

HIGHLAND COUNCIL

CORPORATE RESOURCES BUDGET SUB COMMITTEE

Minutes of the Meeting of the Corporate Resources Budget Sub Committee held remotely on Friday, 12 November 2021 at 2.00pm.

PRESENT:-

Mr A Christie (Chair)
Dr I Cockburn
Mr J Gray
Mr B Lobban

Mr D Louden
Mr D Macpherson
Mr M Reiss
Mr D Rixson

Non-Members also present:-

Mrs M Davidson
Mr A Henderson
Mr A Jarvie
Mr A Graham

Mr R Bremner
Mr J McGillivray
Mrs T Robertson

Officers Present:-

Mrs D Manson, Chief Executive
Mrs K Lackie, ECO Performance & Governance
Mrs C McDiarmid, ECO Communities & Place
Mr M MacLeod, ECO Infrastructure & Environment
Mr M Rodgers, ECO Housing & Property
Mrs L Denovan, ECO Resources & Finance (LD)
Mr E Foster, Head of Finance and Commercialism (EF)
Miss J MacLennan, Democratic Services Manager
Mrs L Dunn, Principal Administrator

Mr A Christie in the Chair

Item	Subject/Decision	Action
	Prior to the commencement of the formal business, it was AGREED that Mr A Christie, as Budget Leader, should chair meetings of this Budget Sub Committee in view of the subject matter.	No Action Necessary
1.	Apologies for Absence No apologies received.	No Action Necessary

2. Declarations of Interest

No Action
Necessary

Item 3 - Mr D Rixson (Non-Financial)
Item 3 - Mr A Christie (Financial)

3. Capital Update

LD/EF

Declarations of Interest

Mr D Rixson (Non-Financial) and Mr A Christie (Financial) declared interests in this item on the basis of being a Council appointee on the Isle of Rum Community Trust and a Non-Executive Director of NHS Highland respectively but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that their interests did not preclude them from taking part in the discussion.

There had been circulated Report No. BSC/01/21 dated 8 November 2021 by the Executive Chief Officer (Resources and Finance).

Following a summary of the report, during which it was confirmed that Members were being asked to help inform the key thematic concepts that would underpin the capital strategy and projects decided for progression in the new Capital Programme, the undernoted issues were raised:-

- it had to be emphasised that consideration would be focused on future (and not existing) capital budgets and it would be important to establish general principles from the outset in that regard;
- it would be helpful if a list of both current and proposed capital projects on a geographical basis could be provided for all Members;
- it would be important to set policy objectives within a framework for future discussion;
- it had to be acknowledged that the next 5 years of the current Capital Programme had already almost been set following previous decisions taken by the Council. As such, this could not be a 'short term vision' and it was suggested that it would therefore be more appropriate to now focus on a 15year (3 x 5 years) Capital Programme, not least to benefit the new Council in May 2022;
- it would be vital to be clear and transparent in relation to 'flexibility' within any future Capital Programme, especially for the benefit of local communities;
- whilst the current Capital Programme was not 'fully' committed for the next 5 years, it was undoubtedly the case that it contained a number of very large projects;
- in terms of the next 10-15 years, the situation was likely to change rapidly and be very different at the end of that period, including in relation to schools, roads, financing etc and it would be vital to take account of this in the current discussions and for the Council to be much more 'commercially aware' going forward;

- consideration had to be given as to whether it would be appropriate to now focus on statutory issues which had to be dealt with by the Council as opposed to non-statutory issues which could perhaps be delivered in partnership with other organisations where possible;
- it was absolutely the case that there had to now be a strategic view taken on the Capital Programme and not least a strong focus on commercial opportunities in order to deliver as many projects as possible across the Highlands;
- burial grounds, schools and roads had to remain amongst the highest priorities for the Council and there had to be detailed consideration of climate change/reduction of the Council's carbon footprint as part of the framework for all future projects;
- it would be especially important to follow up on all income streams in future which could help in the delivery of projects;
- specifically in relation to reducing the scale of the current list of projects within the Capital Programme, it was suggested that a separate list should now be produced for projects which could be treated differently (all options explored for delivery, including working with partners/external organisations) and projects identified in this regard were the Energy from Waste Hub, the Stromeferry By-Pass and the Corran Ferry;
- in relation to the Energy from Waste Hub, it was suggested that this was a specialist project/area where external expertise could be fully utilised in terms of delivery as opposed to it being undertaken 'in-house'. However, in this respect, it was also felt that there was ongoing work in relation to this project and this should perhaps be completed in the first instance in order to allow informed decisions to be taken on the most appropriate way forward;
- it was felt that the leisure/cultural projects on the current list could be the focus of discussion with partners/external organisations in terms of how they could perhaps be delivered differently in future;
- all opportunities for income generation over the next 15 years in particular had to be followed up by the Council;
- there had to be detailed consideration of what would most benefit local communities as opposed to what was in the interests of the Council as public perception was often that the latter was seen as a higher priority. As such, it was suggested that a statement should be contained within the Capital Programme to highlight measures which would be taken by the Council to invest in local communities across the Highlands;
- it would be very important to highlight that the three projects being recommended for a separate list would be worked on in a different way and as such would continue to be taken forward;
- it would be advantageous if the terms of the current report could be discussed with Groups and Officers in advance of the next meeting on Friday, 19 November in order to be able to come back at that time with firmer and more detailed proposals;
- in the meantime, it was suggested that the report should be updated to group Culture/Leisure projects together as aspirational items within the Capital Programme which were to be discussed

- with partners/external organisations where possible;
- it would also be helpful if the responsible Officer could be included with each project listed in the Programme;
- it was especially important that all Members of the Council attended meetings related to the budget as and when they were made available in order to be as fully informed as possible in advance of the Budget Council meeting in the following year;
- there was also a need to group statutory issues together within the Capital Programme;
- health and safety/compliance issues (including for staff) had to be the number one priority within the Programme;
- in relation to schools in particular, it had to be highlighted that in some cases there would need to be consideration of alternatives to the provision of new school buildings, such as the retro fitting of existing buildings;
- there had to be a clear focus on green/climate change issues in respect of every project within the Capital Programme;
- opportunities for working with partners and the sharing of buildings had to be pursued by the Council wherever and whenever possible;
- flood prevention scheme issues, and also issues in relation to roads, should be grouped together within the Programme; and
- further information could be provided on loans charges if requested.

Thereafter, the Sub Committee **AGREED** as follows:-

- there should be a focus on a 15 Year (3 x 5 years) Capital Programme from now on;
- a separate list should now be produced for the following larger projects which could be treated differently (all options explored for delivery, including working with partners/external organisations) – Energy from Waste Hub, Stromeferry By-Pass and the Corran Ferry;
- Leisure/Cultural Projects should also be the subject of discussion with partners/external organisations in relation to future delivery;
- there had to be a strong focus on commercial opportunities/income generation in order to be able to provide as many projects as possible;
- health & safety/compliance issues, burial grounds, schools and roads had to be given the highest priority within the Capital Programme;
- certain issues/projects should be grouped together within the Programme, including statutory/non-statutory, culture/leisure, flood prevention, roads etc;
- details of the Responsible Officer for each project to be contained within the Programme;

- there had to be a clear focus on reducing the Council's carbon footprint associated with every project within the Programme in future; and
- the report would now be shared with Groups and discussion undertaken with the relevant Officers before further consideration was undertaken at the next meeting of the Sub Committee on Friday, 19 November at 2pm.

The meeting ended at 3.15pm.

HIGHLAND COUNCIL

CORPORATE RESOURCES BUDGET SUB COMMITTEE

Minutes of the Meeting of the Corporate Resources Budget Sub Committee held remotely on Friday, 19 November 2021 at 2.00pm.

PRESENT:-

Mr A Christie (Chair)
Dr I Cockburn
Mr D Louden

Mr B Lobban
Mr J Gray
Mr D Rixson

Non-Members also present:-

Mr A Henderson
Mr J McGillivray
Mrs J Barclay

Mrs M Davidson
Mrs T Robertson

Officers Present:-

Mrs D Manson, Chief Executive
Mrs L Denovan, ECO Resources & Finance (LD)
Mr E Foster, Head of Finance and Commercialism (EF)
Miss J MacLennan, Democratic Services Manager
Mrs L Dunn, Principal Administrator

Mr A Christie in the Chair

Item	Subject/Decision	Action
1.	Apology for Absence An apology for absence was received from Mr M Reiss.	No Action Necessary
2.	Declarations of Interest Item 4 - Mr D Rixson (Non-Financial) Item 4 - Mr A Christie (Financial)	No Action Necessary
3.	Minutes of Previous Meeting There had been circulated the Minutes of the previous Meeting held on 12 November 2021, the terms of which were APPROVED .	No Action Necessary

4. Capital Update

LD/EF

Declarations of Interest

Mr D Rixson (Non-Financial) and Mr A Christie (Financial) declared interests in this item on the basis of being a Council appointee on the Lochaber Environmental Group & also the Isle of Rum Community Trust and a Non-Executive Director of NHS Highland respectively but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that their interests did not preclude them from taking part in the discussion.

There had been recirculated Report No. BSC/01/21 dated 8 November 2021 by the Executive Chief Officer (Resources and Finance).

There had also been tabled Summary Sheet/Updated Information following the previous meeting and encompassing the feedback received at that time from Members of the Sub Committee.

In that regard, and specifically in terms of the overall Capital Programme being presented at a level deemed affordable, listed by category type and profiled over a 15 year period, updated figures were provided on the following areas – Accommodation, Coast and Flooding, Community Assets, Culture, Community & Leisure, Fleet, Health & Safety in respect of Harbours and Property, Health & Social Care, Harbours, ICT, Infrastructure, Match Funding, Roads & Bridges, Schools (Generic) and Schools (Specific).

Following a summary of this updated information, during which it was confirmed that whilst effectively balanced over the fifteen year period, the Capital Programme was still weighted towards the 'front end' and this highlighted issues of affordability and sustainability for the longer term which would require to be addressed, Members raised the undernoted issues:-

- it would be helpful if the information which had been tabled could be circulated/mailed to all Members of the Sub Committee as soon as possible to that it could be studied in detail;
- it was disappointing that there were currently no proposals for commercial income or self-funding projects which would be imperative if the Council was to deal with the Capital Programme differently in future. However, it was noted that Officers were continuing to focus on this area with a view to reporting on any feasible options for the Council as and when they arose;
- there would need to be an understanding of what could be afforded (and any associated risks) as it was likely to be the case that unexpected capital spend would be needed from time to time in future years. As such, an acknowledgement that spend would be undertaken on the basis of when/where income was available was necessary;
- every opportunity for income generation should be followed up, including within leisure facilities, harbours, public conveniences, etc;

- a focus on the feasibility of income generation should therefore be applied as a priority across all projects within the Capital Programme. In this respect, there were links with the work of the Redesign Board and a report back on this particular aspect should be submitted to the next meeting of this Sub Committee;
- a forum for discussion of income generation opportunities generally was also needed;
- it had been stated at the last meeting that new schools did not always have to be new builds (and in some cases refurbishment of current buildings could be undertaken) but there would be a need to handle this issue sensitively in order to correctly convey how this would be taken forward;
- in light of the reduced budgets which had been tabled at the meeting, there was a need for clarification as to what the long-term position/view was on the repair/upkeep of roads and bridges across the Highlands. In this respect, it was confirmed that the figures which had been tabled represented the affordability discussion which had been undertaken at the last meeting but it was recognised that such figures might not meet expectations and this was a very difficult 'trade off' which would need to be discussed in full at future meetings;
- it was now a matter of urgency that consideration of new ways of raising money across the Council was taken forward and in this respect it was suggested that an external company could perhaps be engaged to investigate/identify investment opportunities;
- it was agreed that a verbal update should be included on the agenda for the next meeting of the Recovery Board in respect of income generation opportunities for the Council;
- further clarification was sought on the tabled figures in respect of Property and it was confirmed that this would be provided in due course;
- it would be imperative to take account of current and future levels of inflation in all discussion of projects within the Capital Programme;
- the tabled information which had been presented was being reviewed regularly by Officers and the expectation should therefore be that it would change over time;
- it would be extremely important to highlight any potential shortfalls in specific parts of the Capital Programme in order that alternative options/proposals could be considered as soon as possible, including through income generation if feasible;
- there was a need to focus on health and safety issues within the Programme and further information was sought in this regard;
- there would be a report to the full Council on 9 December and as such it would be vital to recognise and highlight the challenges in respect of future affordability at that time;
- there was concern about any possible reduction in the Capital Grant from the Scottish Government and this was an issue being discussed across Scottish Local Authorities at the present time;
- income streams had been badly affected during the pandemic (which was still continuing) and as such the investigation of new flexibilities (perhaps through housing development opportunities) would be extremely important;

- collaboration with partners had to be progressed with a view to having as wide a perspective as possible in relation to the identification of future inward investment opportunities;
- the report to the full Council in December would focus on the 'direction of travel' and would highlight both the current and potential future positions to allow as much understanding as possible for all Members;
- the 'greening' of all projects within the Programme would be extremely important and should be progressed whenever/wherever possible;
- updated information in respect of changing levels of inflation would be especially important, along with regular reviews being undertaken of the Programme, and it was suggested that contact should perhaps be made with Scotland Excel who could provide additional help through the methodology which they currently used in this respect;
- it was noted that information from Treasury Advisers would be used as part of reviews of the Capital Programme;
- it was important to recognise that the Capital Programme was based on current financial information and this was likely to change over time;
- consideration should be given to all options available to the Council in terms of involving the Pension Fund and cognisance taken of how this was being dealt with in other Scottish Local Authorities, perhaps through a report being submitted to a future meeting of the Corporate Resources Committee, However, in this respect, it was important to recognise that any future action had to be based on the return for the Pension Fund and it was considered unlikely that any levels of borrowing would be more advantageous than the current arrangements with the PWLB;
- there was a need for an update on what was being progressed in relation to the three projects which it was proposed to move to a separate list (Energy from Waste Plant, Stromeferry By-Pass and Corran Ferry), including from discussion with any external organisations who might be interested in future investment;
- the Investment Sub Committee had taken a decision earlier in the day based on reducing levels of risk for the Council and this had to be borne in mind in any future discussions around the Capital Programme projects;
- it was noted that the capital settlement from the Scottish Government was likely to be known in December. In this respect, there would be concern if there was any reduction in what was expected as this would have detrimental implications for the Council;
- it would be very important to make clear that the three projects which had been moved to a separate list would not be delayed but instead would be the subject of consideration/discussion as to how they might be delivered in conjunction with other organisations where possible;
- there was a need for an update on the position with proposals for expansion/future income generation in relation to the Eden Court Theatre; and

- there was a level of disappointment at the lack of progress with income generation proposals within the Council over the past five years; and
- in terms of income generation, and whilst sharing disappointment that this had not been taken forward more quickly, it was felt that the current discussion and work being undertaken was valuable in providing the foundations for this to be taken forward by the new Council in 2022.

Thereafter, the Sub Committee **AGREED** as follows:-

- the tabled information which had been presented at the meeting should be emailed to all Members of the Sub Committee as soon as possible to enable more detailed consideration;
- there was a need for an urgent focus on all feasible income generation opportunities for projects within the Capital Programme and across the Council;
- the links with the work being undertaken by the Redesign Board in relation to income generation should be the subject of a report to the next meeting of this Sub Committee;
- there should be a verbal update provided for the Recovery Board at the next scheduled meeting on the issue of income generation;
- the report to the full Council on 9 December should take account of the issues which had been discussed at this meeting (and the previous meeting) including in relation to the current and future levels of affordability within the Capital Programme;
- the 'greening' of all projects within the Programme wherever possible and feasible should be taken forward as a priority;
- discussion/collaboration with partners should be taken forward wherever possible in terms of the identification of future income generation opportunities and potential for the future shared delivery of projects;
- regular reports should be provided on changing levels of inflation, alongside regular reviews of the Capital Programme;
- consideration should be given to the feasibility of taking forward discussions on the involvement of the Pension Fund in any future borrowing arrangements whilst recognising the need to ensure a return for the Fund in this regard and the current arrangements with the PWLB; and
- a further update should be provided in relation to proposals for expansion/income generation in respect of Eden Court Theatre in due course.

The meeting ended at 3.15pm.