

**The Highland Council
Budget Working Group**

Minutes of Meeting of the Budget Working
Group held in Council Headquarters,
Inverness on Wednesday 21 June 2006 at
9.30 a.m.

PRESENT

Dr M E M Foxley

Mr T C Jackson

Mr J H Green

Mr D Allan

Mr A Anderson

Dr D Alston

Mrs I M Campbell

Non Members Also Present:

Mr N M Clark

Mrs M C Davidson

Mr W J Smith

Mrs G McCreath

Mr J N Matheson

Mr A Gordon

Mr A R McFarlane Slack

Mrs J Urquhart

In Attendance:

Mr A Geddes, Director of Finance

Mr B Williams, Head of Corporate Finance

Mr B Porter, Finance Manager

Ms A McDonald, Principal Accountant

Ms R Pieroni, Head of Committee Services

Representing Services

Mr B Robertson, Director of Education Culture and Sport

Mrs K Lackie, Business Manager, Chief Executive's Service

Mr Alistair Dodds, Director of Corporate Services

Mr S Young, Head of Contracts, Property and Architectural Services

Mr N Gillies, Acting Director, Transport Environmental and Community Services

Mr M Greaves, Head of Development and Strategy, Planning and Development Service

Mr G Fisher, Director of Housing Services

Ms H Dempster, Director of Social Work

Dr M E M Foxley in the Chair

1. Apologies

Apologies for absence were intimated on behalf of Mr R Saxon, Mr R Durham, Mr E Mackinnon, Mrs A L Magee, Mrs E MacRae, Mrs J N Home, Mr C L Goodman.

2. Revenue Budget Overview

There was circulated Report No. BWG21/06 by the Director of Finance which set out an overview of the 2007/08 revenue budget outlook and process.

Based upon the Service proposals to be considered by BWG, the overall budget position at this time was highlighted and included estimates of pressures to give an indication of the likely gap to be faced as follows -

		£million
	2006/07	Estimate 2007/08
Savings gap to be closed per cash-limited targets	8.993	9.191
Add:-		
Budget Pressures	9.734	13.324
Total Savings to be found to balance budget	18.727	22.515
Specific savings identified and quantified to date	(18.727)	(6.484)

In addition, pressures arising from job evaluation and equal pay were still being assessed.

On the Budget Savings strategy the approach for 2007/08 was similar to that used for 2006/07 and comprised -

- Cross-cutting savings applied across a range of services
- Savings and other measures identified by Services to meet cash-limits

The cross cutting savings taken in 2006/07 consisted of the following items which would roll forward into 2007/08:-

Savings from new procurement contracts	£0.500m
Travel & subsistence savings – 10% savings rolled across all service budgets	£0.450m
Savings in Non Domestic Rates due to rate poundage reduction	£0.296m
Savings in employers' national insurance contributions resulting from the home computing initiative salary sacrifice scheme	£0.140m
Temporary agency staff savings resulting from new contract (BIT project)	£0.084m

In 2007/08, in addition to these measures, there would be savings from the new temporary staff agency contract, further energy efficiency savings, procurement savings, savings from BIT projects as well as other efficiencies and staff cost savings.

Work was also taking place to deliver cross-cutting efficiency savings over the longer-term including -

Internal Initiatives

- Procurement; contractual and process savings
- ICT improvements and efficiencies e.g. CRM, payroll and personnel, Oracle
- Business process improvements and efficiencies e.g. BIT and WBABIT
- Staff and management restructuring

Partnership Initiatives

- Wellbeing Alliance Business Improvement Team
- Pathfinder Project for Broadband procurement
- Investigation of joint working with Moray Council

It was anticipated that some of these work streams would deliver savings in 2007/08, but others were likely to deliver savings over the longer-term given the lead-time required to deliver the change.

With the opportunities for structural change within the Council from 2007 onwards, it was likely that there would be much greater opportunity for cross-cutting savings over the coming 2-3 years.

It was imperative that in the budget for 2007/08 and the period beyond, the Council sought to implement significant change to the services it delivered and how it delivered these.

With a target deadline of October 2006 for savings being finalised, it would be essential that Services demonstrated a clear strategy for delivering savings, and that the proposals identified were acceptable to Members. Over the coming 2-3 months Services would be expected to take forward work to finalise their saving proposals and prepare implementation plans.

The Vice Convener emphasised that the target date for finalisation of Services' budgets for 2007/08 was the end of October 2006. The process had been brought forward because of the very difficult outlook and to avoid problems encountered in the 2006/07 process when decisions required to be made at the last minutes. It was important that Service Directors understood that their portfolio holder groups and Service Committees needed to engage with the process now.

The Director of Finance confirmed that Services had been made aware of their targets in March 2005. If the October 2006 timetable was to be achieved, a lot of work required to be done by the Services in order that robust proposals could go before Members within the timescale.

The 2006/07 budget was on target and it was important that that was maintained. For 2007/08, the scale of the savings required was substantial and the Council might be unable to avoid reductions in Service delivery. Other Councils in Scotland were facing the same situation. It was important that Members understood the pressures Services were facing and the details of the proposals to close the gap. One pressure that had not yet been quantified was the cost of job evaluation. That would impact on 2007/08 and could be a substantial sum of around £5m - £7m per annum.

Both the Business Improvement Team and the Wellbeing Alliance Business Improvement Team were looking at business process improvements and efficiencies. There was a need for the Council to look at an efficiency strategy with an updated, dedicated unit giving thought to how efficiencies might be delivered across the Council.

The Vice Convener highlighted that many efficiencies could be achieved without any impact on service. Managers had to be proactive in managing their budgets down.

Members queried whether the 2005/06 savings had been achieved and it was agreed that a report on that would come to the August meeting of the Group. The issue of super-sparsity was highlighted and the Vice Convener confirmed that this was on the agenda for discussions with the Minister taking place that day.

The Group **NOTED** the report and **AGREED** -

a) the proposed timetable

b) that Service Chairmen and Directors be asked to hold meetings with their portfolio holder groups to discuss details of the proposals to meet the timetable.

c) that a report be brought back to the Group on Services' performance in meeting the targets for 2005/06

3. Revenue Budget 2006/07 and 2007/08

There was circulated separately in Booklet A a report by each Service Director which set out progress in implementing 2006/07 budget savings, and proposals to deliver savings for 2007/08. Each Service also made a short presentation to the meeting, as follows –

Education, Culture and Sport

Revenue Budget 2006/07

The Director confirmed that the Service budget for 2006/07 was on target. The budget was being monitored by a Service delivery group to ensure delivery of the £6.8m savings. There had inevitably been some impact on front line service delivery, notably in Special Educational Needs and on DSM budgets. Rising energy costs were a major factor and would form a significant pressure. Alternative efficiencies and savings would continue to be identified to minimise the impact of any shortfall.

The Vice Convener commented that at a recent meeting of the Energy Management Working Group Members were concerned about the sluggish nature of action. A report would come to Budget Working Group at the August meeting in relation to energy efficiency proposals. On DSM budgets he believed that managers had to “act smarter” and manage their budgets in a realistic manner.

In response to a question the Director confirmed that the potential for individual schools to generate electricity from a wind turbine was something that was being looked at.

Revenue Budget 2007/08

There were new legislative burdens relating to class size reductions and class contact reduction which were both part of the McCrone agreement. Additional funding of £1.8m had been provided but would not meet the costs of class contact reduction. In addition there were budget pressures which were expected to total between £5.6m and £6m.

Savings would be based on –

- Service efficiencies – energy targets, review of integrated children services, back office functions
- Staff reduction and redeployment with a targeted reduction in managers and staff across all sectors
- Review of charges and grants to outside bodies
- Service reduction with a rationalisation of provision and amalgamation.

The last of these was considered inevitable, given the size of the budget gap.

The Group **NOTED** the position in relation to the Education Culture and Sport Service savings targets for 2006/07. Also **NOTED** the savings targets for 2007/08 and that the Director and Chairman would arrange for their portfolio holder group and the Education Culture and Sport Committee to discuss and agree the savings for 2007/08 in order to meet the October deadline for finalisation of the Service budget.

**Central Services: -
Chief Executive's Service**

Revenue Budget 2006/07

The savings target for 2006/07 was £377k. The Business Manager indicated that the Service was confident of meeting the savings target. The Service would attempt to make further savings in the year in order to assist with overspends elsewhere in the Council.

Revenue Budget 2007/08

The savings target for 2007/08 was £425k. £225k of the target would be met through identifying efficiencies in the Council's use of communications technology and £200k would be found from staffing reductions and Service restructuring. All of the measures to be taken were considered deliverable.

Budget pressures would include £250k for the Local Government Elections in 2007.

In response to a question the Business Manager confirmed that investment was being made in tele and video conferencing facilities and a report would be coming back from the BIT Team in relation to the proposals.

Corporate Services and Members

Revenue Budget 2006/07

The Director indicated that the Service savings target of £144k would be met. There was an element of additional income to the Service from Registration of Private Landlords which might result in an underspend for the year.

The Members' budget had been top sliced by £33k and it was anticipated that savings would be achieved through monitoring of travel and subsistence and attendance at seminars, conferences etc.

Revenue Budget 2007/08

The savings target for 2007/08 was £150k. Savings proposals were based on maximising income and new income opportunities being taken with existing resources e.g. Registration of Private Landlords. Efficiency gains from new technology had been identified to generate savings in Committee Administration. Flexibility of posts and reducing staffing levels by 2.3 FTE would provide further savings and there would be a continuous review of service delivery to ensure efficiency.

Finance Service

Revenue Budget 2006/07

The Director confirmed that there were no problems with the agreed savings of £235k for 2006/07 which would be achieved largely through the close monitoring and management of staff vacancies.

Revenue Budget 2007/08

The savings proposals amounted to £219k and would be met through staff savings of £120k arising from the Payroll and Personnel Resource Centre and staff savings of £99k

from Document imaging and workflow management. New management structures would also provide opportunities for savings.

Property and Architectural Services

Revenue Budget 2006/07

The savings target for 2006/07 was £315k and £180k of that had been achieved to date. The Service had identified a further 7 posts currently vacant where the closure would not impact on the delivery of the capital programme. The total saving would, therefore, be achieved.

Revenue Budget 2007/08

The Service was required to make a total saving of £310k in 2007/08.

The Head of Contracts highlighted the new burdens/pressures facing the Service from Renewal of the Gas contract (£365k); EU Directives (£50k), the Council's place in the bottom quartile in relation to SPI 4 – Public Access and SP1 8 Asset Management (£1.75m was required).

Savings would be addressed through closing of existing vacant posts (7) and closing of posts following retrials (3) and the savings in reduced overheads resulting from these deleted posts.

An alternative was to increase the fee percentage on capital works from 12.5% to 14.5% although this would result in Services having to revisit their capital programmes and phase projects over a longer period. This option would have no impact on staffing numbers.

The Vice Convener commented that if housing stock transfer proceeded consideration could be given to a partnering arrangement under a framework agreement for the future delivery of property services.

The Group **NOTED** the position in relation to the Central Services savings targets for 2006/07. Also **NOTED** the savings targets for 2007/08 and that the Directors and the Chairman would arrange for the Resources portfolio holder group and the Resources Committee to discuss and agree the savings for 2007/08 in order to meet the October deadline for finalisation of the Service budget.

Transport, Environmental and Community Services

Revenue Budget 2006/07

Savings measures of £2,559k had been agreed for 2006/07. Progress was being monitored on a regular basis. £1,034k of savings had already been achieved. A further £1,335k were ongoing operational savings which would be achieved by the year end. £190k of savings were thought to be difficult to achieve and alternative savings measures were being examined.

Revenue Budget 2007/08

Budget Pressures had been identified totalling £1,324k which were considered to be high risk. These included Stoneyhill Waste Management Contract and Duiskey Landfill increases above inflation, Landfill Tax, increases in electricity for street lighting and fuel

cost increases. The closure of Portree Landfill site was a medium risk estimated at £880k and the Landfill Allowance Scheme a low risk at £952k. Additional GAE of £545k was expected and would be used to deal with pressures.

The savings target was £2,735k and this would be met through reduced staffing in the move to three operational areas; externalising of cleaning and servicing of public toilets; extending of the average route mileage for winter maintenance vehicles, and savings in manual posts. It was, however, intended to minimise any reduction in manual workers by increasing the reduction in other posts or through increased efficiency and improved business processes. Charging for bulky uplifts would realise income of £350k towards the target, and was a waste minimisation measure in line with practice in other councils in Scotland. Extended parking charges relating to traffic management problems in areas not currently covered could generate £50k. There was also a potential saving through improving the efficiency of refuse collection.

However, the high and medium risk pressures might still leave a budget gap of £459k to be addressed.

The Group **NOTED** the position in relation to the savings target for 2006/07. Also **NOTED** the savings targets for 2007/08 and that the Director and the Chairman would arrange for their portfolio holder group and the TEC Services Committee to discuss and agree the savings for 2007/08 in order to meet the October deadline for finalisation of the Service budget.

Planning and Development Service

Revenue Budget 2006/07

The Head of Development and Strategy indicated that the Service was largely on target to achieve the savings measures of £247k agreed for 2006/07. Exceptions were proposed savings in Archaeology (awaiting a policy decision at national level) and the Service's inability to attract £8k of sponsorship for Highland Archaeology Week. Alternative savings to these were currently being identified.

Revenue Budget 2007/08

The savings target of £232k would be met through increased planning fee income; a reduction in operating payments to Highland Opportunity; vacancies management; increased income across a range of services and events; reductions in economic initiatives funding and withholding of inflationary allowances and freezing of Grants to Nevis Partnership.

There were significant pressures on the budget e.g. the Council's share of £100k for e-planning; increased IT maintenance payments increases of £60k and costs arising out of new planning legislation of £60k. In relation to the Beaully-Denny PLI a preliminary estimate for specialist engineering and landscape consultancy support was £100k over two years and legal costs were expected to be in the region of £100 - £180k.

The Vice Convener asked that the issue of the need for an Agriculture Officer post be discussed at the Service Portfolio holder group and this was **AGREED**.

The Group **NOTED** the position in relation to the savings target for 2006/07. Also **NOTED** the savings targets for 2007/08 and that the Director and the Chairman would arrange for their portfolio holder group and the TEC Services Committee to discuss and

agree the savings for 2007/08 in order to meet the October deadline for finalisation of the Service budget.

Housing Service

Revenue Budget (Non HRA) 2006/07

The Director indicated that, on current information, it seemed likely that the budget target would be met.

Revenue Budget (Non HRA) 2007/08

The savings target was £440k. On Homelessness, pressures were expected to increase as demographic and social demands rose. The abolition of homelessness priority need would incur further pressures from 2009. Efficiencies of £40k were proposed through development of the Homelessness Action Plan.

On Supporting People, the proposed £400k of savings would mean a reduction in service. It would be necessary to continue to remove capacity and review the level of Supporting People service provided to clients to secure sufficient savings to meet inflationary pressures and allow realignment of spend. Detailed proposals on this would be reported to the Housing and Social Work Committee.

In response to a question, the Director confirmed that if housing stock transfer took place a properly resourced homelessness section would be maintained within the Council.

Social Work

Revenue Budget 2006/07

The Director reported that the 2005/06 budget outturn was an overspend on £570k and the Service was working to reduce the impact of the overspend. For 2006/07, of the predicted savings for Corsee there was a shortfall of £50k and the Assynt Centre savings would not be realised within the year because of the continuation of the provision of respite services. Slippage from New Craigs was no longer available and there had been no progress on the proposal to reduce transport costs with the Ambulance Service. The Service was, therefore, estimated to achieve only £2.669m of the proposed £3.006m savings target.

Corrective action was underway and the potential for savings from reviewing the use of minibus transport and taking account of fuel rebate were being looked at.

Revenue Budget 2007/08

The savings target was £2.006m. A project team was being established to examine rotas, deployment of staff and staff ratios in residential and day services in order to identify reductions in costs.

There were other proposals to seek more efficient working; the challenge would be whether savings could be delivered within the timescale. There were also proposals to close a Day Centre in Eigg and the Wellington Centre in Wick. Both had falling attendance and were grossly underused. Service users' needs could be met in alternative ways.

A total of £1.940m of individual savings proposals were outlined to the Group.

The Vice Convener commented that it was particularly important that the details of the proposals were gone into by the portfolio holder group. Social Work and Education Culture and Sport were being encouraged to work together in relation to catering services in order to save money and provide a better service.

Members also asked for scrutiny of the funding of voluntary organisations to ensure consistency across Areas.

The Group **NOTED** the position in relation to the savings targets for Housing and Social Work for 2006/07. Also **NOTED** the savings targets for 2007/08 and that the Directors and the Chairman would arrange for the Housing and Social Work portfolio holder group and the Service Committee to discuss and agree the savings for 2007/08 in order to meet the October deadline for finalisation of the Service budget.

4. Capital Receipt Ring-Fencing Request Drummuie Office Project Access Road

Declaration of Interest – Mr A R McFarlane Slack declared a non-financial interest in this item as Chairman of the Board of the Highland Housing Alliance and left the meeting.

There was circulated Report No. BWG22/06 in the form of a ring-fencing pro-forma prepared by the Area Manager, Sutherland, which sought approval for the ring fencing of capital receipts to meet costs of the Drummuie Office project access road.

The Group **APPROVED** the request.

The meeting ended at 1.30 pm.