

Highland Council

17 December 2009

Agenda Item	11
Report No	HC-37-09

Revenue Budget 2010/11 – 2012/13

Report by Depute Chief Executive & Director of Finance

Summary

This report updates members on progress with the revenue budget for the three years 2010/11 to 2012/13. The report also sets out a number of saving proposals from the Administration relating to those years.

1. Introduction

- 1.1 This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome Agreement.
- 1.2 Since summer 2009, the Council has been progressing the development of a three-year revenue budget for years 2010/11 to 2012/13. In order to progress implementation of saving proposals for those years, a number of Administration saving proposals are set out within this report for early decision by the Council. An early decision will provide improved forward planning and give greater certainty in relation to delivery of these savings.
- 1.3 On 11 February 2010, the Council will be asked to agree the overall revenue budget and council tax for 2010/11, further saving proposals, and indicative figures for the subsequent two years.

2. Background

- 2.1 As members will be well aware, the prospects for public sector spending next year and beyond are very challenging. The impact of the economic downturn on public finances is very significant, and the Council, in common with others, is developing financial plans in the context of 'flat' financial settlements.
- 2.2 In relation to 2010/11, the Scottish Government budget saw £500m removed as a consequence of UK Budget 2009. Of that sum, Local Government funding has reduced by a pro-rata share, which for Highland means £8.9m less funding for 2010/11 than had originally been advised. Of that reduction, £6.0m relates to revenue funding and £2.9m to capital.
- 2.3 Beyond 2010/11, the prospects are much more uncertain. The Scottish Government budget for 2011/12 onwards, and Highland's settlement arising from

that, will be dependent on the outcome of UK elections next spring. Based on the projections and assumptions within UK Budget 2009, analysis¹ suggests that the Scottish Budget will see a real terms reduction of 8.5% over the period 2009/10 to 2013/14. As many commentators view the UK Budget 2009 economic growth assumptions as optimistic, Cosla's position² has been that a 12% real terms reduction over that same period is a more realistic financial planning assumption for Local Government. To put these figures in context, a flat (0%) cash increase year on year contrasts with the past three years, where the Council's overall revenue grant funding averaged a 5% year on year cash increase.

- 2.4 These planning forecasts are based upon the Scottish Government budget in totality, and the presumption that Local Government's funding share is maintained. The extent to which any part of the Scottish Budget is protected, would of course mean the consequences for Local Government could be more difficult.
- 2.5 The current financial planning assumption under-pinning the Council's three-year revenue budget is as follows:-
- 2010/11 grant funding increase of 3.9% as notified to Council
 - 2011/12 flat settlement – 0% change from prior year
 - 2012/13 flat settlement – 0% change from prior year
- 2.6 Based on these prospects, it is apparent that the Council is facing a financial outlook and requirement for budget savings which is unprecedented since Local Government Re-organisation in 1996.
- 2.7 As a consequence of these difficult financial prospects, the Council commenced a new medium-term three year approach to its revenue budget in summer 2009. Based upon the budget planning assumptions at that time, it was estimated that a budget gap of £60m over the next 3 years was likely, and that savings of up to £80m should be identified to give options to address that projected gap. In relation to 2010/11, the multi year approach taken in the current year, with the agreement of savings for both 2009/10 and 2010/11, meant that £10m of savings were already agreed for that year.

¹ *Centre for Public Policy in the Regions (CPPR) analysis of Scottish Government budget prospects. Dated August 2009.*

² *Cosla/Solace/Cipfa Directors of Finance position reported to Cosla Leaders Meeting September 2009.*

3. Budget Progress

- 3.1 All Services were tasked with developing saving proposals, on a three-year basis, for savings of 5%, 6% and 6% across the next three financial years, in line with the assumptions set out in the previous section.
- 3.2 These proposals have been developed and refined over recent months, and in relation to the following 4 Services; Planning & Development, Housing & Property, Chief Executive's and Finance Service, the Administration propose savings to be considered by the Council for approval. Further information is set out in the next section.
- 3.3 In relation to the remaining Services, saving proposals will be considered by the Council in February 2010. At that time the Council will also be asked to formally agree the budget and council tax for 2010/11, and indicative figures for the subsequent two financial years.
- 3.4 The Budget Information Group (BIG) has met on 3 occasions since the summer and commencement of the budget process. At the most recent meeting, on 3 December, BIG was advised of the latest financial outlook, the recent grant settlement figures notified for 2010/11, and the proposals set out within this report. A further BIG meeting will be scheduled for the period before the next Council meeting in February.

4. Administration Proposals

- 4.1 Enclosed as **booklet A** are summary statements setting out the Administration's saving proposals for four Services for the next 3 years. In total, the proposals are as follows:-

£million

Service	2010/11	2011/12	2012/13	3 Year Total
Planning & Development	0.313	0.375	0.375	1.063
Chief Executive's	1.694	1.204	1.423	4.321
Finance	0.331	0.392	0.392	1.115
Housing & Property	0.535	0.545	0.453	1.533
Total	2.873	2.516	2.643	8.032

- 4.2 In relation to 2010/11, a number of proposals were previously agreed by the Council in December 2008 and February 2009 when the current year's budget was considered. Previously agreed savings are highlighted (shaded) within the summary statements, and are presented for information only. Further details of the saving proposals presented for decision at this meeting, are set out in **booklet B**.
- 4.3 In relation to the financial strategy to achieve further budget savings, and in light of the difficult financial outlook, the Administration also propose an option appraisal and business case review of the options for delivery of Care Home places across the Highland area. This would also result in deferral of the next stage of formal tendering for the 5 new build care homes to allow time for a business case review to take place. A formal request for tenders was due to be issued in January 2010,

and this would now be delayed by up to 4 months to allow the review to take place. The review remit is enclosed as **annex 1**.

5. Equality Impact Assessment

- 5.1 Equality Impact Assessments (EQIA) are part of the legal duties on the public sector set out in the Race Relations Amendment Act and are also included under the Disability Equality duty and Gender Equality duty. An Impact Assessment is a pro-active step to ensure wherever possible preventative measures are taken to avoid discrimination or unfairness on any equality grounds before it occurs.
- 5.2 As part of the budget process, a screening assessment was undertaken to identify if any of the proposed savings could result in less favourable treatment of equality groups, and whether a full EQIA should be carried out on any proposal and identify any mitigating action. Screening of the Chief Executive's budget proposals has highlighted savings where a more detailed assessment has been necessary. In these instances mitigating action has been identified to ensure the Council avoids discriminatory practices.

6. Communication and Consultation

- 6.1 A communications strategy has been developed as part of the budget planning process, to ensure stakeholders have been briefed as the Council's budget plans develop. Since summer 2009 when the process commenced, the following communications approach has been utilised.

Stakeholder	Communication Method
Members – Administration and Opposition	Administration Meetings Opposition budget briefings Budget Information Group (BIG)
Trade Unions	Joint Consultative Group (JCG) meetings Special TU budget briefings
Staff	Budget briefings via 'the Big picture' Management Briefings
Public/Community	Via Press Briefings Ward Forum Budget Briefings (Jan/Feb 2010 onwards)

- 6.2 This strategy will continue to be adopted as a means of continuing consultation and communication in the lead up to the February 2010 Council meeting. The Resources Committee has recently considered a report on 'Citizen Panels' which will provide an additional forum for the Council to consult on future budget proposals.

Recommendation

Members are asked to consider this report and

- (a) Note progress in relation to the revenue budget for 2010/11 to 2012/13
- (b) Agree the savings proposals set out in booklets A and B
- (c) Note that further saving proposals will be considered by the Council in February 2010, when the Council will be asked to formally agree budget and council tax for 2010/11 and indicative figures for subsequent two years.
- (d) Agree the deferral of the next stage of formal tendering for the 5 new build care homes to allow for a business case review.

Signature:

Designation: Depute Chief Executive & Director of Finance

Date: 9 December 2009

Ref:

Background Papers

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Deferral of the New Care Homes Building Programme Pending Preparation of Business Cases

Remit

1. To prepare a business case for each of the 5 new care homes (Inverness, Fort William, Muir of Ord, Tain and Grantown on Spey) taking into account:
 - i) Revenue and Capital costs, including comparisons with the current revenue operating costs of the care homes.
 - ii) The future demand for residential care, including nursing care, and the capacity, both from within the Council and through the Independent Sector, in the five localities.
 - iii) Comparative costs within the Independent Sector.
 - iv) The Social and Economic impact on the locality
2. The review will be undertaken by the Directors of Social Work, Housing and Property and Finance and will be completed by 31st March 2010.