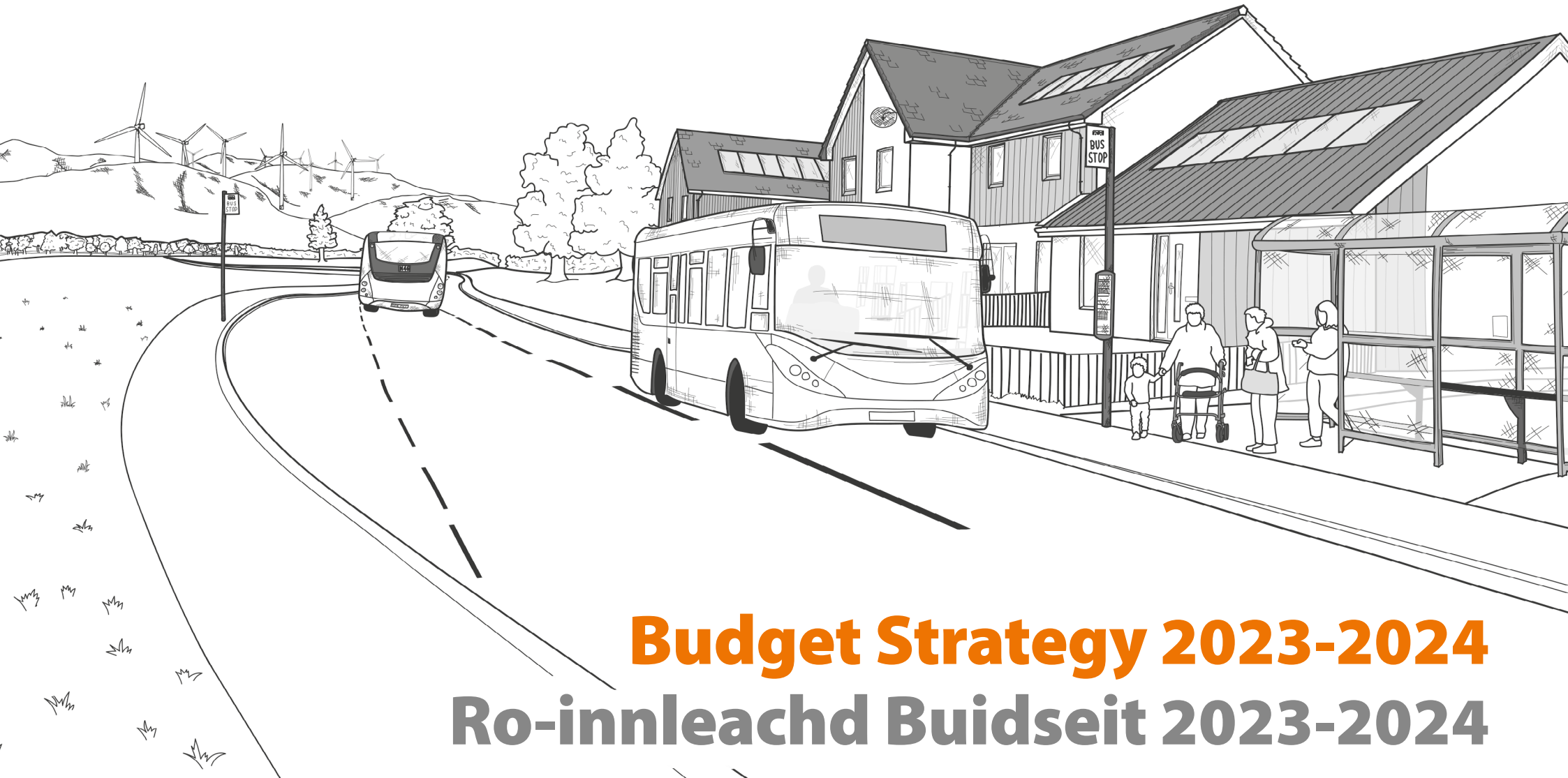


# Our Future Highland

## Ar Gàidhealtachd Ri Teachd



**Budget Strategy 2023-2024**  
**Ro-innleachd Buidseit 2023-2024**

# Contents

## Clàr-innse

- 1 Introduction**  
Ro-ràdh pg3
- 2 Investment Strategy**  
Ro-innleachd Tasgaidh pg5
- 3 Capital Programme**  
Prògram Calpa pg9
- 4 Closing the Gap - Explaining the Approach**  
A' dùnadh na beàirn - A' mìneachadh na dòigh-obrach pg10
- 5 Reserves Review**  
Ath-sgrùdadh Chùl-stòran pg13
- 6 Closing the Gap - Proposals**  
A' dùnadh na beàirn - Molaidhean pg14



# 1 Introduction

## Ro-ràdh

The Highlands has demonstrated remarkable resilience, flexibility and commitment during the global pandemic and this has also been reflected in the way in which Council staff have delivered vital, valued services throughout this period. Increased one-off COVID-19 monies have helped in recent years to support the continued delivery of Council activities and investment to help with the programme for recovery. Just at the point we should be coming out of crisis, building on recovery and returning to a steady state, The Highland Council is facing its greatest financial challenge of recent times.

The cost of the pandemic and recovery has impacted on UK and Scottish public finances generally, leading to at best, effectively a flat cash settlement for The Highland Council for 2023/24, coupled with a significant reduction in spending flexibility. At the same time, soaring inflation and increasing costs of borrowing have contributed to a severe cost of living crisis leading to increased demand for public services and a real terms reduction in Council spending power.

All of these factors have resulted in a gap in the Council's revenue budget of just under £50million for the financial year 2023/24 which will need to be addressed through a range of approaches - from increasing income, to reducing expenditure, and delivering one-off temporary relief through the judicious use of a

proportion of Council reserves.

The use of reserves to help balance the budget is only a short-term measure as the organisation looks towards achieving medium term financial sustainability. There therefore needs to be a continued focus on the identification of recurring savings and income streams in the coming weeks and months with further budget measures to be brought forward for the Council's determination at the mid-year point. This will be considered alongside the full review of the capital programme review to ensure that the affordability implications are properly understood and managed.

It has to be recognised that the scale of the challenge means that some decisions will be difficult. It is not possible to remove this amount of resource from the Council's budget without having an impact on the delivery of some of our services. In this way, the Council is no different to any household trying to manage its finances in the current cost of living crisis – we have to adjust our spending and dip into savings, because budgets no longer go as far as they once did.

Despite the significant challenge of having to address a gap of such scale, the Council Administration is committed to continuing to invest in core functions and critical services wherever this is still possible.

By undertaking a review of Council reserves, adjusting capital allocations and ensuring there remains scope to manage future years' challenges, £18.2million has been identified for an investment programme to deliver £14.1million to increase the roads maintenance and repair budget, and £4.1million for a proactive approach to reducing waste, supporting vulnerable people and managing service demand by investing in preventative measures and service change and transformation.

A key focus for the Administration during this financial crisis has been not just to protect valued local services to the greatest extent possible, but to be ambitious in establishing the foundations for a brighter and more sustainable future for Highland communities. The following strategy explains how the Council will address current financial pressures whilst also delivering investment to ensure the Council can deliver on the priorities set out in the approved Council Programme with a positive vision for the future.

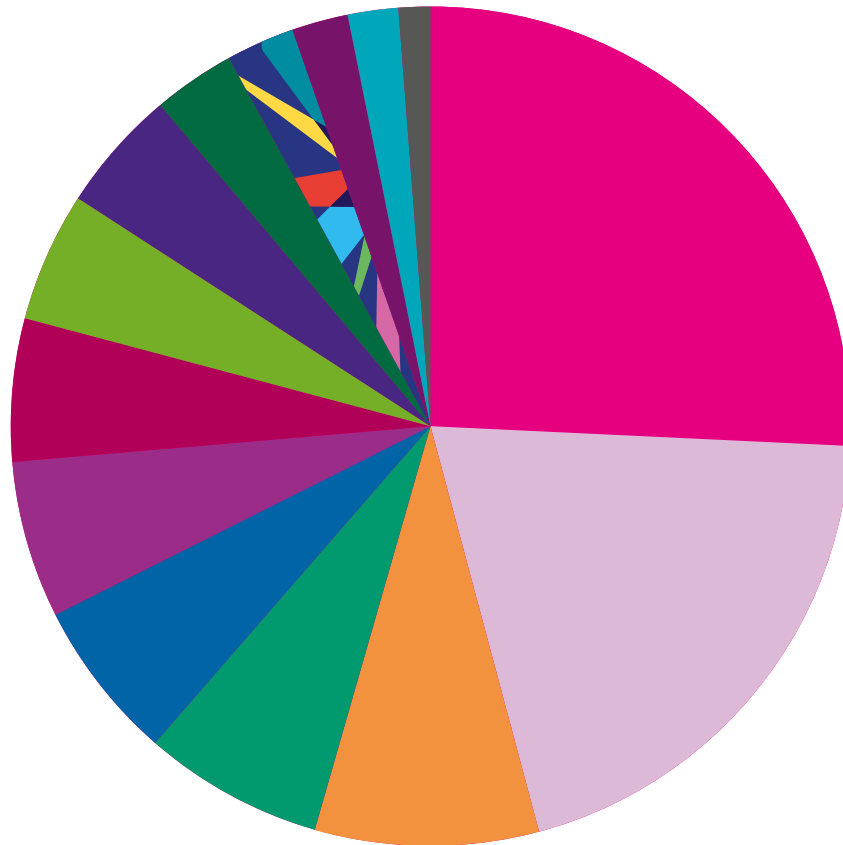


**Raymond Bremner, Council Leader**



**Bill Lobban, Convener**

## Figure 1: How the Council Revenue Budget is spent



■ Schools (nursery, primary and secondary)	_____	£174.89m
■ Adult Social Care	_____	£136.54m
■ Loans charges	_____	£58.29m
■ Property	_____	£47.19m
■ Roads and Transport	_____	£42.16m
■ Children's Services	_____	£41.10m
■ Additional Support Needs	_____	£37.36m
■ Waste, Environmental and Community Services	_____	£33.69m
■ Corporate and Support Functions	_____	£32.12m
■ Catering, Cleaning and Facilities Management	_____	£21.54m
■ High Life Highland	_____	£17.90m
■ Welfare	_____	£14.77m
■ Other frontline service	_____	£13.23m
■ Cost contingency budgets (incl. pay increases)	_____	£8.27m

2022/23 budget breakdown by service and activity area - drawn from Q3 corporate and service monitoring statements.

## 2 Investment Strategy Ro-innleachd Tasgaidh

The Council's five-year Programme "Our Future Highland" is focused on being ambitious for the future and maximising the opportunities and the resources available to improve the quality of life for people in the Highlands. This first phase of investment is focused on providing additional money into roads; reducing and managing waste; supporting vulnerable young people; and enhancing public accessibility to the Council. These initiatives are summarised below, with more detail contained in outline business cases for investment contained in Appendix 4.

### i Roads Investment £14.1 million

We know from the engagement with the public during the development of the Council Programme that investment in roads is a high priority across Highland and this ambition is shared by the Council Administration. Consequently, the Council's investment strategy will commit an additional £14.1m for roads. This will enable a number of additional schemes to be progressed beyond those already agreed and will bring the total roads capital budget up to £20m for the coming year. It is intended that the £7.2m allocation (which already forms part of the capital programme) continues to be distributed using the area allocation funding formula, with a top up of £5.1m to make this up to a total of £12.3m. The remaining £7.7m will be directed strategically to those areas most in need of improvement, evidenced by the Roads Condition survey outcomes, and in consultation with Council Members.

A further investment of £1.266m is to be made to provide a strategic Rapid Road Repair team, which will be fully resourced, mobile and able to target specific problem areas particularly potholes/patching. Potholes can form over a short time and usually continue to deteriorate

the road surface around them unless repaired. This team will allow delivery of targeted road repairs to be spread across the whole of the Council area as demand requires in particular localities. The team will be established as a pilot project for a one year period, with an initial capital cost to buy plant/equipment and ongoing annual revenue cost (personnel/materials/plant charges). The Roads (Scotland) Act 1984 places a statutory duty on Roads Authorities to manage and maintain their road network. Operating a dedicated team to not only repair defects, but monitor them from a single point, will allow the Council to target specific problem areas and therefore prevent deterioration of the network. This is a cost avoidance measure as delaying repairs normally results in a larger and therefore more costly repair to be undertaken. It would also reduce the number of temporary, repeated repairs required, as the team would be undertaking permanent ones, first time. The dedicated repair team will have a programme of permanent repairs, which will be prioritised and targeted to alleviate pressure on the network and the Area teams.

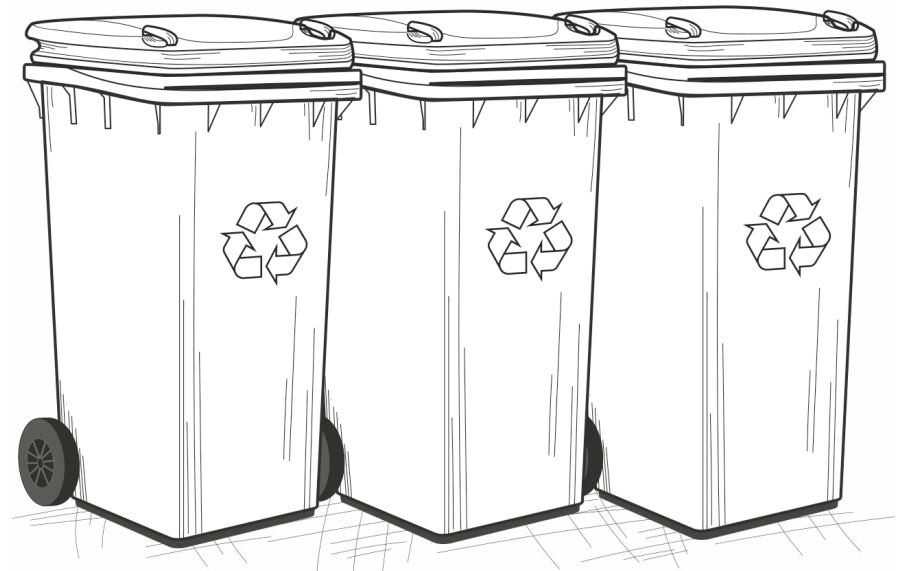
## ii Investment in treating and reducing waste £1.275million + £6.5million

Our Future Highland makes a commitment to reducing residual waste and to increase re-use, repair, recycling, and upcycling. To take this forward the Council has bid into the Scottish Government's Recycling Improvement Fund for £6.5m to undertake a number of service changes including additional food waste collection vehicles, wheeled bins and kerbside recycling, and waste transfer station modifications.

In addition to this, there will be a further investment of £1m to deliver 3 industrial bulky waste shredding facilities which will enable waste to be processed through an Energy from Waste plant rather than to landfill. This will be an invest to save measure which will provide an early return on the investment.

A further £0.275m will support the implementation of these major service changes including an information campaign across communities and schools to raise awareness of ways in which we can all reduce all types of waste; recycle and reuse more; and take better care of our resources.

This will assist with a number of measures in the Administration's budget proposals and in the Council Programme that will be delivered as a consequence of addressing behaviours to tackle avoidable waste and service failure – reducing the use of paper; rationalising the property estate; protecting Council devices from damage; and lowering energy usage – are all ways to reduce costs without significant impact on core services and which help towards the Council's net zero targets.





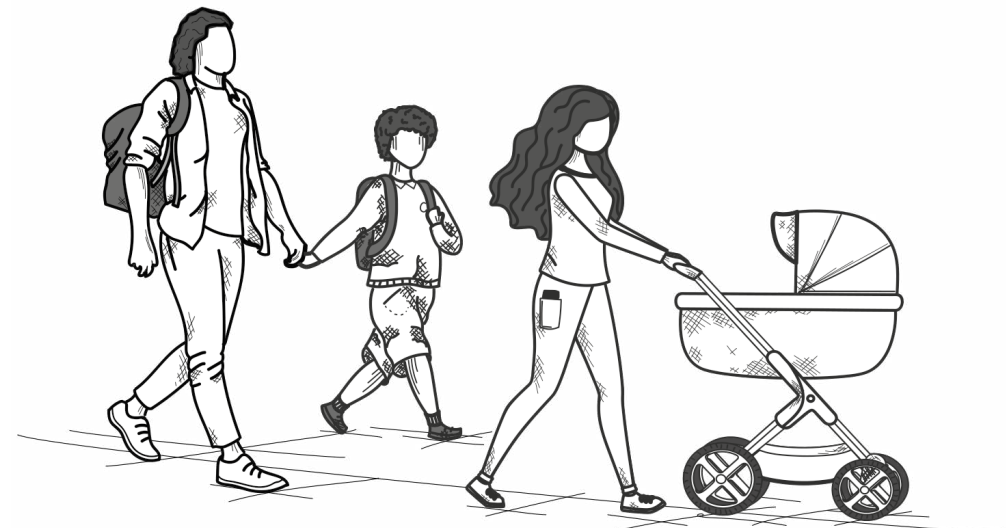
### iii Investing in vulnerable young people and families £2.306million

The Council recognises the vital role undertaken by foster carers, kinship carers and adoptive parents and will invest £1.306m in increasing allowances and enhancing support and training to increase the number of Highland-based carers and provide greater support to existing carers. This is in addition to the increased fees agreed a number of years ago.

Addressing the financial support to carers will make a real tangible difference in the lives of many children in Highland. It will enable 'ordinary' people to continue to do extraordinary things by loving, nurturing and caring for other peoples' children, within a healthy system of family care in kinship, fostering and adoption, matched to the needs of the individual child.

The Investment Strategy will protect the £1m investment in the Families First approach to develop approaches that aim to safely maintain as many children and young people at home within their families and their local Highland communities. Families First is rooted in the aspirations of The Promise and the principles of GIRFEC (Getting It Right For Every Child) and is a whole system, long term, strategy that focuses on early intervention, recognising that the family and community is the most important environment to promote the healthy development of children.

By devoting additional resources to these key areas of vulnerability it will be possible to reduce the immediate financial burden to the Council of using expensive private agencies whilst also developing life skills and resilience to prevent escalation to expensive interventions in later life. Consequently, not only are we doing the right thing, we are investing in prevention to deliver a reduction in costs over the short to medium term.



**iv** My Council investment £0.5million

The Council's Redesign Board has agreed that a key area of investment needs to be in how the Council interacts with the Highland public, customers, clients and partners. This investment will look at ways to further utilise digital approaches to support improved outcomes for our citizens, our staff, and the Council. It will invest £0.5m to put the citizen at the centre of customer engagement and improve our process and approach for all contact methods with the aim of providing a seamless customer experience. This aims to provide the public with options to engage with the Council where, when and how they want, retaining access for those who do not want to use digital and making it easier for those that do.

Whilst not driven by financial payback, this project will deliver systemic improvements which will deliver efficiencies and drive down costs. Therefore there will be a financial as well as a service delivery benefit derived from this approach.



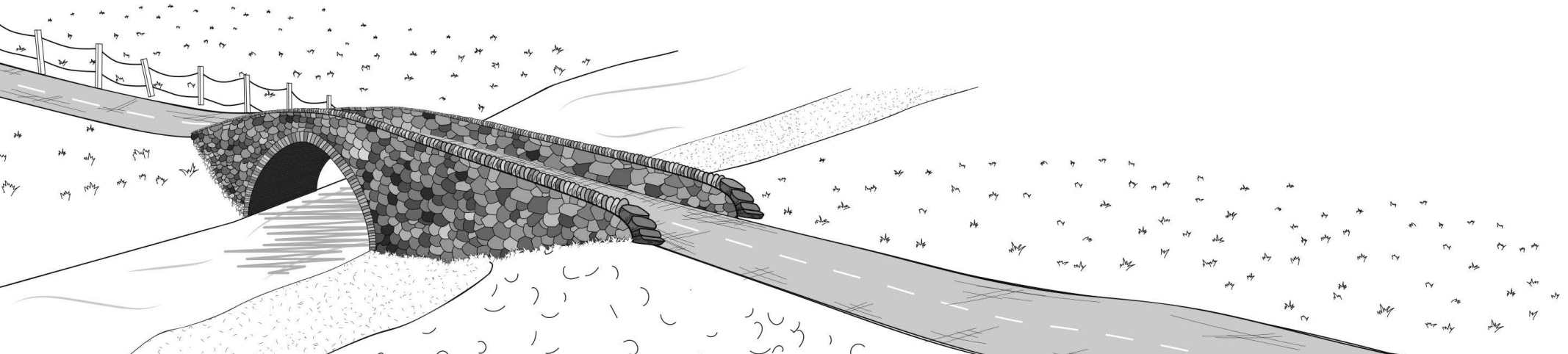


### 3 Capital Programme Prògram Calpa

The Council has acknowledged that there is a need to review the overall funding envelope for capital investment given the inflationary cost increases being seen in projects across the programme and the increases in interest rates which impact on the cost of financing loan debt. The Council agreed in December 2022 that a complete review of the Programme would be needed, but that this would need to wait for the outcome of Scottish Government decisions in relation to the Learning Estate Investment Programme (LEIP). Consequently, it is currently only possible to agree a one year capital programme for 2023/24, with the wider review coming forward for Member decision before the summer 2023.

It is important to note that no projects have been dropped from the current programme agreed in 2021; rather, a review has been undertaken to determine what work is essential to be carried out over the course of 2023/24, including projects already contractually committed; projects that are essential from a health and safety perspective; projects that are self-financing through income generation; and projects where new investment is being targeted. Many other projects will continue to be progressed through the design stages, and funding has been allocated to allow this to happen.

The full review of the programme will be informed by external funding decisions and opportunities, and an assessment against affordability, deliverability and impact; with decisions on the final approved programme to be made by Members.



## 4 Closing the Gap - Explaining the approach

### A' dùnadh na beàirn - A' mìneachadh na dòigh-obrach

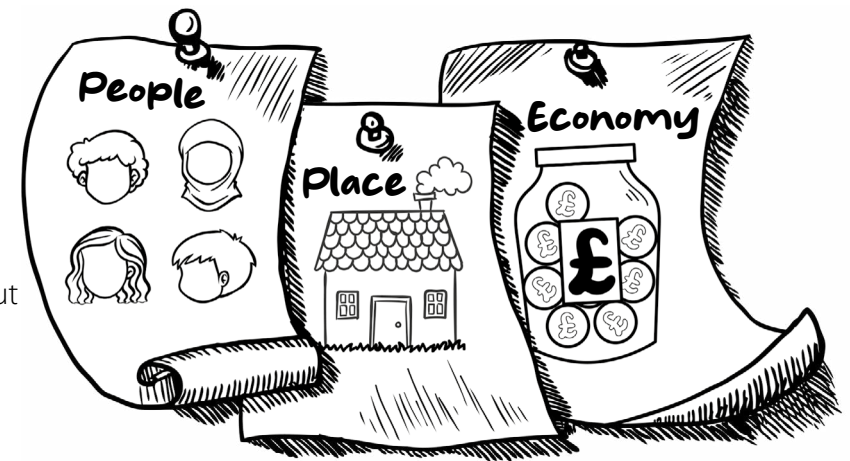
#### Reduce, Remove and Redesign

At its meeting in September 2022, the Council agreed that given the scale of the challenges facing the organisation, the following strategies would be put in place to help mitigate both the forecast overspend in the 2021/22 financial year and support the development and delivery of budget savings into 2023/24:

- **People Strategy - reduce, reshape, reprioritise** - The Council will, where possible, continue to have a no redundancy policy and will focus on natural turnover within the organisation to reduce the head count.
- **Increasing Income** - This element looks at the potential for new areas of income generation including the provision of new or additional services, optimising existing income streams and new opportunities for charging including whether any services currently provided free of charge can or should have charges introduced.
- **Service Prioritisation and redesign** - This element focuses on the effective redesign of Council services to allow alignment with the Council's priorities.

- **Asset Management** - The Council has clearly stated its ambitions for the need to reduce the Council's asset base. Working through the Redesign Board, the Council will support fast-paced delivery with staff currently working in affected properties co-producing alternative working solutions that work for them and the wider organisation. Linked to asset rationalisation is the need to reduce the Council's energy usage and wider projects such as depot rationalisation and working with public sector partners to support co-location.
- **Contract Management** - Contractors and partners are being asked to work collaboratively with the Council to look at how services can be improved within existing or reduced contract values and whether cost reductions can be made. This may mean changes in ways of working, reducing any areas of duplication, generating income, or reducing and reshaping service provision. This will be a focus throughout the year, taking opportunities as contracts come up for renewal.

- **Reserves Review** - Given the scale of the financial challenge, the Council agreed to undertake a review of all earmarked reserves to determine whether any could be reprioritised.



## Partners, Contracts and Commissioning

At the Council meeting in October 2022 the Council considered how it and key public, private and third sector partners would work together in partnership to understand the shared impact of the current financial crisis and the action that can be taken to maximise our combined resources to deliver core services across Highland, through collective budget strategies, redesign and co-production. This partnership work would be underpinned by several key principles:

- **Partnership** - We value our partnerships and recognise how important they are for the delivery of public services in Highland;
- **Equity** - Whilst motivation, impacts and mitigation may vary between us, we will be consistent and equitable in our approach to addressing our shared budget challenges;
- **Sharing Best Practice** - We strive to learn and grow together so that we deliver high quality services;
- **Outcomes** - Resource allocation will be informed by an understanding of need and impact;
- **Value for Money** - Decisions will be informed by benchmarking and performance measurement;
- **Informed Decision Making** - An inclusive approach will be taken to engagement, to enable everyone to be heard and information transparent; and
- **Respectful Relationships** - Will be promoted and expected and be an embedded element of all engagement and communication.

Both NHS Highland and High Life Highland (HLH) continue to face substantial challenges with significant pressures on the cost of service delivery for both partners, increased demand in the case of NHS Partnership commissioned services and fall in income for HLH. For NHS Highland at least, there has been additional funding of £4.3m provided by the Scottish Government. But this is insufficient to balance the budget on a sustainable basis. For both organisations, therefore, a blended approach is required including the use of reserves and the delivery of budget savings in order to deliver a balanced budget for 2023/24, and looking ahead to future years. Joint officer work will continue to enable informed choices on the decisions necessary to ensure financial sustainability going forward.

## Increasing income

Increasing opportunities for bringing income into the Council is a really important way in which vital services can be protected because it offsets the amount needed in budget reductions and service cuts to meet the Council's budget gap.

Council Tax provides approximately 20% of the Council's overall income and is the second largest after the Scottish Government's block grant. Whilst this is an extremely important income generating lever for the Council, the proposed increase for the 2023/24 financial year has been kept as low as possible at 4%. This is significantly below the rate of inflation to recognise the effects of the cost of living crisis and the cumulative impact of rising costs across household bills. Support will continue to be available from Council staff and partner providers for those requiring support including benefit take-up. The Council will also continue to process Council Tax Reduction applications promptly and to a high level of accuracy.

The Council's 2023/24 budget has a range of other income generating proposals which have been collated under 4 headings: Discretionary Services; Contribution to Cost Recovery; Commercial Charging and New Income Streams. The proposed increase in charges across existing income streams is based on a number of factors including

increased costs of service delivery, customer affordability and the cost of living crisis, price movement over previous years, price elasticity, benchmarking with other local authorities and collection levels. These have been kept relatively low in recognition of the cost of living crisis affecting Highland residents. This will be reviewed again, as part of the mid-term budget proposals, and in the light of any improvement in the general fiscal environment.

### **Workforce and People Strategy**

At the Council meeting in October 2022 the Council approved the refreshed People Strategy which outlined the direction and framework for the organisation over a five-year period relating to our workforce. The key components of this strategy are as follows:

- **Staff engagement**
- **Health, safety, and wellbeing**
- **Reward and conditions (including job design)**
- **Talent management**
- **People development**
- **People data and processes**
- **Workforce planning**
- **Equality, diversity and inclusion.**

It has been recognised that meeting the budget gap on a sustainable basis could require the removal of up to 500 posts from the Council's establishment which, equates to around £15m. This was calculated on a notional average cost per post of £30,000. Where posts are removed of a higher grade, the number of posts needed to meet the £15m is reduced.

The scale of the challenge means that there is still more that needs to be done to reduce the number of posts to the level previously identified, whilst protecting the workforce. This will be a focus for the coming months in advance of further budget decisions being required at the mid-year point. The Council remains committed to a policy of avoiding redundancies where at all possible, and so vacancy controls will remain in place to provide opportunities for deployment across the organisation and across the Highland area. The approaches set out in the People Strategy, outlined above, will play a central part in delivering a sustainable workforce despite the financial challenges being faced by the Council.

Furthermore, identifying additional non-staffing savings or increased income will reduce the target number and value of posts needed to bridge the budget gap and so this will likewise remain a priority for the coming weeks and months in the run up to the mid-year budget Council.



## 5 Reserves Review Ath-sgrùdadh Chùl-stòran

The sheer scale of the financial challenge facing the Council for the financial year 2023/24 means that it has not been possible to identify sufficient recurring savings to close the budget gap on a permanent basis in the relatively short time between the Scottish Government's announcement of the local government settlement and the need to approve the Council's budget.

Despite identifying a substantial level of revenue budget savings and a proposed 4% increase in Council Tax, there remains a sizeable budget gap not just in the year ahead, but for future years. It is proposed that the Council utilises reserves in order to deliver a balanced budget in year 1 and also provide for this being at least an element of the budget setting requirements for years 2 and 3. Because reserves only provide one-off relief, this approach will need to be augmented by a continued focus on identifying substantial recurring budget savings. The proposal to hold a mid-year budget setting meeting of the Council is consequently a central part of establishing a sustainable short to medium term financial plan.

It is therefore essential that the Council is able to have the maximum possible level of earmarked and non-earmarked reserves available to mitigate against risk and bridge the budget gap in the short term. A number of approaches have been taken to maximise available funds including a review of the earmarked balances and the utilisation of financial flexibilities, the most substantial of which is to implement a loans fund payment holiday. This activity has released a significant amount of additional one-off funding into the Council's non-earmarked general fund revenue reserve.

### Conclusion

The Council's budget strategy is consequently made up of a number of factors - savings; income; one off adjustments including reserves; and strategic investments in key priorities - which, taken together, result in a balanced budget for 2023/24 and lay the early foundations for approaching the budget for 2024/25 and 2025/26. The following Appendices explains the savings and income proposals in more detail.





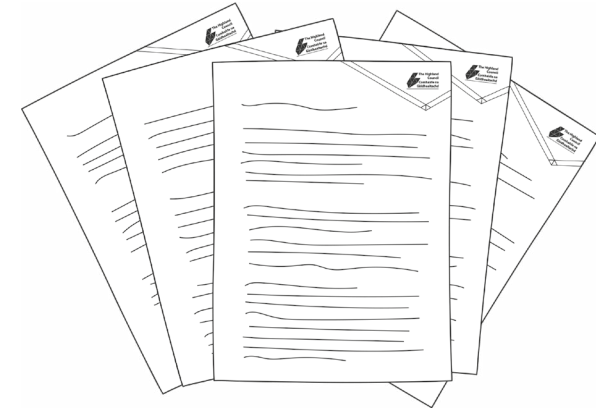
## 6 Closing the Gap - Proposals A' dùnadh na beàirn - Molaidhean

### Savings

- Reducing waste and avoidable spend
- Budget no longer required for original purpose
- Service Redesign and Efficiency
- Contract Management
- Removal of discretionary/non statutory spending
- Service re-prioritisation – stop and reduce.

### Income

- Discretionary Services
- Contribution to Cost Recovery
- Commercial Charges
- New Income Streams.



### Appendix 1 Savings and income summary

Eàrr-ràdh 1 Geàrr-chunntas air sàbhalaidhean is teachd-a-steach

### Appendix 2 Savings and income explained

Eàrr-ràdh 2 Sàbhalaidhean is teachd-a-steach air am mìneachadh

### Appendix 3 Consolidated impact assessment

Eàrr-ràdh 3 Measadh buaidh bonntaichte

### Appendix 4 Outline business cases

Eàrr-ràdh 4 Dreachd adhbharan gnothachais