland, it is clear that the same applies across the Highlands. The Council needs to be capable of understanding and reflecting the diversity and challenges of local areas in the way it designs and delivers its services.

8.2.2   ii)   Financial Context
         Council budgets and staff need to be arranged in a way that makes best use of our resources to be more efficient, and to cut across service silos to support local priorities as well as to capitalise on income generating opportunities locally and nationally.

8.2.3   iii)   Partnering and Connectedness
         In the same way that the Council needs to be more joined up internally, there is also a need to develop positive and mutually beneficial relationships with all partners in the public, private and voluntary sectors. The Council need to be more collaborative and communities and partners need to feel empowered to achieve more because of these strong positive relationships. In this way the Council can start to address the tension that exists between individual and collective claims of entitlement versus a shared responsibility.

8.2.4   iv)   The Offer'
         To be sustainable, the Highlands needs to be a place where people choose to stay and others choose to settle. The Council needs to adopt innovative new and holistic strategies for sustaining rural communities and to be an advocate for how much the area has to offer both in terms of its unique natural resources and also in terms of the services the Council delivers and the lifestyle that can be supported here.

8.2.5   v)   The Environment
The Highland geography is unique in the United Kingdom.   There are many opportunities to maximise our natural resources including energy generation and tourism; numerous challenges in terms of service delivery; and risks in terms of aging and in some cases, unsafe, infrastructure. The Council needs to be ambitious and innovative in the way these are addressed and work together with communities, partners and the Government to make the most of its assets and minimise the risks that have grown over time as a consequence of successive budget reductions.

8.3   The current organisation reflects a series of historic restructures the most recent of which have been driven by the need to make savings by reducing posts and with a focus on reducing the management overhead of the organisation. However, partly as a consequence of this financially driven approach, the organisation has also drifted towards greater centralisation in the design and delivery of council functions and, although there has been the re-introduction of local committees, this has not been underpinned by a change in the way the organisation is structured.   Staff and community feedback has suggested that greater management visibility and support is required at a local level. Consequently, the opportunity should be taken now to design the Council functions around the vision and purpose of the organisation, with resources in terms of budget, staff and assets, focused on outcomes rather than inputs. This redesign will enable a stronger focus on improvement, strengthen the performance of the organisation and build stronger 'place based' collaboration across partnerships.

8.4   As already noted in section 7, workforce planning will be critical to support developing the themes of a flexible workforce, a sustainable local workforce and supporting greater efficient working practices within the organisation. Underpinned by the Councils' Workforce Planning Strategy, work by the Senior Leadership Team over the last 6 months has already identified 4 strategic objectives to deliver transformative organisational change. The priority objectives are:
  • Leadership
  • Transition
  • Flexible Workforce
  • Future Workforce

These strategic objectives have been consistent with the views of Council employees during recent engagements led by the Budget Leader and Chief Executive. The outcomes will enable the future design of the organisation in terms of budget, staffing and assets.

9.   Next Steps
9.1   The report has outlined the current budget position, the process and feedback of public engagement and the emerging findings and themes from this engagement process, particularly focused upon the resourcing of the organisation. Alongside this, the report has outlined how it is intended to support these findings to enable change within the organisation.

9.2 As noted at item 14 on the agenda, the report on the Council Programme, it is intended to hold a 2 day members seminar in January to provide an opportunity for all members to consider the future look of the organisation to ensure that we have a structure to deliver against the key aims in the Programme, including a particular focus on supporting local communities. This will support the budget setting process. Alongside this, a similar seminar will be held for the Council's Senior Leadership Team.

9.3 As detailed in section 7.9, further engagement is planned for January which will focus on the emerging themes and exploring these with both staff and communities. This will also enable a focus on any specific budget proposals requiring public engagement following full analysis of the findings from the budget engagement.

10. Implications

10.1 Resource – Delivering a multi-year budget and organisational change will require significant staffing resource. As plans develop the Council will need to align its resources to priority areas of activity.

The Council is under significant financial pressure and a failure to agree and deliver a robust multi-year budget could place an unmanageable strain on the Council's resources. The Council has low, and reducing, reserves which might be insufficient to meet any budget deficit or fund transformational change.

10.2 Legal – The Council has a legal requirement to set a balanced budget. The report outlines the work being undertaken to support and enable the necessary decisions to be taken later this financial year.

10.3 Community (Equality, Poverty and Rural) – consideration of community impacts are part of the process for developing budget proposals. Understanding the impacts of proposals, will be the focus for the second phase engagement in January. All budget proposals will be screened for equality, socio-economic (poverty) and rural impacts. Where appropriate, full equality impact assessments will be undertaken.

10.4 Climate Change / Carbon Clever – there are no direct implications as a result of this report.

10.5 Risk – The Council faces two significant risks that could have a significant impact on the budget plans for 2019/20 and beyond. Firstly staff pay negotiations for the current year are ongoing. The resolution of those negotiations may well see the Council facing additional costs in the current financial year, 2018/19, that will need to be met from balances. The recurring nature of those costs would increase the budget gap for 2019/20. Every 1% addition to pay costs around £3.3m

Secondly the employer pensions contribution rate for teachers is expected to increase by around 5% as a result of a recent actuarial assessments of unfunded public sector pension schemes. The estimated cost impact for Highland is £5.5m. This additional recurring cost is not currently built into our budget gap assumptions as there is an expectation that government funding will be provided. There is a significant risk to this assumption as indications are that it will not be until March 2019 until the UK government announces whether they are making funding available. At that point we may know whether this will be fully, partially or unfunded. Thereafter Scottish government ministers will have to decide whether they intend to pass on any consequentials to local government.

10.6   Gaelic – there are no direct implications as a result of this report.

Designation: Chief Executive and Deputy Chief Executive

Authors: Donna Manson, Chief Executive
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Appendices:

Appendix 1: Engagement Sessions Summary
Appendix 2: Budget Challenge – summary feedback based on average budgets submitted.

Background Papers:

COSLA Fair Funding for Essential Services
http://www.cosla.gov.uk/system/files/private/coslaspendingreviewbriefing.pdf

Corporate Revenue Monitoring Report November 2018 -
www.highland.gov.uk/download/meetings/id/74511/item_5_corporate_revenue_monitoring_report_to_30_september_2018

Engagement Sessions Summary

Staff Engagement

Date	Area	Location
01-Nov	Ross & Cromarty	Service Centre Osprey House, Alness
		Council Buildings - Dingwall
05-Nov	Inverness	Diriebught Stores
		Town House Staff Session
07-Nov	Inverness	HQ Staff Session
14-Nov	Badenoch and Strathspey	Kingussie Court House
		Aviemore Depot
15-Nov	Sutherland	Drummuie, Golspie
	East Ross	Tain Royal Academy
16-Nov	Caithness	Caithness House, Wick
26-Nov	Various	Head Teacher Forum
27-Nov	Various	Head Teacher Forum
28-Nov	Nairn	Nairn Courthouse
		Nairn Academy
29-Nov	Lochaber	Charles Kennedy Building, Fort William
		Carrs Corner Depot, Fort William
30-Nov	Skye	Tigh na Sgeir – walkabout
		Portree Chamber – drop in
TBC	Nairn	Balblair Depot
TBC	Nairn	Hospital Visit

Public Engagement

Date	Location	Type of Engagement
08-Nov	Victorian Market, Inverness	Public Engagement
14-Nov	Charles Kennedy Building, Fort William	Public Engagement
15-Nov	Beachview, Brora	Public Engagement
	Tain Parish Church	Public Engagement
20-Nov	The Hub, Aviemore	Public Engagement
21-Nov	Wick Precinct	Public Engagement
	Caithness House, Wick	Public Engagement
22-Nov	Thurso Precinct	Public Engagement
	Kyle Centre, Tongue	Public Engagement
	Lochinver	Public Engagement
24-Nov	Eastgate Centre, Inverness	Public Engagement
28-Nov	Nairn	Public Engagement
29-Nov	Portree	Public Engagement
03-Dec	Dingwall Academy	Public Engagement

Specific Group Engagement

Date	Location	Type of Engagement
07-Nov	Town House, Inverness	Inverness Community Council Forum
07-Nov	Inverness	South Highland Tenant Representative Forum
14-Nov	Charles Kennedy Building, Fort William	Fort William Area Community Council Forum
15-Nov	Tain Royal Academy	Tain Parent Council Forum
17-Nov	Highland Council Inverness	Highland Parent Council Forum
22-Nov	Lochinver	North West Sutherland Community Councils
23-Nov	Kinlochbervie	Community Representatives
	Tongue	Adult Health and Social Care Representatives
24-Nov	Highland Council Inverness	Highland Community Council Workshop
28-Nov	Nairn	Nairn Academy Parent Council

Member Engagement

Date	Location	Type of Engagement
01-Nov	Council Chamber, Dingwall	Members Engagement
12-Nov	Town House, Inverness	Members Engagement
14-Nov	Grantown Court House	Members Engagement
15-Nov	Drummuie, Golspie	Members Engagement
16-Nov	Caithness House, Wick	Members Engagement
28-Nov	Nairn Courthouse	Members Engagement
29-Nov	Charles Kennedy Building, Fort William	Members Engagement
30-Nov	Portree Chamber, Skye	Members Engagement

Budget Challenge – summary feedback based on average budgets submitted.

Service Areas (including total budget)	Possible % expenditure reduction/increase	**Average** % Expenditure for Each Service Area	**Average** £ Expenditure **Change** for Each Service Area
Children, young people and education (£218.4M) (Expenditure)	-20, -15, -10, -5, 0, +5		
Early Learning and Childcare (£15.4M)		-5.77%	-£888,919
Primary Schools (£65M)		-4.17%	-£2,710,425
Secondary Schools (£69.5M)		-4.58%	-£3,179,826
Children's social care; incl. child protection (£32.4M)		-3.92%	-£1,269,730
Additional Support Service (£36.1M)		-4.73%	-£1,707,432
Adult and Leisure Services (£116.0M) (Expenditure)	-20, -15, -10, -5, 0, +5		
Leisure, sporting and cultural services (£19M)		-7.92%	-£1,503,861
Services for vulnerable adults (£2.7M)		-3.42%	-£92,259
Adult social care (£94.3M)		-5.46%	-£5,151,911
Maintaining and supporting our communities (£39.4M) (Expenditure)	-20, -15, -10, -5, 0, +5		
Waste collection and disposal (£13.3M)		-5.83%	-£775,405
Street and road cleaning (£2.1M)		-5.42%	-£113,919
Maintaining greenspace – grass cutting, planting, playparks (£2.7M)		-6.87%	-£185,560
Providing public transport (£8.1M)		-5.73%	-£464,421
Winter maintenance (£4.5M)		-2.93%	-£132,046
Roads (incl. potholes) and bridge maintenance (£7.9M)		-1.89%	-£149,459
Customer service points and registration services (£0.8M)		-6.39%	-£51,120
Support Services (£25.3M) (Expenditure)	-20, -15, -10, -5, 0, +5		
Maintaining and managing our buildings (£6.6M)		-5.00%	-£330,000
Environmental health (£2.2M)		-5.12%	-£112,548
Catering, Cleaning and Facilities Management (£15.9M)		-5.42%	-£862,529
Trading Standards (£0.6M)		-5.97%	-£35,792
Developing our community (£5.9M) (Expenditure)	-20, -15, -10, -5, 0, +5		
Supporting business, tourism and employability services (£1.9M)		-7.70%	-£146,351
Street lighting (£4.0M)		-7.95%	-£318,147

Budget Challenge – summary feedback based on average budgets submitted.

Income Generation	Possible % increase	Average % **Income** Change for Each Service Area	Average £ Income Change for Each Service Area
Council Tax (£119.6M) (Income)	0%, 3%, 5%, 7%		
Council Tax (£119.6M)		+3.75%	+£4,483,846
Income Charges (£20.0m) (Income)	0%, 3%, 5%, 10%, 15%		
Fees and Charges (£20.0m)		+5.91%	+£1,182,239