

**The Highland Council**

**26 June 2014**

Agenda Item	12
Report No	HC/7/14

**Revenue Budget Planning: 2015/16 Budget Update and Long Term Financial Planning**

**Report by Director of Finance**

Summary

This report provides an update on progress in relation to planning the revenue budget for 2015/16, and the Council's longer-term financial planning for years 2016/17 to 2018/19.

**1. Background**

1.1 On 13 March 2014 the Council considered a report on the revenue budget for 2015/16 and the Long Term Financial Plan. That report provided revised assumptions relating to the budget plan for 2015/16 to 2018/19 which reduced the budget gap over the 4 year period from £78.6m to £62.7m

**2. Finance Settlement 2015/16**

2.1 Since the Council meeting on the 13 March Cosla and the Scottish Government agreed to the uprating of all needs-based indicators for the 2015/16 settlement. The impact for Highland Council is a reduction in funding of £1.016m and a consequential increase in the overall budget gap to £63.7m.

2.2 It is anticipated that the Scottish Government will issue the formal grant announcement for 2015/16 shortly, confirming the above adjustment.

**3. Budget Process**

3.1 Over the past five months the Executive Leadership Team (ELT) has been reviewing options for savings which could be generated by transforming the way in which services are currently provided, and a further corporate efficiency programme.

3.2 As indicated previously this work is focussed around the following themes:-

- Process Improvement and Modernisation
- Bringing Things Together
- Income Generation
- Working with Community Groups
- Working with Public and/or Private Partners
- Waste Disposal

- Procurement

- 3.3 Whilst ELT has considered and challenged these savings proposals, further work is required to evidence potential savings and confirm a timescale for the savings to be achieved.
- 3.4 In addition Services have been asked to consider options for delivering 4% savings over the four years 2015-19, but with an instruction to “front load” these savings so that a higher proportion can be delivered in 2015/16.
- 3.5 The Council has just concluded an initial series of budget consultation meetings across the Highlands, and has recently launched a Budget Blog. The feedback from this consultation is currently being analysed, and will inform the consideration of budget options.
- 3.6 With these different strands of work, further analysis is required to ensure that there is no duplication of savings proposals between transformation and service specific savings. Part of this analysis will also identify instances where expenditure is required to deliver the reported saving, and also to exclude anything which would result in savings on Capital or HRA rather than General Fund.

#### **4. Budget Challenge**

- 4.1 Appendix 1 shows the breakdown of the current forecast Revenue Budget 2015/16 – 2018/19, taking account of the change in the expected level of grant.
- 4.2 Whilst analysis of potential savings options is at an early stage, it is already clear that financial year 2015/16 will prove particularly challenging. At this stage the need for additional service reductions, on top of the 4% already requested, cannot be excluded.
- 4.3 ELT is currently considering further scope to deliver savings earlier, further reviewing budget assumptions, and exploring additional options for savings. It is anticipated that the outcome of this work can be reported to the Council Meeting after the Referendum.

#### **5. Implications**

- 5.1 Resource Implications – as detailed within this report.
- 5.2 Risk Implications – the budget position, and budget assumptions, will be kept under regular review and any risks identified and reported as part of any future recommendations.
- 5.3 Legal, Equalities, Climate Change/Carbon Clever, Gaelic and Rural Implications – there are no specific implications to highlight at this time. In developing savings ideas work will be done to understand the likely impact on different groups in the community and in different locations. The current

consultation on budget ideas and the later consultation with focus groups will help to do this. Where negative impacts are expected the Council will work to identify mitigating actions where possible. This information will be available for members to assist them in their decision-making.

#### Recommendations

Council is asked to note:-

- (a) the implications of the anticipated change to the Council's grant allocation for 2015/16; and
- (b) action taken to date, and further work to achieve a balanced budget for 2015/16 and close the funding gap for the subsequent three years.

Designation: Director of Finance

Date: 16 June 2014

Author: Derek Yule

## Appendix 1

<b>Roll Forward Budget 2015/16 - 2018/19</b>				
	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>
Base Budget	563.7	564.8	565.8	566.7
Roll Forward Adjustments/ Full Year Effect	1.1	0.1	0.1	0.0
Pay Awards	2.7	2.8	2.8	2.8
Other Costs Inflation	0.0	0.0	0.0	0.0
Income Inflation	-0.6	-0.6	-0.6	-0.6
Increments	1.6	1.6	1.3	1.2
Pension Increases (non-teaching)	0.8	0.8	0.8	0.8
Loan Charges	2.5	2.5	2.5	2.5
Provision for Budget Pressures	8.7	5.1	5.1	5.1
NHS Highland Adult Care	2.3	0.4	-	-
Preventative Spend	3.0	3.0	3.0	3.0
<b>Roll Forward Budget</b>	<b>585.8</b>	<b>580.5</b>	<b>580.8</b>	<b>581.5</b>
<i>Funding :</i>				
Revenue Grant	451.5	451.6	451.7	451.7
Council Tax	113.3	114.2	115.0	115.9
<b>Total Funding</b>	<b>564.8</b>	<b>565.8</b>	<b>566.7</b>	<b>567.6</b>
<b>Budget Gap (£63.7m total)</b>	<b>21.0</b>	<b>14.7</b>	<b>14.1</b>	<b>13.9</b>