

**The Highland Council
Budget Information Group**

Minutes of Meeting of the Budget
Information Group held in Committee
Room 1, Council Headquarters,
Inverness on Thursday, 3 December
2009 at 1.00pm.

Present

Dr D Alston
Mr J Laing
Mr R Rowantree

Mrs J Urquhart
Mr J Finnie

In Attendance:

Mr A B Dodds, Chief Executive
Mr A Geddes, Depute Chief Executive & Director of Finance
Mr B Porter, Finance Manager
Miss J MacLennan, Democratic Services Manager

Dr D Alston in the Chair

1. Apologies for Absence

Apologies for absence were intimated on behalf of Dr M E M Foxley, Mr A S Park, Mr I Ross, Mr R Balfour, Mr P Cairns, Mrs C A Wilson, Mrs M Davidson, Mr B Fernie, Mr H Fraser and Mr J Gray.

2. Scottish Government Grant Settlement 2010/11

A Presentation was undertaken at the meeting by the Depute Chief Executive & Director of Finance during which it was advised that the Local Government Finance Settlement for 2010/11 had been announced on 26 November 2009 albeit that the figures were still provisional and subject to formal approval of the Local Government Finance Order in early 2010.

In terms of year on year changes, it was confirmed as follows:-

Revenue £m

2009-10	2010-11	Change
480.951	499.724	18.773 (3.9%)

Capital £m

2009-10	2010-11	Change
50.855	38.496	-12.359 (-24%)

In relation to revenue, the grant notified was an improvement from the budget planning assumption due to additional support for PPP2 and a lower than anticipated reduction as a consequence of the £500m reduction in the Scottish

budget. Whilst revenue had improved, the capital position had reduced from the planning assumption as a share of the Scotland £500m reduction now fell on capital.

It was confirmed that the large year on year change relating to capital was primarily related to the impact of capital acceleration. In this regard, 2009/10 was approximately £6m higher than the original figures due to accelerated capital grant and 2010/11 was £6.7m lower than previously notified due to payback of capital acceleration. This factor was the main reason for the year on year swing of £12m as shown.

In relation to Outstanding Issues, it was confirmed that these included the impact of the Police and Fire pension arrangements and grant transfer and also the District Courts transfer and formal approval was awaited through the Local Government Finance Order.

Following discussion, the position was **NOTED**.

3. Revenue Budget Update 2010/11 to 2012/13

A Presentation was undertaken at the meeting by the Depute Chief Executive & Director of Finance on the Revenue Budget for 2010/11 to 2012/13.

In addition, there was tabled at the meeting –

Booklet A (Savings Proposals – Summary - Planning & Development, Chief Executive’s Office, Finance and Housing & Property Services); and
Booklet B (Draft Savings Statements - for the same Services).

During the presentation, it was confirmed that the original budget outlook and savings targets as at June 2009 had identified a £60m budget gap across 3 years with £80m of savings targeted to give options and savings of 5%, 6% and 6% set for Services.

Following a review of base budget assumptions, and taking account of the implications of the Grant Settlement for 2010/11, savings proposals (as contained in Booklets A and B) were to be presented to the full Council for consideration at the next meeting on 17 December 2009.

A number of revised assumptions were highlighted at the meeting and it was confirmed that the current outlook was as follows:-

£m	10/11	11/12	12/13
Original Gap	16.8	22.7	20.6
Changes to budget assumptions, incl 2010/11 £4.8m grant improvement	-4.7	4.0	2.6
Revised Gap	12.1	26.7	23.2
Savings already agreed 2010/11	-8.5	-	-
Further savings to Council (December)	-0.9	-2.5	-2.7
Savings still to be found	2.7	24.2	20.5

In terms of outstanding matters, it was confirmed that these included the identification of further savings proposals to close the gap (with particular reference to 2010/11), base budget assumptions/grant implications (police/fire pension changes, energy price increases, etc), a review of pressure proposals and Capital Programme/loan charge provision.

It was also advised that Risks/Uncertainties included the Grant Settlement for Years 2 and 3, actual pay awards in relation to budget assumptions, the level of balances, provision for Job Evaluation appeals and any redundancy/retiral costs (as a last resort) arising from savings proposals.

During discussion, it was confirmed that meetings of the Budget Information Group would continue over the next few months in order to consider ongoing budgetary issues.

The position was **NOTED**.

4. Capital Programme Review Update

There had been circulated Report No. BIG/4/09 dated 27 November 2009 by the Depute Chief Executive which provided an update on progress with Council's Capital Programme review.

During a summary of the report, it was confirmed that the first phase of review activity had focused on reviewing existing projects i.e. reviewing projects in the currently approved Capital Programme which ran to 2011/12 with the purpose of identifying those currently agreed projects which would continue within the new Programme. The criteria established had been to identify projects where there were legal commitments or where other reasons existed to support continuation of the project e.g. the project was too far advanced to review. This phase of work had also identified projects which could be reviewed and which could go through the option appraisal process.

In terms of new projects, it was confirmed that Services had identified new projects for the full 10 Year Programme and Outline Business Cases (OBCs) were currently being developed for these projects. On completion, this would then allow the Capital Planning Officers Group to undertake the scoring of new projects and those being reviewed against option appraisal criteria.

It was noted that the Capital Planning Officers Group had taken the principles agreed by the Council in June 2009 and undertaken further development of the option appraisal model. To support the scoring of projects, individual criteria had had descriptions expanded and the format of the OBC had been refined to align as closely as possible with the agreed criteria. The Group had also undertaken two sessions of test scoring i.e. applying the option appraisal model to mock projects and this had been of benefit as training exercise for Group members, a test run of the scoring model and identification of improvements to the OBC format.

It had been clear from the work undertaken to date that the implementation of the new Capital Programme review process and option appraisal would be resource intensive and although the initial draft timetable had envisaged a December conclusion, the view of the Group was that a revised approach should be based upon 'five plus five (years)'. On that basis, the first five years of the Programme

would be reviewed and considered before the second five years commenced. This approach would be realistic in terms of the resources required to undertake the review and would also provide the opportunity to review and refine the option appraisal model after the first five years had been agreed.

It was therefore confirmed that the timetable for the next phases of the review was as follows:-

- End of November 2009 – deadline for OBCs submitted
- End of December 2009 – Capital Planning Officers Group complete option appraisal scoring
- January 2010 – review of scoring outcomes and recommendations
- February 2010 – Council to agree new Programme 2009/10 to 2013/14
- March 2010 – review of Capital process – improvements to be identified and commencement of Programme review for 2014 to 2018/19.

In summary, it was confirmed that the timetable remained ambitious and the time which would be required to review project scoring outcomes, and for Members to scrutinise proposals and reach a conclusion, could not be understated.

The position was **NOTED**.

The meeting ended at 2.05pm.