

# The Highland Council

16 February 2017

Agenda Item	
Report No	

## Revenue Budget 2017/18

### Report by Director of Finance

#### Summary

This report outlines the budget gap facing the Council in 2017/18 and introduces the Administration Group's proposals for meeting the gap and delivering a balanced budget. The report also makes proposals for Council Tax rates in 2017-18.

## 1. Background

- 1.1 By law the Council is required to set a balanced budget prior to the start of every financial year and agree its Council Tax rates for the coming year. This report marks the culmination of the budget process by presenting the Administration Group's budget proposals to Council for approval.
- 1.2 The current financial position for public sector finances is unprecedented in recent times and all local authorities across Scotland are facing a huge challenge to deliver a balanced budget without a significant impact on services.
- 1.3 2017/18 will be the second consecutive year when the Council will be receiving a reduction, in pure cash terms, of the funding grant it receives from the Scottish Government. Once the new funding carrying new expenditure commitments is removed from the funding settlement the cash reduction faced by the Council is estimated at just under £11m or 2.47%. This reflects the late change made on 2 February following negotiations at the Scottish Parliament.
- 1.4 Changes to the way Council Tax is calculated for certain properties will mean the Council receives an additional £5.4m Council Tax in 2017/18. This extra income from local taxpayers will help mitigate the reduced funding coming from the Scottish Government.

## 2. The Budget Gap

- 2.1 In real terms, once inflationary costs, the extra income generated by changes to the Council Tax multiplier and other relevant items are taken into account the Council has identified a budget gap of £20.344m (3.66% of the 16/17 budget) for 2017/18. This gap reflects the difference between the estimated costs of continuing current service levels plus the additional costs of any new expenditure commitments and the income the Council expects to have available to it in 2017/18. The budget gap is calculated after taking account of

the Scottish Government's changes to Council Tax, with increases to the top four bandings (the "multiplier"- see Section 5 of this report) which will provide the Council with £5.4m additional income.

- 2.2 **Appendix 1** details the budget gap calculations and explanations of the individual elements of the calculation are provided in sections 3, 4 and 5 of this report.
- 2.3 There are two primary ways to meet the budget gap, namely by reducing spend or increasing income. **Appendix 2** summarises the Administration's proposals for meeting the budget gap with more explanation of the constituent items in sections 6 and 7 of this report.

### 3. Expenditure

- 3.1 An incremental budget approach has been used for 2017/18 and the starting point for that approach is the net revenue budget in the current financial year, 2016/17, of £555.731m.
- 3.2 To that budget are added the estimated additional costs of providing services at the same level as currently provided. Such costs will include staff pay and pension cost increases and contractual inflationary cost increases, and total £4.908m.
- 3.3 Any new expenditure commitments resulting from decisions made by the Council are also added to the roll forward budget. Such commitments include the additional costs of loans charges required to support growth in the Council's capital programme; the Council's contribution to the annual charge for schools provided under the Scottish Futures Trust funding model; and the investment in the shared procurement service. The total of costs falling into this category is £4.256m.
- 3.4 Also added are costs that the Council has to incur due to changes in regulation or increased compliance costs. In this category the Council anticipates having to pay £1.15m towards the Apprenticeship Levy.
- 3.5 Whilst Services have made every effort to deliver all their approved budget savings relating to 2016/17 and earlier years, the full delivery of some has proved elusive. As some savings cannot be fully delivered they require to be fed into the budget process here so that alternative savings can be found. The total value of items falling into this category is £1.402m.
- 3.6 A significant one-off cost of £0.375m for running the May 2017 local government election has also been taken into account. As local government elections occur every 5 years there is no recurring budget for this item.
- 3.7 As reflected in the 2016/17 budget monitoring statements, some Services have identified budget pressures including the result of increased requirement for services. These pressures cannot be managed on a recurring basis and so, following analysis, funding of £1.907m has been allocated to Services to allow

them to start financial year 2017/18 on a balanced footing.

- 3.8 In 2016/17 the Council was given special dispensation to use the income received from Council Tax on second homes for general revenue purposes rather than putting this money into the Council's landbanking fund. It is not possible to continue to do this in 2017/18 and so an adjustment of £2.6m is required to add this item back into the net revenue budget. Further adjustments are required to reinstate a one-off saving of £0.4m made in 2016/17 from the temporary extension to the current ICT contract and reflect the discontinuation of £0.423m GIRFEC funding baselined into the roll forward budget.
- 3.9 As part of the grant settlement the Council will be receiving new monies with associated expenditure commitments as well as funds previously received as grant or other income. The expenditure associated with these funding streams needs to be built into the core budget and this totals £8.949m.
- 3.10 Of these new funds the most significant is the Attainment Fund of £3.924m. At the current time the Council has received little detail from the Scottish Government on what flexibility will be allowed as to how this money can be spent or how attainment will be assessed, but the proposal is that it will have to be passed on, in full, to devolved school budgets. Allocations per school have now been received from the Scottish Government.
- 3.11 As detailed in **Appendix 1** once all of the above items are taken into account the Council's required expenditure for 2017/18 is £581.255m. When this figure is compared to the expected funding levels for 2017/18, as detailed in sections 4 and 5, a budget gap of £20.344m becomes evident. This effectively represents the additional resources that the Council would require to "stand still" and maintain all services at their current level. As these resources are not available, the budget gap needs to be closed by a combination of reducing expenditure on current services and increasing income.

#### **4. Scottish Government Grant Settlement**

- 4.1 The Scottish Government announced its draft budget in Parliament on 15 December. There has since been much work to do to get behind the headlines and understand what it actually means for public sector budgets for the coming year. It should be noted that the Scottish Parliament is not expected to formally approve the budget until later this month. While we now have more confidence about parliamentary approval of the budget it cannot be assumed that further changes will not be made.
- 4.2 On 2 February the Scottish Government announced a significant change to their previous budget proposals. In the Parliamentary debate on the draft budget, the Scottish Government announced that their previous planned cut in local government's grant settlement of £350m would be reduced by £130m to £220m. In addition, extra capital resources of £30m were announced.
- 4.3 These changes are being made to the core settlement and there are no

conditions attached. This represents a significant change to the Council's budget settlement, and reduces the level of savings required to close the budget gap.

4.4 In headline terms the Council will receive core funding of £437.493m from the Scottish Government in 2017/18, in comparison to core funding of £439.404m in 2016/17. These figures are not truly comparable however, as included in the 2017/18 funding figure are new monies and re-routing of existing funding from other sources. As outlined in section 3.9 those items total £8.949m and the Council has, or will have, a requirement to spend that sum on new commitments. Whilst the extra money is welcome it does not address the funding requirement for existing services.

4.5 The real change in the Council's core funding from the Scottish Government is therefore a reduction of £10.860m or 2.47% as per the table below.

	£m	£m
<b>2016/17 Core Funding</b>		<b>439.404</b>
Core Funding reduction as at 15/12/16	-17.033	
Core Funding amendment at 2/2/17	<u>6.173</u>	
Net Reduction in Core Funding		-10.860
Funding for new expenditure commitments/re-routing of existing funding		8.949
<b>2017/18 Core Funding</b>		<b>437.493</b>

4.6 A section of the budget of key relevance to services for which the Council has responsibility is around funding for Health and Social Care. An extra £107m nationally was announced for Health and Social Care and this is to be provided from the NHS grant settlement. The effect of this for Highland is that £4.580m will be added into the social care budget through NHS Highland, but does not form part of the local government grant settlement.

4.7 As part of the settlement and to reflect the additional support for social care detailed above, local authorities are able to make reductions in their allocations to Integration Authorities (or lead agency payment in Highland's case) up to £80m nationally. In the case of Highland this would allow a reduction in the adult services quantum of £3.48m. Whilst a reduction of this size would still mean a net cash uplift of £1.1m for social care there are a number of cost pressures that the social care service faces. A proposal to reduce the adult social care quantum, but not to the maximum level permitted by the Scottish Government, is included in the Administration Group's budget proposals.

4.8 As in previous years the local government funding settlement requires the national pupil:teacher ratio to be maintained at 2016/17 levels. Unlike previous years however, there is no Council Tax freeze and Councils will be allowed to

raise Council Tax by up to 3% without fear of financial penalty. At this stage, and unlike last year, the Scottish Government has not clarified what, if any, penalty would be applied for non-compliance.

- 4.9 The final significant item announced in the Scottish Government's budget related to changes in the Council Tax multiplier and that the extra income generated from those changes will be retained within each local authority area. Council Tax income is discussed more fully in the next section of this report. However the decision to allow councils to retain this additional income, without condition, is a material change from previous proposals, and has made a significant contribution to closing the previous budget gap.
- 4.10 When the Council was making its initial budget planning assumptions as reported to Members in October 2016 a 4% cut in Scottish Government funding was anticipated. Whilst a cut of that level was factored into the Government's initial draft budget the subsequent decision for local retention of the Council Tax multiplier income increases, plus the further funding for local government announced on the 2<sup>nd</sup> February have meant a material change in government funding from the original assumed position.

## 5. Council Tax

- 5.1 As outlined in sections 4.8 and 4.9 there are two changes to Council Tax which would impact on the level of Council Tax income received by the Council. Whilst the Council has no choice over the multiplier it will be able to increase base rates by up to 3% if it so chooses.
- 5.2 Council officers have rebased the Council Tax budget to reflect the expected Council Tax base for the year ahead. This rebasing reflects the fact that Council Tax receipts are significantly in excess of the budget in financial year 2016/17, and includes assumptions that the number of properties in Highland will continue to increase.
- 5.3 Council Tax is charged on all domestic properties and each property is banded in one of 8 bands (A to H) based on the assessed value of the property. The actual level of Council Tax charged is based on a proportion of the rate, the 'multiplier', for a band D property. The changes agreed by the Scottish Government will affect properties in Bands E to H, the higher valued properties, with each paying more than they do currently. **Appendix 3** gives the details of the 2016/17 Council Tax rates and multipliers and the effect on the properties of the changes agreed by the Scottish Government for 2017/18.
- 5.4 The changes to the multipliers are expected to generate an additional £5.4m of Council Tax income in 2017/18. Overall, Council Tax income of £123.418m is being budgeted for financial year 2017/18.
- 5.5 The Council may also choose to increase the rate of Council Tax by up to 3% and the Administration Group proposals for Council Tax are outlined in section 8 of this report.

- 5.6 The Council Tax Reduction Scheme (CTRS) will continue to offer support to individuals and families on low incomes. The multiplier changes will impact on CTRS, but the total budget for this purpose is believed to be sufficient to manage any additional cost due to the current and projected impact of other benefit changes.

## **6. Budget Gap summary**

- 6.1 As detailed at section 3.11 the Council's expenditure requirement for 2017/18 is £581.255m.
- 6.2 The funding expected from the Scottish Government is £437.493m (per section 4.4) and the funding expected from maintaining the band D Council Tax at its current level, albeit with changed multipliers for properties in bands E to H, is £123.418m (per section 5.4).
- 6.3 The Council's budget gap for 2017/18, the difference between required expenditure and income, is £20.344m. This figure is shown in **Appendix 1**.
- 6.4 In order to meet the budget gap the Council needs to generate additional income or reduce expenditure. In previous years' budget rounds some savings proposals have been presented which are outlined in section 7. These would reduce the budget gap to £13.920m.
- 6.5 The Administration Budget Group have been working with officers to develop new proposals to bridge the remaining budget gap and these are outlined in section 8.

## **7. Savings identified in prior years**

- 7.1 As part of budget decisions made in December 2014 and February 2016 a number of savings proposals were presented which take effect from financial year 2017/18. Officers have been planning for the implementation of those savings as well as reviewing their overall deliverability.
- 7.2 The total value of savings approved in December 2014 and assessed as deliverable is £4.539m. A summary of the savings from February 2016 which officers believe are deliverable in 2017/18 is shown in **Appendix 5**. Detailed budget templates for these proposals were scrutinised in previous budget rounds and Members are asked to agree to the delivery of those savings in 2017/18.

## **8. Administration budget proposals**

- 8.1 The Administration Budget Group has been working with officers to consider ways to address the budget gap. Firstly the group proposes increasing the rates of Council Tax by the maximum allowed 3%. The effect of this change on Council Tax rates for 2017-18 can be seen in **Appendix 4**. Members are asked to agree to the rates as presented which would generate additional income of £3.510m.

- 8.2 After the increase in Council Tax a budget gap of £10.410m remains and **Booklet A** provides a summary, by Service, of the Administration's savings proposals. More detailed templates for each individual proposal can be seen in **Booklet B**.
- 8.3 The budget proposals developed have been informed by a range of information including previous budget consultation exercises, information gathered through the re-design process including engagement with staff and trade unions, public engagement and engagement with partner organisations. A survey to the Citizens' Panel was undertaken in December which focused on areas associated with the service Re-design reviews. These focused on waste, transport, street lighting, street cleaning and public toilets. The findings from this have assisted in developing these reviews and some associated budget proposals for 2017/18, with others being developed for future years. The report will be available on the Council's website.
- 8.4 In January, a public engagement exercise was launched using a Budget Simulator. This approach, used by a number of Local Authorities in recent years, enabled the public to try and balance the Council's budget by making reductions in some areas of service whilst considering the potential consequences of any change. The purpose of this engagement exercise was not to consult on specific budget proposals but to consider the budget overall and to promote awareness of the challenges facing the Council and consequences of service reductions, whilst providing the Council with a broad understanding of respondents' priorities.
- 8.5 1,026 people submitted a budget over the two and a half week period that the tool was available for. Those participating represented a good demographic spread across the population however we cannot generalise these findings to the whole population as individuals were self-selecting. The average budget produced overall, identified reductions in spend across all areas, with the level of reduction varying depending upon the service.
- 8.6 Around 20% of those submitting a budget also left comments. These were wide ranging in nature and included suggestions for additional income generation, for efficiencies and for providing services differently. A number of comments were received on the simulator itself. In the main these were very positive, reflecting how difficult the challenge was but welcoming the opportunity to contribute. A summary report of the findings will be available on the Council's website.

## **9. Overall position and savings by service**

- 9.1 The Administration Group proposals deliver a small surplus of £0.279m in 2017/18, with that surplus being used to increase reserves. The next two sections of this report will outline the potential use of balances for one-off expenditure.
- 9.2 Overall the budget gap of £20.344m has been met by increasing Council Tax

income by £3.510m, increasing income by £2.841m and reducing expenditure by £13.993m.

- 9.3 Of the new proposals being put forward the anticipated impact of the saving on the level or quality of service has been categorised into one of five categories. The total value of saving in each category can be seen in the table below.

Category	£m
No impact on service	4.591
Slight impact on service	2.761
Moderate impact on service	0.616
Significant impact on service	2.721
Complete deletion of service	0.000
<b>Total</b>	<b>10.689</b>

- 9.4 The table below gives the value of savings by Service along with that savings figure expressed as a percentage of the Service's net revenue budget for 2016/17.

	Previously Identified Savings £m	2017/18 Proposed Savings £m	2017/18 Total Savings £m	2017/18 Total Savings as % of Revenue Budget
Care & Learning	1.887	1.977	3.864	1.0%
Chief Executive's Office	0.047	0.325	0.372	7.8%
Corporate Development	0.313	0.291	0.604	3.7%
Community Services	0.638	2.132	2.770	5.2%
Development & Infrastructure	0.097	2.455	2.552	32.5%
Finance Service	0.219	2.675	2.894	24.1%
<b>Service Savings Total</b>	<b>3.201</b>	<b>9.855</b>	<b>13.056</b>	<b>2.7%</b>
Corporate Savings	2.623	0.834	3.457	
<b>Total Savings</b>	<b>5.824</b>	<b>10.689</b>	<b>16.513</b>	

- 9.5 The different proportions of Service budget put up for savings reflect the 'protection' of certain budgets whether by national government policy (such as the requirement to maintain teacher numbers), areas of long-term spending commitment (such as PPP costs or loans charges), or the Administration Group's priorities.

## 10. Staffing Impact and the Employee Early Release Scheme (EERS)

- 10.1 Each individual savings proposal in **Booklet B** includes the estimated impact on staff numbers. An estimated 66.6 FTE posts will be deleted in order to

deliver these proposals along with 55.2 FTE posts associated with the savings from previous years.

- 10.2 The level of staffing reductions required is considerably lower than the amount anticipated during the earlier stages of the budget process. This is due to the reduced budget gap as a result of changes in the grant funding settlement and also due to the savings proposed by the Administration impacting principally on non-staffing and income budgets.
- 10.3 Due to the uncertainty around the funding settlement in early December, Council officers implemented their obligation to initiate statutory collective compulsory redundancy consultation with the Trade Unions on 7 December 2016. Union officials were briefed that budget savings proposals led to initial estimates of staff at risk totalling 200; all staff at risk were informed of their situation by Senior Management on 8 December.
- 10.4 Of the posts affected by the Administration's final savings proposals a significant number are already vacant. Many of the posts relating to savings approved in prior years have already been deleted with the savings element in 2017/18 reflecting the full year effect of the post deletion.
- 10.5 A workforce management strategy including the use of recruitment controls and the reduced use of agency staff has been introduced in order to identify opportunities for the redeployment of staff at risk. After the effect of the Employee Early Release Scheme (detailed below) only eight members of staff affected by the savings proposals await the identification of a suitable redeployment opportunity. Redeployments remain subject to individual consultation with employees.
- 10.6 At its meeting on 15 December the Council approved the introduction of an Employee Early Release Scheme (EERS) as one tool to manage the required changes to the Council's workforce. The intention of the scheme is to minimise the need for any compulsory redundancies by offering employees the choice to leave the organisation or by creating vacancies into which it would be suitable for staff affected by the savings proposals to be redeployed.
- 10.7 EERS was open for applications from staff from the period of the 5th to the 20th of January. 326 applications were received from staff and those applications have since been under consideration by Directors. Details of the roles and positions of staff whose EERS applications are recommended for acceptance can found in the confidential **Appendix 6** to this report.
- 10.8 The total cost of the recommended applications is estimated at £0.327m and affects 26 individuals and 22.9 FTE posts. A summary of recommended applications by Service is provided below. Members are asked to agree to the acceptance of the recommended applications.

<b>Service</b>	<b>Headcount</b>	<b>FTE</b>
Care & Learning	1	0.8
Chief Executive's Office	1	1.0
Corporate Development	3	2.2
Development & Infrastructure	10	8.8
Finance	11	10.1
<b>Total</b>	<b>26</b>	<b>22.9</b>

10.9 It is proposed that the successful applications are funded from the unearmarked general fund balance and Council is asked to give its approval. The impact on balances of such an action is outlined in section 11 of this report and is seen as the most cost effective way of delivering the reductions in workforce necessary for delivering a balanced budget in 2017/18.

## **11. Reserves and Balances**

11.1 As reported to Resources Committee earlier this month the Council's unearmarked general revenue fund balance is estimated to be £9.314m if the forecast £0.632m overspend in 2016/17 transpires. This level of unearmarked balance would equate to 1.65% of the Council's 2017/18 revenue budget.

11.2 In section 10.8 of this report Council has been asked approve funding the costs of the EERS from the unearmarked general fund balance. Doing so would reduce the level of the non-earmarked general fund balance to £8.987m or 1.59% of the 2017/18 revenue budget.

11.3 The unearmarked fund is a key element of the Council's balances, representing the Council's main source of funding for delivering transformational change and providing the capacity to absorb any unbudgeted cost pressures that may arise.

11.4 Guidance provided by Audit Scotland suggests that the optimal level of this fund should be between 2 and 4% of a Council's annual revenue budget. If balances reduced to £8.987m as per section 11.2 this would be some £2.301m short of the suggested minimum level.

11.5 Whilst it is acknowledged that these are extraordinary times for local government finances, such a low level of balances would leave the Council exposed to any significant risk events in 2017/18 or give little ability to support future Council developments such as implementing the findings of Council redesign.

11.6 It is recommend that rebuilding Council reserves should be a key component of a long term financial strategy (see section 12) and that work to identify ways to increase balances during financial year 2017/18 should be commenced. Whilst the £0.279m surplus planned for 2017/18 would be a first step in rebuilding balances it is recommended that any windfall monies, opportunistic

savings or planned additional savings occurring in the remainder of 2016/17 or 2017/18 should also be used for this purpose.

- 11.7 The Council does have other reserves and balances but these are all categorised as earmarked and held for specific purposes. Whilst some earmarked funds may be diverted from their intended purpose other balances are statutory and can only be used for their prescribed purpose. The funds therefore only give a very marginal ability to replace the non-earmarked reserve.

## **12. Long Term Financial Strategy**

- 12.1 Audit Scotland issued their Overview Report on Local Government in late 2016. This report highlighted the need for all councils to develop and adopt a long term financial strategy. Whilst there is no doubt that councils have suffered from the uncertainty surrounding one year grant settlements, this stresses the need to plan for a range of funding scenarios.
- 12.2 The Council has made significant progress in the last year on Service Redesign, with final reports due to be reported to Council in March. This work will form a key element of the work required for the Council to prioritise service delivery for the future.
- 12.3 Financial modelling is not an exact science, but current forecasts suggest that the core grant funding for the Council will continue to reduce in cash terms over the next few years. The Council will require to plan for this scenario, and preparing a budget for a minimum of three years will be a key element.
- 12.4 The Council needs to plan for demographic changes that will place further demands on services, particularly in relation to school rolls and social care. Part of this work needs to link with the review of the Capital Plan, and to consider the level of borrowing that will be affordable in the context of revenue budget pressures.
- 12.5 The Council also needs to develop its workforce strategy to sit alongside a financial strategy. As further cuts in government funding are anticipated, the Council needs to plan to reduce its workforce, linked to service priorities, in such a way that minimises any call on depleted reserves.

## **13. Implications**

- 13.1 Each savings proposal outlines the specific implications associated with that item. Screenings have been undertaken to identify where there may be equality, rural or poverty implications as a result of any proposal. Where these have been identified they are highlighted on the template along with whether a full equality impact assessment has been required and completed. The templates note any general customer impact, along with any mitigation identified regarding the proposal.
- 13.2 Resource implications are set out in the report

- 13.3 Staffing Implications – Estimated staff reductions as a result of the savings proposals are detailed in the Booklets and total 121.8 FTE for 2017/18. A number of these posts are vacant or have already been deleted. The process of managing this staffing reduction will be in line with the Council’s Redundancy and Redeployment Policy and the Early Employee Release Scheme. The Council is currently proactively managing its vacancies to ensure that posts, which become vacant through the natural turnover of staff and are suitable for redeployment, are identified and held for that purpose in the first instance.
- 13.4 Legal Implications - no specific legal implications are identified in relation to the proposals within this report.
- 13.5 Climate Change/Carbon Clever Implications – Budget proposals can have positive or negative impacts in relation to climate change. Clearly a reduction in the number of staff employed in the Council will lead to a reduction in associated energy use and thus a reduction in the carbon footprint.
- 13.6 Equality Implications – The Council is committed to equal opportunities in all our activities. Under the Equality Act 2010, public authorities are required to show due regard to the elimination of discrimination, the advancement of equality of opportunity and the fostering of good relations (the general duty) on the grounds of age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex, and sexual orientation. The protected characteristic of marriage and civil partnership is covered by the elimination of discrimination duty only. Equality Impact Assessments (EQIA) have been carried out where screening showed they were necessary, to ensure that equalities have been considered in all budget decision making. This is detailed below.
- 13.7 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. 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. Information on the impacts for each savings proposal is included in the Booklet B. Where a full EQIA was carried out, full detail is published on the Council’s website.
- 13.8 Rural Implications – A screening assessment was undertaken to identify if any of the proposed savings had particular impacts in rural areas. Where applicable Rural impacts are identified in Booklet B.
- 13.9 Poverty Implications – A screening assessment was undertaken to identify if any of the proposed savings had particular poverty impacts; this included impact upon individuals, upon their opportunity to access services/employment or upon particular vulnerable communities. Where applicable poverty impacts are identified in Booklet B.

13.10 Risk Implications - The Council must set a balanced budget and the recommendations from this report will achieve that in 2017/18.

The development of the proposed Revenue Budget is not an exact science, and involves the identification of areas of risk and uncertainty. To mitigate this, officers are actively involved at a national level to ensure that they are aware, and have assessed, all potential risks.

Nevertheless, it is not possible to eliminate all risk. Some estimates, particularly around pay, are subject to national pay negotiations that are not yet concluded. Other risks are due to factors outwith the Council's control, such as severe adverse weather events, interest rate increases or cost price inflation. This emphasises the importance to maintain reserves at a level sufficient to cope with any emergency situation.

Agreement of this budget requires Services to manage budgets and deliver a significant number of savings. The Council has a good track record of achieving balanced budgets, but the ongoing scale of savings makes this a significant challenge. Close monitoring of Service budgets will continue throughout the year.

13.11 Gaelic Implications – there are no specific implications to highlight.

**Recommendations:**

The Council is asked to consider the report and agree the following:-

1. Agree a 3% increase in Council Tax for 2017/18, as per Paragraph 8.1;
2. Agree the savings proposals from February 2016, as outlined in Paragraph 7.2;
3. Agree the specific proposals for additional income and reduced expenditure, as per the savings proposals outlined in Booklet A and detailed in Booklet B;
4. Agree the list of posts to be removed under the Employee Early Release Scheme, as detailed in Paragraph 10.8;
5. Agree to meet the cost of this Scheme from Reserves, as detailed in Paragraph 10.9; and
6. Agree to rebuild balances as detailed in Section 11.6.

Designation: Director of Finance

Date: 8 February 2017

Authors: Edward Foster, Head of Corporate Finance and Derek Yule,  
Director of Finance

**Background Papers:**

- [Budget Report to Council – 18 December 2014](#)
- [Budget Report to Council – 25 February 2016](#)
- [Pre-Budget Statement to Council – 27 October 2016](#)
- [EERS Report to Council – 15 December 2016](#)
- [Corporate Revenue Monitoring Report to Resources Committee – 8 February 2017](#)

## Appendix 1

### 2017/18 Budget Gap Calculation

	£m	£m
<b>Expenditure Requirement</b>		
Roll Forward Budget (net figure after service and other income)		555.731
Costs of Standing Still		
Pay, pensions etc.	4.217	
Contractual inflation	0.691	4.908
New Expenditure Commitments from Council Decisions		
Loans charges	2.300	
Investment in shared procurement service	0.490	
Wick Campus unitary charge	0.240	
Others	1.226	4.256
New or Increased Regulatory/Compliance Costs		
Apprenticeship Levy		1.150
Elements of Prior Year Savings Not Deliverable		1.402
One off Cost in 2017/18 - Local Government Election		0.375
Continuing Budget Pressures		1.907
Reversal of One-off Items in Roll Forward Budget		
Council Tax from second homes not put into landbanking fund	2.600	
One-off ICT saving from contract extension	0.400	
Discontinuation of baselined GIRFEC funding	-0.423	2.577
New Expenditure Commitments/Re-routing of Existing Funding		
Attainment Fund Scotland	3.924	
Community Justice Social Work	2.841	
Discretionary Housing Payments	1.190	
Early Learning & Childcare	0.539	
Scottish Welfare Fund	0.219	
Others	0.236	8.949
<b>Estimated Required Expenditure for 2017/18</b>		<b>581.255</b>
<b>Funding</b>		
Council Tax (including the effect of the multiplier changes)		123.418
Scottish Government Core Grant Funding		437.493
<b>Total Funding</b>		<b>560.911</b>
<b>BUDGET GAP</b>		<b>20.344</b>

## Appendix 2

### Measures to Address the Budget Gap

	£m
Budget gap to be met by savings per Appendix 1	20.344
Savings agreed Dec '14	-4.539
Savings identified Feb '16 (per Appendix 5)	-1.285
Full year effect of 2016/17 voluntary redundancy savings	-0.600
<b>Balance of savings to be found</b>	<b><u>13.920</u></b>
<b>Administration Proposals :</b>	
Increase Council Tax by 3%	-3.510
List of savings proposals (per Booklet A)	-10.689
One-off contribution to balances	0.279
<b>Residual budget gap</b>	<b><u>0.000</u></b>

## Appendix 3

### Council Tax – Scottish Government Changes Affecting Bands E - H

Band	2016/17 Rates		2017/18 Rates after Scottish Government Changes to Multiplier Factors for Bands E - H	
	Multiplier Factor	Council Tax £	Multiplier Factor	Council Tax £
A	6/9	775.33	6/9	775.33
B	7/9	904.56	7/9	904.56
C	8/9	1,033.78	8/9	1,033.78
D	9/9	1,163.00	9/9	1,163.00
E	11/9	1,421.44	473/360	1,528.05
F	13/9	1,679.89	39/24	1,889.88
G	15/9	1,938.33	47/24	2,277.54
H	18/9	2,326.00	49/20	2,849.35

**Council Tax – Proposed 3% Increase**

Band	2017/18 Rates after Proposed 3% Increase	
	Multiplier Factor	Council Tax £
A	6/9	798.67
B	7/9	931.78
C	8/9	1,064.89
D	9/9	1,198.00
E	473/360	1,574.04
F	39/24	1,946.75
G	47/24	2,346.08
H	49/20	2,935.10

2017/18 Identified February 2016

Ref.	Activity Heading	Savings Proposal	Savings £m	Staff Impact FTE
<b>Finance</b>				
4	Payroll/Creditors	Net efficiency savings arising from ResourceLink and FMIS Projects through move to online forms reducing manual input and checking	0.015	0.5
10	Senior Management savings	Restructuring of Corporate Finance & Procurement	0.026	0.5
<b>Finance Total</b>			<b>0.041</b>	<b>1.0</b>
<b>Corporate Development</b>				
4	ICT Contract	Reduction in costs targeted from the new ICT Contract due to be awarded in July 2016 with commencement of delivery of service from early 2017.	0.170	
<b>Corporate Development Total</b>			<b>0.170</b>	<b>0.0</b>

Ref.	Activity Heading	Savings Proposal	Savings £m	Staff Impact FTE
<b>Community Services</b>				
2	Public Conveniences	Review of provision of public conveniences	0.172	
12	Interments	Interments to take place within 7 days unless there are traditional or religious reasons for not doing so	0.044	2.0
<b>Community Services Total</b>			<b>0.216</b>	<b>2.0</b>
<b>Care &amp; Learning</b>				
Ed/5	Music Tuition	A 10% reduction in the Music tuition budget	0.050	
Ed/7	Secondary Education	Re-job sizing secondary school promotion structures	0.050	1.1
Ed/9	Primary and Secondary Education	Efficiency saving from revised school management	0.150	4.0
Ch/1	Residential care	Cease use of all spot purchased beds with external contractor	0.450	

<b>Ref.</b>	<b>Activity Heading</b>	<b>Savings Proposal</b>	<b>Savings £m</b>	<b>Staff Impact FTE</b>
Ch/10	Early Years	Removal of PTs & QIO in Early Years	0.070	4.0
Res/13	Property Costs - CLL Properties	For CLL properties, move tenant cost recovery onto a consistent and equitable basis. This would impact on facility tenants which would include Inverness community centres and Wick Youth Club facilities.	0.048	
Res/14	Property Costs - CLL Properties	In parallel with the saving target set for HLH on their budgeted operations, set a comparable saving target for property costs on HLH tenanted properties (these budgets still controlled by HC). Saving to be delivered in partnership with HLH.	0.021	
CEO/11	Gaelic	Reduce discretionary spend for Gaelic arts development and events	0.019	
<b>Care &amp; Learning Total</b>			<b>0.858</b>	<b>9.1</b>
<b>Total</b>			<b>1.285</b>	<b>12.1</b>

