

The Highland Council
Resources Committee – 25 November 2015

Agenda Item	4(b)
Report No	RES/90/15

Service Savings for 2015/16 – Quarter 2 Progress Report

Report by Director of Finance

Summary

This report provides an overview of progress made by Services on agreed savings proposals for 2015/16.

1. Background

- 1.1 The Council agreed a range of savings measures at its meeting on 18 December 2014. The savings agreed have been removed from Service budgets and therefore Services require to achieve savings targets to ensure a balanced Service budget for financial year 2015/16. Where a savings proposal is unlikely to be achieved within the financial year Services are required to identify alternatives.
- 1.2 At any point in time a range of assumptions are made about the scale of potential savings, work required to deliver, and associated risks. In reality there will always be some difference between estimate and actual, and this needs to be monitored and the implications assessed.

2. Service Savings Proposals

- 2.1 The report presented to Council contained a Service savings target of £13.624m.

Amendments to the following savings proposals were agreed at the meeting:

Removed	- Rangers Service	£0.048m
	- Fostering and Adoption	£0.003m
	- Catering Food Specification	£0.123m
Deferred	- Waste Management Social Enterprises	£0.050m
	- Reduced Secondary staffing allocation	£0.400m
Total		£0.624m
Additional - Members' Budget (Voluntary Charging)		£0.015m
Total		£0.609m

To balance the budget, £0.500m was met by a one-off reduction in the level of the Community Challenge Fund, a one-off contribution of £0.050m from the Strategic Change and Development Fund and an increase of £0.059m to the Loan Charge savings target.

A further change to the savings proposals was made at the Council meeting on 25 June 2015 when the saving of **£0.120m** to Winter Maintenance was reversed.

The savings target is now as follows:

Original Target	£13.624m
Proposals removed and deferred	£ 0.744m
Additional Proposals	£ 0.015m
Total	£12.895m

- 2.2 The assessment of the Service Savings proposals at **Annex 1** shows that £10.310m (80%) are ranked Green, £0.030m Yellow, £1.783m Amber and £0.772m Red.
- 2.3 It is anticipated that of the savings ranked red, amber and yellow, £0.676m will be partially achieved, the detail on these savings is provided at **Annex 2**.
- 2.4 Services have identified alternative measures amounting to £1.894m to mitigate the impact of the savings currently ranked red, amber and yellow. The detail of these alternative measures is attached at **Annex 3**.
- 2.5 The alternative savings are short term and only mitigate the impact of non delivery of the savings in this financial year. In future years these same savings or long term alternative proposals will be required.

3. Conclusions

- 3.1 At quarter 2, Services are making good progress in their efforts to achieve their savings targets and where proposals look unlikely to be realised alternatives have been identified. A shortfall of £0.015m is currently anticipated and efforts will continue throughout the financial year to balance the budget.
- 3.2 There are clearly a number of financial challenges in delivering a balanced budget. Whilst the original savings were (in some cases) ambitious they represented best estimates at the time of what could be achieved in the timescale. Some, particularly around schools PPP, were subject to discussions with contractors and had to be negotiated.
- 3.3 Clearly the issue around teacher numbers only arose after the budget was set, and this has caused some difficulty. The Care and Learning Service continues to manage all budget lines proactively and will do all it can to ensure a positive outcome. One of the techniques used, as in previous years, is to manage vacancies when they arise to deliver savings in the current year. This is being

done successfully, and is an important management tool, albeit the material impact on service delivery needs to be closely monitored to ensure standards and safe services. Whilst the current savings attributable to vacancy management is in excess of £1m this represents a small proportion of the overall staffing budget.

4. Implications

- 4.1 Resource implications are contained within this report.
- 4.2 There are no legal, equalities, climate change/Carbon Clever, risk, Gaelic or rural implications arising as a direct result of this report.

Recommendation

The Committee is asked to note the progress made by Services towards their savings targets.

Designation: Director of Finance
Date: 13 November 2015
Author: David Robertson Head of Corporate Finance
Background Papers: Revenue Budget and Council Tax 2015/16

Service	2015/16 Agreed Budget Savings £m	Green £m	Yellow £m	Amber £m	Red £m	Total £m	Projected 2015/16 Savings - Green Proposals £m	Projected 2015/16 Savings - Red, Amber & Yellow Proposals £m	Projected 2015/16 Savings from Alternative Measures £m	Total Projected 2015/16 Savings £m	2015/16 Surplus/ (Shortfall) Against Agreed Budget Savings £m	Staff Impact	
												2015/16 Staff Impact per Agreed Savings Proposal FTE	2015/16 Projected Staff Impact FTE
Care & Learning	5.960	3.788	0.030	1.472	0.670	5.960	3.788	0.335	1.837	5.960	0.000	35.5	16.6
Chief Executive's Office	0.263	0.222	0.000	0.006	0.035	0.263	0.222	0.026	0.000	0.248	-0.015	2.0	0.5
Corporate Development	0.960	0.960	0.000	0.000	0.000	0.960	0.960	0.000	0.000	0.960	0.000	9.0	9.0
Community Services	2.937	2.582	0.000	0.305	0.050	2.937	2.582	0.315	0.040	2.937	0.000	23.5	23.5
Development & Infrastructure	1.680	1.663	0.000	0.000	0.017	1.680	1.663	0.000	0.017	1.680	0.000	9.6	9.6
Finance	1.095	1.095	0.000	0.000	0.000	1.095	1.095	0.000	0.000	1.095	0.000	20.0	20.0
Total Service Savings	12.895	10.310	0.030	1.783	0.772	12.895	10.310	0.676	1.894	12.880	-0.015	99.6	79.2

2015/16 Savings Monitoring - Quarter 2
Savings Categorised as Red, Amber or Yellow

Annex 2

Service	Ref.	Activity Heading	Savings Proposal	2015/16 Agreed Budget Savings £m	Status R A Y G	2015/16 Projected Savings - Red, Amber & Yellow Proposals £m	Comments
C&L	34	Secondary Education	Remove any over entitlement teaching posts	0.520	R	0.000	Work is ongoing to reduce over entitlement posts in particular schools, however, with the requirement now to maintain teacher numbers overall, there will not be a net reduction in teacher posts across Highland. At individual school level, all over entitlement posts will be removed by August 2016
C&L	41	Secondary Education	Introduce a standard timetabling structure across Highland secondary schools, based on 33 periods, which is the optimal staffing and timetabling model	0.150	R	0.000	Having considered the impact of additional school transport costs, implementation of the 33 period week is not now expected to deliver a net saving. Where implementation has benefits for operational/education reasons, this will still be considered.
CEO	8	Members	Reduction in Members' budget & Additional income through charging (voluntary)	0.035	R	0.020	£20k budget reductions achieved and taken at the start of the year. So far very little of the £15k income target achieved. It may increase later in the year as members put their claims through but is currently less than £500.
CS	14	Taking Vehicles Home	More rigorous monitoring of policy	0.050	R	0.010	Original savings proposal was an estimate of what could be achieved. However a detailed review of current practice, and management monitoring, has not revealed any persistent breach of policy, and the savings target has therefore been revised downwards. Whilst this is actually "good news" it does leave a shortfall in the savings target. Shortfall to be met from in-year vacancies.

Service	Ref.	Activity Heading	Savings Proposal	2015/16 Agreed Budget Savings £m	Status R A Y G	2015/16 Projected Savings - Red, Amber & Yellow Proposals £m	Comments
D&I	14	Glen Nevis Centre	Transfer of Glen Nevis Visitor Centre to Highlife Highland	0.017	R	0.000	This transfer was achieved on 1 April 2015. However it has not achieved the level of saving anticipated in the short term due to initial one-off costs. Shortfall to be met from increase in Planning & BW Fee Income in the current financial year. However it is expected that the savings will be achieved in the future.
C&L	13	Major School Capital Projects	Savings arising from capital investment in new schools projects. Savings derive from staffing structures, energy efficiency improvements, and other school budgets.	0.150	A	0.075	Fort William Schools savings on programme. However Noss PS opening delayed which is expected to impact on savings in 15/16.
C&L	22	Catering Services	Increased income generation - with a focus on commercial opportunities and new income sources.	0.030	A	0.000	Opportunities being explored but impacted by loss of existing contracts e.g. Hospice contract while re-located
C&L	29	PPP1	Estimated saving from renegotiation and refinancing of contract	0.350	A	0.035	Discussions ongoing with PPP providers around renegotiation of contract terms, with August Committee agreeing in principle to ongoing discussions around proposals.
C&L	30	PPP2	Estimated saving from renegotiation and refinancing of contract	0.500	A	0.050	Slippage against expected implementation timescale and significant implications for overall level of saving expected to be delivered, as major savings from re-financing or buy-out appear unlikely.

Service	Ref.	Activity Heading	Savings Proposal	2015/16 Agreed Budget Savings £m	Status R A Y G	2015/16 Projected Savings - Red, Amber & Yellow Proposals £m	Comments
C&L	36	Schools with continuous DSM deficit	Management action to address those schools which exceed the DSM deficit carry forward limits and require a budget top up (this represents removal of all budget provided for budget top-ups)	0.250	A	0.125	The continuous deficit has built up over several years and it is difficult to remove completely in 12 months. A staged approach has been adopted and Head Teachers are making significant progress. However the overspend is largely teacher salaries, and the agreement with the Scottish Government to maintain absolute teacher numbers across the Council meant that changes could not be progressed as quickly as expected and not prior to the annual census in September 2015.
C&L	37	Schools staffing budgets - centrally held	Remove contingency budget for teaching staffing costs traditionally met centrally (this represents 100% removal of this budget)	0.175	A	0.050	Similar to C&L 36 the delay in fully achieving the saving is partly due to the requirement to maintain teacher numbers. In addition there is a wider change management process linking to supply and vacancy cover arrangements based around current timetables and delivery models. As the service moves to new delivery models (number of schools, number of teachers, shape of the curriculum) there will be a lower requirement for supply cover.
C&L	47	Management of Secondary School Facilities	Transfer of management of secondary school community use to HLH	0.017	A	0.000	This savings proposal is now being incorporated within a wider review of school lets. An initial pilot at Lochaber has now been implemented but saving is currently 'amber' until further work is undertaken to assess savings opportunities.
CEO	5	Corporate Communications	Income Generation	0.006	A	0.006	Income target adjusted at the start of the year. However, under-achievement of previous years' income targets mean that there will still be a pressure.

Service	Ref.	Activity Heading	Savings Proposal	2015/16 Agreed Budget Savings £m	Status R A Y G	2015/16 Projected Savings - Red, Amber & Yellow Proposals £m	Comments
CS	36A	Car Parking	Update formal Parking Orders to include charging on Sundays for all city centre car parks and the Rose St MSCP, plus Fort William.	0.095	A	0.095	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year
CS	36E	Car Parking	Review charging structure for the Rose Street multi-storey	0.210	A	0.210	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year
C&L	1	Court Reports	Introduce charging for identified court reports undertaken by social workers, for example step-parent adoptions	0.010	Y		New income stream going ahead as intended- just slight uncertainty over whether actual level of income will be generated
C&L	27	School Lets	Additional income generation from more consistent application of the existing 2009 school lets policy	0.020	Y		Some drop off in level of letting activity occurring as charges have increased. Will be considered as part of review of school lets charging policy, to review what remedial action can be taken.

0.772	R	0.030
1.783	A	0.646
0.030	Y	0.000
2.585		0.676

**2015/16 Savings Monitoring - Quarter 2
Alternative Savings**

Annex 3

Service	Description of Alternative Measure	Projected 2015/16 Savings from Alternative Measures £m
C&L	General vacancy management pan-service	1.000
C&L	Delays in implementing newly funded initiatives	0.500
C&L	Use of earmarked funds for maintenance of teacher numbers	0.337
CS	Vacancy management savings to offset shortfall in CS/14	0.040
D&I	Increase in Planning & BW Fee Income to offset shortfall in D&I/14	0.017
Total 2015/16 Projected Savings from Alternative Measures		1.894