The Highland Council
Comhairle na Gàidhealtachd

Council Headquarters,
Glenurquhart Road,
Inverness, IV3 5NX

6 December 2017

Documents can be made available in alternative formats on request

For those Members who wish to attend – please note that Time for Prayer and Reflection will be undertaken by Mrs M Paterson at <u>10.30am</u> in the Chamber.

Dear Member,

A meeting of the **Highland Council** will be held in the **Council Chamber, Council Headquarters, Glenurquhart Road, Inverness** on **Thursday, 14 December 2017** at **<u>10.35am</u>.**

Webcast Notice: This meeting will be filmed and broadcast over the Internet on the Highland Council website and will be archived and available for viewing for 12 months thereafter.

You are invited to attend the meeting and a note of the business to be considered is attached.

Yours faithfully,

Stewart Fraser
Head of Corporate Governance

BUSINESS

1. **Calling of the Roll and Apologies for Absence**
    A' Gairm a' Chlàir agus Leisgeulan

2. **Declarations of Interest**
    Foillseachaidhean Com-pàirt

    Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

3.   **Confirmation of Minutes**
     Daingneachadh a' Gheàrr-chunntais

There are submitted for confirmation as a correct record the Minutes of Meeting of the Council held on 26 October 2017 (pp.319-336) as contained in the Volume which has been circulated separately.

4.   **Minutes of Meetings of Committees**
     Geàrr-chunntasan Choinneamhan Chomataidhean

There are submitted for confirmation as correct records, for information as regards delegated business and for approval as appropriate, the Minutes of Meetings of Committees contained in Volume circulated separately as undernoted:-

		Date	Pages
*	Ross & Cromarty Committee	31 October	337-345
*	Environment, Development & Infrastructure Committee	8 November	346-363
	Badenoch & Strathspey Area Committee	14 November	364-368
	Corporate Resources Committee	15 November	369-381
	Caithness Committee	21 November	382-386
	Audit & Scrutiny Committee	23 November	387-392
*	Sutherland County Committee	29 November	393-399
*	City of Inverness Area Committee	30 November	400-412
	People Committee	6 December	To Follow
	Nairnshire Committee	7 December	To Follow
	Isle of Skye & Raasay Committee	11 December	To Follow

5.   **Highland and Western Isles Valuation Joint Board**   **PP. 1-5**
     Co-Bhòrd Luachaidh na Gàidhealtachd is nan Eilean Siar

There are circulated for noting Minutes of Meeting of the Valuation Joint Board held on 22 September 2017 (approved by the Board on 24 November 2017).

6.   **Community Planning Board**   **PP. 6-16**
     Bòrd Dealbhadh Coimhearsnachd

There are circulated for noting Minutes of Meeting of the Community Planning Board held on 28 June 2017 (approved by the Board on 4 October 2017).

7.   **Recruitment Panel – Depute Chief Executive**   **P. 17**
     Pannal Fastaidh – Iar-Ard-Oifigear

There are circulated for noting Minutes of Meeting of the Recruitment Panel – Depute Chief Executive – held on Wednesday, 1 November 2017.

8.   **Membership of Committees, etc**
     Ballarachd Chomataidhean, msaa

Members are advised that Mr C MacLeod has confirmed that he is now to be non-aligned. On that basis, the political make-up of the Council is now as follows:-

Independent – 30/SNP – 20/Scottish Conservatives – 10/Liberal Democrat – 9/Labour – 3/Green Party – 1/Non-Aligned – 1

The formula in respect of the number of places on Strategic Committees remains as 10/7/4/3/1.

The Council is also asked to agree the following –

Corporate Resources Committee – Mrs L MacDonald to replace Mr C MacLeod
Environment, Development & Infrastructure Committee – Ms K Currie to replace Mr C MacLeod
Valuation Joint Board – Substitute Member – Mr D MacKay
North Planning Applications Committee – Substitute Member – Mrs P Munro (Ward 6)
South Planning Applications Committee – Substitute Members – Mr J Bruce (Ward 20) and Mr B Allan (Ward 21)

Items 9 and 10 (below) will be considered at 2.00pm.

9.   Question Time   PP. 18-27
**   Am Ceiste**

The following Questions have been received by the Head of Corporate Governance in terms of Standing Order 42 –

(i)   Mr C Smith

To the Leader of the Council

"What engagements have you and your Administration had with Her Majesty's Government and the Devolved Scottish Administration since the last full Council?"

The response is circulated (p.18)

Mr Smith will be entitled to ask a supplementary question which will be answered by the Leader.

(ii)   Mr G Cruickshank

To the Chair of the Corporate Resources Committee

"It was recently highlighted that this Council is being charged £55,000 to upgrade Internet Explorer on its computers. That amount of money is equivalent to two full time salaries for a whole year.

Can I ask how such an extortionate charge for free software has arisen so early in the new IT contract and how many more scenarios like this can we expect to see for the remainder of this contract?"

The response is circulated (pp.19-20)

Mr Cruickshank will be entitled to ask a supplementary question which will be answered by the Chair of the Corporate Resources Committee.

(iii)   Mrs I MacKenzie

To the Chair of the People Committee

"Between the 2015/16 and 2016/17 years, the number of FTE equivalent of ASN teachers declined from 293.6 to 198.6. I have been told there was a change in the recording that year to exclude the approximately 40 teachers working in special schools, now only to count the ASN teachers in mainstream schools, however, this is still a significant reduction. Can you tell me the reasons for staff leaving and the number of staff recorded within each category?"

The response is circulated (p.21)

Mrs MacKenzie will be entitled to ask a supplementary question which will be answered by the Chair of the People Committee.

(iv)   Mr S Mackie

To the Leader of the Council

"Following the announcement by Visit Scotland to close over a third of their staffed locations within two years, can you outline what your Administration is doing to provide resilience in the Highland's tourism economy and provide certainty for those working in the sector in Thurso, Durness, Drumnadrochit and Fort Augustus whose offices are earmarked for closure?"

The response is circulated (p.22)

Mr Mackie will be entitled to ask a supplementary question which will be answered by the Leader.

(v)   Ms M Smith

To the Leader of the Council

"What has been done to review and strengthen the Council's internal procedures in respect of Sexual Harassment in the Workplace, ensuring that people can raise concerns directly and in confidence to an appointed person or person(s), who will be available and approachable by anyone wishing to make a confidential complaint?"

The response is circulated (p.23)

Ms Smith will be entitled to ask a supplementary question which will be answered by the Leader.

(vi)   Ms K Currie

To the Chair of the Environment, Development & Infrastructure Committee

"What involvement have you had in the working map for the UNESCO designation in Sutherland?"

The response is circulated (p.24)

Ms Currie will be entitled to ask a supplementary question which will be answered by the Chair of the Environment, Development & Infrastructure Committee.

(vii)   Mrs G Campbell Sinclair

To the Chair of the Corporate Resources Committee

"Could you please provide me with a list of posts, noting grades and department, of where the Council engages Agency workers?"

The response is circulated (p.25)

Mrs Campbell Sinclair will be entitled to ask a supplementary question will be answered by the Chair of the Corporate Resources Committee.

(viii)   Mr R MacWilliam

To the Leader of the Council

"What guidance or training has specifically been given to Highland Council employees to ensure that they deal efficiently and sensitively with citizens who engage with the Council's services as a result of bereavement?"

The response is circulated (pp.26-27)

Mr MacWilliam will be entitled to ask a supplementary question which will be answered by the Leader.

10.   **Notices of Motion**
      Brathan Gluasaid

The following Notices of Motion have been received in accordance with Standing Order 10.1 –

(i)"There is continuing interest in the investment in and construction of small scale Hydro schemes yet many never get past the planning stage. Thousands of pounds are spent only to find that access to the grid is denied or what is offered is insufficient for the idea to become a viable reality.

Innovative projects could be connected to the scheme to directly address issues of employment or alleviate fuel poverty.

The Council is asked to encourage these enterprises to find ways to use the power generated by local schemes in their local communities."

Signed: Mrs T Robertson   Mr J Gray   Mr B Lobban   Mrs M Davidson

(ii)This Council expresses its concern at the proposed merger of the British Transport Police (BTP) with Police Scotland. Since its inception, the new force has been fraught with difficulties, it is clear there are an abundance of issues at the core which still need addressed, the very last event it needs to handle right now is further expansion of its remit by absorbing the BTP .

A report from Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) criticised the plans for showing no 'due diligence' and that the ambitions are 'wholly political'. A recent case of a vulnerable woman boarding a train in Preston,

subsequently being met by BTP officers in Glasgow only stresses the need for a single, specialist and cross border force.

The Highland Council resolves that the Leader of the Council will write to the Cabinet Secretary for Justice to express these concerns and to urge a rethink.

Signed: Mr A Jarvie   Mr A Sinclair

(iii)'The Highland Council welcomes the proposal by the Scottish Government to establish a national not-for-profit energy company; believes that Highland customers do not always experience the benefits of the energy produced in our communities; and therefore agrees to make the case for the proposed company to be based in the Highlands.'

Signed: Mr R Laird   Dr I Cockburn

(iv)'The Highland Council believes that loans from offshore trusts should be treated as income in the hands of any and all UK recipients and therefore calls upon the UK Government to change the law to enable this.'

Signed: Mr D Louden   Dr I Cockburn

(v)The Highland Council recognises the global interest in Universal Basic Income as an alternative to complex systems of benefit support and will approach the Scottish Government with a proposal to pilot a UBI scheme in the Highlands.

Signed: Mr R MacWilliam   Ms K Currie

11.   Local Fire & Rescue Plan for Highland   PP. 28-47
   Plana Smalaidh & Teasairginn Ionadail

There is circulated Report No. HC/46/17 dated 5 December 2017 by the Deputy Assistant Chief Officer John MacDonald.

In this regard, the Plan will be <u>circulated separately</u>.

The Council is asked to approve the new Local Fire & Rescue Plan for Highland as circulated.

12.   Budget Update   PP. 48-109
   Cunntas as Ur mun Bhuidseat

There is circulated Report No. HC/47/17 dated 4 December 2017 by the Depute Chief Executive/Director of Corporate Resources.

The Council is asked to note that there are no changes to the anticipated budget gap at this time.

The Council is also asked to note the progress to date in tackling the budget gap.

13.   Redesign of Highland Council – Progress Report   PP. 110-113
   Ath-dhealbhadh Chomhairle na Gaidhealtachd – Aithisg Adhartais

There is circulated Report No. HC/48/17 dated 5 December 2017 by the Chief Executive.

The Council is asked to note:-

(i)   the Board's growing programme of reviews, with five peer reviews underway, a new peer review to be undertaken and new areas for Lean reviews. Recommendations from current peer reviews will be made by early 2018 and in time to feed into the budget process;

(ii)   that Board workshops are open to all Members to attend and that Members can propose areas for review to the Board;

(iii)   the positive engagement with staff in the 16 local briefings carried out between October and December. Nine Board members including trade union representatives and two further members participated. Over 500 staff took part in the briefings and generated nearly 200 ideas and issues to explore. These are being considered in the relevant budget theme groups as well as the Redesign Board. Feedback to staff is being arranged; and

(iv)   the Board has begun to develop its communication plan and this will continue over the next few months.

14. Corporate Plan 2017-22   PP. 114-131
     Plana Corporra 2017-22

There is circulated Report No. HC/49/17 dated 4 December 2017 by the Chief Executive.

Members are asked to:-

(i)   approve the Corporate Plan for 2017-22 as circulated;

(ii)   note that the Plan will support the delivery of the Highland Outcome Improvement Plan;

(iii)   note that the Plan will be the subject of an Annual Performance Report in September of each year; and

(iv)   note that the Plan is normally reviewed following the Annual Performance Report to Council and any changes will be submitted to the Council for approval.

15. Proposals for Changes to the Governance of Education   PP. 132-140
     Ath-sgrudadh Riaghladh Foghlaim

There is circulated Report No. HC/50/17 dated 4 December 2017 by the Chief Executive.

Members are asked to:-

(i)   discuss the proposals at this meeting;

(ii)   endorse the approach and conclusions set out at the end of the report; and

(iii)   agree that the Council's response will take account of further consultations, including with Partner Authorities in the Northern Alliance and at CoSLA, and be finalised by the Strategic Chair in consultation with the Council Leader and Chief Executive.

16. Tourism Development   PP. 141-149
     Aithisg Suidheachadh Turasachd

There is circulated Report No. HC/51/17 dated 4 December 2017 by the Director of Development & Infrastructure.

Members are asked to:-

(i)   note the significance of the tourism to the Highland economy and welcome the levels of growth witnessed in recent years;
(ii)   agree to identify Council resources to provide financial support that allows Event Scotland and their partners to bid for future major international events to be hosted in Highland;
(iii)   approve the setting up of a tourism working group within the Council to take a strategic overview of and set priorities for the Council's contribution to addressing the issues described in the report; and
(iv)   consider which Members might be included in the proposed working group.

17. **Talent Attraction, Retention and Returns**   **PP. 150-154**
    Aithisg Taladh Talaint

There is circulated Report No. HC/52/17 dated 4 December 2017 by the Depute Chief Executive/Director of Corporate Resources.

The Council is asked to consider:-

(i)   the workforce sustainability challenges facing the Highland Council;
(ii)   the importance of collaboration with partners to develop a Talent Attraction, Retention and Returns Strategy and Action Plan; and
(iii)   the requirement to prepare for the workforce challenges presented by Brexit.

18. **Scheme of Delegation and Administration to Strategic Committees and Sub Committees and to Officers**
    Raòn Ùghdarrais agus Rianachd gu Comataidhean Ro-innleachdail agus Fo-chomataidhean agus gu Oifigearan

The Council is asked to agree inclusion of the following wording within Part IV - Powers Delegated to Officers – Chief Executive's Office - Corporate Governance – Housing (Scotland) Act 2006 – Part 5:-

'Section 144 – to revoke a rent suspension order (i) if an HMO (house in multiple occupation) licence has subsequently been granted to the owner of the living accommodation concerned, or (ii) if satisfied, on the application of any person, that the living accommodation concerned is no longer an HMO, or (iii) in the case of a rent suspension order made in respect of breach of an HMO licence condition, if satisfied that the condition is no longer being breached or that the living accommodation concerning is no longer an HMO' – delegated to the Head of Corporate Governance and Principal Solicitor (Regulatory Services).

19. **Deeds Executed**
    Sgrìobhainnean Lagha a Bhuilicheadh

Members are asked to note that a list of deeds and other documents executed on behalf of the Council since the meeting held on 26 October 2017 is available in the Members' Library and on the Council's Website.

Highland and Western Isles Valuation Joint Board

Minutes of Meeting of the Highland and Western Isles Valuation Joint Board held in Council Headquarters, Inverness on Friday 22 September 2017 at 10.30 a.m.

Present:

Representing The Highland Council:

Ms K Currie
Mr A Graham
Mr J Gray
Mr L Fraser
Mr W MacLachlan
Mrs P Munro
Mr D MacLeod
Mrs M Paterson

Representing Comhairle nan Eilean Siar:

Mr J Mackay
Mr A MacLeod

In attendance:

Mr W Gillies, Assessor and Electoral Registration Officer
Ms V Macdonald, Accountant, Treasurer's Office
Ms D Sutherland, Corporate Audit Manager, Treasurer's Office
Mr S Wright, Trainee Accountant, Treasurer's Office
Mr L Robertson, Grant Thornton (External Auditor)
Mr A MacInnes, Administrative Assistant, Clerk's Office

Mr J Gray in the Chair

Business

1. **Apologies**
   Leisgeulan

   There were no apologies for absence.

2. **Declarations of Interest**
   Foillseachaidhean Com-pàirt

   There were no declarations of interest.

3. **Minutes of Meeting of 27 June 2017**
   Geàrr-chunntas Coinneamh 27 Ògmhios 2017

   The Minutes of Meeting of the Board held on 27 June, 2017 had been circulated and were **APPROVED**.

4. **Matters Arising from the Minutes**
   Gnothaichean Ag Èirigh bhon Gheàrr-chunntas

   There were no matters arising from the minutes.

5. **Membership**
   Ballrachd

   The Board **NOTED** the following change in Highland Council appointments to the Board:

   - Miss J Campbell had been appointed as a Substitute Member, replacing Mr B Lobban
   - Mr A Graham had been appointed as a Substantive Member, replacing Mrs C Caddick
   - Mrs C Caddick had been appointed as a Substitute Member, replacing Mr A Graham
   - Ms K Currie had been appointed as a Substantive Member, replacing Mr K Gowans
   - Mr B Boyd had been appointed as a Substitute Member, replacing Ms K Currie

6. **Internal Audit Report – Valuation Roll and Council Tax List**
   Aithisg In-Sgrùdaidh – Clàr Luachaidh agus Liosta na Cìse Comhairle

   There was circulated Report No. VAL/13/17 by the Corporate Audit Manager which provided details of the audit work undertaken since the last report to the Board.

   There had been one audit report issued relating to a review of the Valuation Roll and Council Tax list. The report had an audit opinion of substantial assurance and contained one medium grade recommendation relating to the timely valuation of new build properties. In response to a query, it was explained that the Assessor's office did receive information from Planning and Building Control which did help with the timely valuation of new build properties. There were plans to introduce an electronic link between the Assessor's system and the Planning and Building Control system, so that information from Planning and Building control could be downloaded and matched against the Assessor's records, insofar as possible automatically, in order to speed up the process of the valuation of new build properties.

   There was a concern raised by Members that some non domestic properties were not included on the Valuation Roll. It was advised that while staff continued to actively monitor properties that may be liable for non domestic properties, they did rely on intelligence, e.g. planning, building control or information from individuals so that enquiries could be made. Anyone with information where they think a property should be on the Valuation Roll, but it was not, then they should inform the Assessor and Electoral Registration Office.

   Further, the introduction of shootings into the Valuation Roll had been a massive exercise to undertake, and some 5000 enquiry forms had been issued in Highland and Western Isles. As a result some 2300 valuation notices would be issued, making new entries in the Valuation Roll for shooting rights and deer forests.

   Having scrutinised the report, the Board **NOTED** the report.

7. **Report to Those Charged with Governance on the 2016/17 Audit**
   Aithisg Dhaibhsan air a bheil Uallach airson Riaghladh air Sgrùdadh 2016/17

   There was circulated Report No VAL/14/17 by the External Auditor, Grant Thornton which presented the draft Annual Report on the 2016/17 Audit.

In particular, the following points were highlighted:-

- The independent auditor's report on the 2016/17 financial statements was unqualified;
- Overall, the draft financial statements were of good quality and were a complete set of annual accounts and report.
- A summary of the work on the identified significant and other audit risks and the external auditors conclusions were highlighted.
- There remained an opportunity to enhance medium term financial planning beyond the one year funding cycle, and to enhance engagement between the Board and constituent authorities around the identification and delivery of efficiency savings. It was confirmed that it would be up to the Board to determine whether to enhance financial planning beyond a one year funding cycle, although it was acknowledged that this would be challenging for constituent authorities as they currently only received a one year Local Government Grant financial settlement.

  It was felt that efficiency savings should be done separately from medium term financial planning and the Action Plan would be updated to reflect this.

Thereafter, the Board **NOTED** the report.

8. **Audited Accounts 2016/17**
   Cunntasan Sgrùdaichte 2016/17

   There was circulated Report No. VAL/15/17 which comprised the Audited Statement of Accounts for the financial year 2016/17 and the annual audit letter of representation 2016/17 by the External Auditor, Grant Thornton.

   The Treasurer highlighted that there were no significant changes to the Audited Accounts compared to the Unaudited Accounts presented at the last meeting of the Board. The External Auditor reported that there were no non standard issues to report on the letter of representation.

   Thereafter, the Board:

   i **APPROVED** the Audited Accounts for signature; and

   ii **AGREED** that the letter of representation be signed on behalf of the Board.

9. **Revenue Budget Monitoring Statement 2016/17**
   Aithris Sgrùdaidh Buidseit Teachd-a-Steach 2016/17

   There was circulated Report No VAL/16/17 by the Assessor and Electoral Registration Officer which set out the revenue monitoring position of the Board for the period to 31 August, 2017 and the projected year end position.

   It was reported that as at 31 August, 2017 net expenditure was £0.965m and represented 34% of the annual budget of £2.860m. At this point in the year, the overall outturn was expected to be an underspend of £0.050m, however, this projection was sensitive to the eventual outturn of the annual electoral canvass and

uncertainty relating to costs associated with the introduction of shootings and deer forests into the valuation roll.

It response to a query regarding the underspend to date, it was advised that the Board always carried out prudent financial planning in order for the Assessor and Electoral Registration Office to carry out its function. It was a vital function that enabled constituent authorities to raise revenue and it was carried out very efficiently. Any underspend up to a maximum of 5% of budget could be carried forward into the next financial year. In the last two financial years some of the underspend had been handed back to constituent authorities.

Reference was made to a review of the non-domestic rating system that had been commissioned by the Scottish Government. The Barclay Commission had now issued its report and the Scottish Government had intimated its acceptance of most of the findings. The Scottish Assessors Association had indicated their willingness to work with Government in implementation of the recommendations that relate to Assessors in Scotland. It was advised that further details would be reported to the next meeting of the Board.

In relation to changes in data protection legislation, the Assessor's office was working in conjunction with the Governance Committee of the Scottish Assessors' Association, to co-ordinate through that Committee, measures to bring about compliance.

Thereafter, the Board **NOTED**:-

i the contents of the report; and

ii that a report on the Barclay Commission review of the non-domestic rating system would be submitted to the next meeting of the Board.

10. Departmental Report
Aithisg Roinneil

There was circulated Report No VAL/17/17 by the Assessor and Electoral Registration Officer which outlined the main business of the Office of the Assessor and Electoral Registration Officer since the last meeting of the Board.

It was reported that the main business since the last meeting of the Board had been undertaking the electoral canvass, dealing with enquiries relating to the 2017 Revaluation and the identification and valuation of shooting rights.

In relation to a query on revaluation appeals, while anyone could make an appeal on behalf of a ratepayer, the Assessor's office advice to ratepayers wishing to employ a professional agent for this purpose, was that the agent be a member of the Royal Institute of Chartered Surveyors.

It was advised that figures in relation to total valuations of shootings, deer forests and hydro electric generators in Highland and Western Isles would be provided in the next report.

The Board **NOTED** the recent activities of the Department as set out in the report.

11. Financial Regulations
   Riaghailtean Ionmhasail

There was circulated Report No. VAL/18/17 by the Assessor and Electoral Registration which provided an updated version of the Board's Financial Regulations.

Following consideration, the Board **APPROVED** the updated Financial Regulations.

12. AOCB

Valuation Appeal Panel – it was reported that the Secretary to the Valuation Appeal Panel had written to the Assessor and Electoral Registration Officer requesting a review of the fees paid to the Panel Secretariat. While this was an independent Panel, the funding for the services of the Panel were, by law, funded by the Board. The Valuation Appeal Panel Members were unpaid and received expenses only, but the Secretariat, who advised the Panel on matters of law, did receive remuneration for their services. The Secretary in his communication, advised that it had been nine years since the fees of the Secretariat had been reviewed, and it was felt that given the length of time since the last review, that the fees of the Panel secretariat should now be reviewed.

It was suggested that this matter be considered by the Clerk to the Board with a report back to the next meeting.

The Board **AGREED** that the Clerk to the Board report to the next meeting on the request for a review of fees for the Valuation Appeal Panel Secretariat.

The meeting concluded at 11.45 a.m.

Highland Community Planning Partnership

Community Planning Board

Minutes of Meeting of the Community Planning Board held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Wednesday 28 June 2017 at 10.00 am.

Present:

Representing the Highland Council (HC):
Mrs M Davidson
Mr A Christie
Mr B Lobban
Mr S Barron
Ms M Morris
Ms A Clark
Mr P Mascarenhas
Ms E Johnston
Mr C Maclennan

Representing Highlands and Islands Enterprise (HIE):
Mr R Kirk (also representing Caithness Community Partnership)

Representing the Highland Third Sector Interface (HTSI):
Mr I Donald (Substitute)

Representing High Life Highland (HLH):
Mr I Ross (Substitute)
Mr I Murray

Representing NHS Highland (NHSH):
Dr D Alston
Ms E Mead
Mrs J Baird
Ms C Steer

Representing Police Scotland (PS):
Ch Supt G Macdonald

Representing the Scottish Fire and Rescue Service (SFRS):
Mr J MacDonald

Representing Scottish Natural Heritage (SNH):
Mr G Hogg

Representing the University of the Highlands and Islands (UHI):
Ms D Rawlinson

Community Partnership Chairs:
Mr R Kirk, Caithness (also representing HIE)
Ch Insp I Maclelland, Sutherland
Mr F Nixon, Badenoch and Strathspey
Mr G Ross, Inverness

In attendance:

Mr I Kyle, Children's Planning Manager, Highland Council
Mr D Wilby, Head of Performance, High Life Highland
Ms C McDiarmid, Head of Policy and Reform, Highland Council
Mr C Simpson, Principal Tourism and Film Officer, Highland Council
Mrs R Daly, Board Secretary, NHS Highland
Miss M Murray, Committee Administrator, Highland Council
Miss J Green, Administrative Assistant, Highland Council

Also in attendance:

Mr J Beaton, Highlands Policy and Engagement Officer, Inclusion Scotland

Dr D Alston in the Chair

Business

1. **Apologies for Absence**

   Apologies for absence were intimated on behalf of Mr G Moir, Ms M Smith, Mr B Alexander, Mr S Black, Mr D Oxley, Mr J Gibbs, Ms I Grigor, Ms M Wylie, Mr D McLachlan, Ms D Mackinnon, Mr M Loynd, Ms A Clark, Mr R Muir and Ch Insp B Mackay.

2. **Minutes of Meetings**

   The Board:

   i.   **NOTED** the draft Minutes of the Community Justice Partnership – 22 February 2017; and

   ii. **APPROVED** the Minutes of the Community Planning Board – 15 March 2017.

3. **Community Partnerships Update**

   The following verbal updates were provided on the current status of Community Partnerships:-

   Caithness

   Mr R Kirk explained that 14 members of the public had attended the recent meeting in Dunbeath. There was a feeling of unity and participation within the Partnership but there were still some resourcing issues to be addressed in terms of people and time in order to bring forward the various Plans by October 2017.

   Sutherland

   Ch Insp I Maclelland outlined the progress being made with the Locality Plan for Golspie including conducting a survey, arranging a series of workshops to review feedback with the help of a local university student, and populating the driver diagrams. It was emphasised that there was a need for training on driver diagrams as soon as possible. An update was also provided on the work of two subgroups relating to transport and employability, and it was confirmed that work was ongoing to submit a request for two additional localities. Lastly, it was confirmed that an annual review of the Partnership would take place on 7 July 2017 and an invitation to the event would be extended to the Acting Head of Policy, Highland Council, or another representative of the CPP.

   Nairn

   Ch Insp I Maclelland, on behalf of Ch Insp B Mackay, outlined the progress being made in relation to the establishment of an employability group and the draft Children's Plan. It was confirmed that additional Partnership representation had been sought from Nairn Youth Forum. Information was provided on further engagement work taking place before the survey closed, as well as the work being undertaken in terms of utilising local events to raise the profile of the Partnership. The next meeting would take place on 15 July 2017 in Nairn Community Centre.

   Easter Ross

   Mr F Nixon, on behalf of Mr M Loynd, confirmed that the location of meetings was being

rotated around the area with the last meeting having been held in Alness. It was explained that partners had attended joint training with the Mid Ross Partnership on the VOiCE tool, and that the results of the survey were being assessed in comparison with the "Having Your Say" survey which had been carried out in 2015. Clarity was sought on the formal process for dividing a locality to create a separate locality for Balintore, and the Chair would follow this up by email. The next meeting would take place on 29 June 2017.

Mid Ross

Mrs J Baird, on behalf of Ms A Clark who had recently taken over as Chair, explained that the Chair was undertaking a series of one to one meetings with partners to get feedback on progress to date and their individual priorities and contribution. She had also attended the Local Outcome Improvement Plan consultation event in Dingwall and a Ross-shire Youth Forum meeting. The first formal Partnership meeting in public had taken place on 8 May 2017 and had covered issues including the various plans to be produced, local outcomes, the review of the Active Highland Strategy, and the quality of support for families affect by substance misuse. It had been agreed to produce Locality Plans for Dingwall and Conon and the first consultation event was scheduled to take place in Conon on 10 July 3017. The work being undertaken by the Communication and Engagement Subgroup, which included promoting the event in Conon, was outlined, and it was confirmed that a number of partners had attended training on the VOiCE tool.

Badenoch and Strathspey

Mr F Nixon confirmed that the last meeting took place on 10 May 2017, which coincided with the first Ward Business Meeting for newly elected Members. The Adult and Children's Plan Subgroups were well advanced and a meeting of the Children's Plan Subgroup would be held on 4 July 2017 to review the first draft and associated driver diagram. The Engagement Subgroup continued to meet and the Sutherland Partnership survey was being used to gather evidence to inform priorities. Partners were developing good relationships in terms of problem-solving and identifying the resources and skills available. The work being undertaken to engage young people was outlined and it was confirmed that the next meeting of the Partnership would take place on 16 August 2017. The positive atmosphere of the Partnership was emphasised. However, there were challenges to be addresses in terms of public attendance.

Inverness

Mr G Ross advised that he was the newly appointed Chair of the Inverness Partnership, which would meet in public for the first time that afternoon. Key items of business included a communication plan and updates on Children's and Adult Plans as well as the Locality Plan for Merkinch. The review of welfare projects was also a vital piece of work. There had been positive engagement and people had been encouraged to continue to meet throughout the summer to meet the targets set for October 2017.

Updates were not available in respect of Lochaber and Skye, Lochalsh and Wester Ross Partnerships.

During discussion, the following issues were raised:-

- partners commended the work by Police Scotland and all those involved in the Sutherland Partnership, particularly in terms of its social media presence;
- community planning theme groups had gone through a self-assessment process so there were some tools available and lessons that could be shared with Community

Partnerships;

- in relation to the decision at the previous meeting to amend the boundaries of the Nairn Partnership, which had been well received, it would be useful to gather information on the pros and cons of any potential future changes to inform decision-making;
- it had previously been recognised that some acceleration was required in relation to Skye, Lochalsh and Wester Ross Partnership and, given that the Chair was not in attendance, the Chair of the Board undertook to contact him to seek an update; and
- the spirit of collaboration and sharing learning/best practice amongst Community Partnerships was very helpful.

The Board **NOTED** the updates and **AGREED** that, if Community Partnership boundary issues arose in the future, information on the pros and cons of any potential change be presented to the Board to allow an informed decision to be made

4. **Developing Community Partnerships – Update**

There had been circulated Report No CPB/07/17 by the Acting Head of Policy, Highland Council, and the Head of Health Improvement, NHS Highland, on behalf of the Community Partnerships Subgroup.

During discussion, the following issues were raised:

- the Chair of Caithness Community Partnership highlighted that discussion had taken place regarding developing an economic plan, building on the work of the Caithness and North Sutherland Regeneration Partnership, to address issues that would not be included in the health and social care plan. Partners expressed support in that regard and it was confirmed that the economy and job creation would be central to the Programme for the Council. However, it was important not to lose the focus on addressing inequalities;
- information having been sought on whether requests for new localities would be retrospective, it was explained that the Chief Officers' Group had oversight of the process in that regard;
- it was important that the Highland Outcome Improvement Plan reflected the various Partnerships' Locality Plans;
- it was suggested that it be remitted to the Chief Officers' Group to consider and recommend accountability routes and processes for approving each of the plans developed by Community Partnerships; and
- the Council's Youth Convener highlighted that, during his last six weeks in post, he planned to visit each of the nine Community Partnership areas to meet with the Chair or attend a Partnership meeting with two other young people from the area to share their views on the issues in their communities.

The Board:

i.   **AGREED** that, where necessary, Community Partnerships could develop a general plan for their area to cover issues that might not be captured in the children's, adult health and social care or locality plans;
ii.   **AGREED** that the strategic Community Learning and Development Plan be reviewed and updated;
iii. **AGREED** that the partnership Equalities Working Group develop a partnership approach to 'inequalities proof' local plans;
iv.   **APPROVED** the template at Appendix 1 of the report for Community Partnerships to use to seek agreement from the Chief Officers' Group to add or change the localities they wished to focus on in terms of developing locality plans;

v. **NOTED** that the CPP Board and Chief Officers' Group would need to ensure that the appropriate linkages were made between the Local Outcome Improvement Plan and Locality planning process through regular review;

vi. **AGREED** that it be remitted to the Chief Officers' Group to consider and recommend accountability routes and processes for approving each of the plans developed by Community Partnerships; and

vii. **NOTED** that a process for escalating issues and concerns within the CPP structures needed to be developed by the Chief Officers' Group.

5. Presentation by John Beaton, Inclusion Scotland

John Beaton, Highlands Policy and Engagement Officer, Inclusion Scotland, gave a presentation on the work of Inclusion Scotland, a national disabled persons' organisation made up of people with a disability and their organisations, and the Scottish Government's key disability stakeholder. He began by outlining a number of disabling barriers in terms of both the medical and social models. He then provided an overview of the Highland Pilot Project which was funded by the Scottish Government to identify regional barriers and provide solutions to increase civic participation of Highland disabled people. In terms of achieving this, Inclusion Scotland had identified that an expert by experience was the missing link between disabled people, their organisations and public bodies. Three ideas were therefore proposed, namely, the establishment of a single disabled representative on each of the nine Community Partnerships; support for a pan-impairment, pan-Highland disabled persons' organisation; and the opportunity to work in a co-operative way with the Highland Community Planning Partnership.

During discussion, the following issues were raised:

- it was recognised that people with a disability were experts by experience. However, people with different disabilities experienced different issues and it was important to ensure that all issues were captured;
- transportation was a key issue and it would be helpful to bring together a group of people with a disability to inform the CPP on accessibility issues;
- it was important that disabled representatives on Community Partnerships were not seen as tokenistic and ways in which this could be avoided were sought and received;
- it was suggested that Community Partnership Chairs be asked to consider the most effective way of implementing Inclusion Scotland's idea to establish a single disabled representative on each Community Partnership;
- further information was sought on the purpose of the pan-impairment, pan-Highland disabled persons' organisation and how it would operate to ensure that existing disabled organisations did not feel displaced and understood how to be involved;
- HTSI had a close relationship with Inclusion Scotland and was based in the premises so was well-placed to take forward the suggestion of a pan-impairment, pan-Highland disabled persons' organisation. In doing so, it was suggested that the views of the Council's Equalities Officer, Elected Members and other partners be sought, and that a report be presented to the next meeting of the Board;
- progress in terms of the establishment of disabled representatives and a disabled persons' organisation should be reviewed in a year's time;
- the CPP was involved in a number of different initiatives – eg the Green Health Partnership – and steps could be taken to ensure that disabled persons' interests were represented; and
- people who developed impairments should be looked upon as a resource to provide experience rather than a problem.

The Highlands Policy and Engagement Officer having responded to the issues raised, the

Board **NOTED** the presentation and **AGREED** that:

i.   it be remitted to Community Partnership Chairs to consider the most effective way of implementing Inclusion Scotland's suggestion that there be a disabled representative on each Community Partnership;
ii. the Highland Third Sector Interface engage widely and explore how best to take forward the suggestion of a pan-impairment, pan-Highland disabled persons' organisation, and report back to the next meeting; and
iii. progress in terms of i. and ii. above be reviewed in a year's time.

6.   **Delivering Partnership Outcomes**

There had been circulated the following reports by Responsible Officers on the current delivery plans for the Single Outcome Agreement (SOA), the partnership's agreed strategic priorities, developing partnership working, and views on future roles for the groups:

i.   **Economic Growth and Regeneration (HIE)**

The Board scrutinised and **NOTED** the report.

ii. **Employability (Highland Council)**

The Board scrutinised and **NOTED** the report.

iii. **Early Years/Children (Highland Council)**

The Board scrutinised and **NOTED** the report.

iv. **Safer and Stronger Communities (Police Scotland)**

The Board scrutinised and **NOTED** the report.

v.   **Health Inequalities and Physical Activity (NHS Highland)**

Further to the report, the Head of Health Improvement provided an update on the meeting held on 26 June 2017 to develop proposals for taking forward a Green Health Partnership in Highland.

The Board scrutinised and **NOTED** the report.

vi. **Outcomes for Older People (NHS Highland)**

During discussion, more detail was sought in relation to adult services in line with the information provided in the report on early years/children.

The Board scrutinised and **NOTED** the report.

vii. **Environmental Outcomes (SNH)**

The Board scrutinised and **NOTED** the report.

viii. Community Learning and Development (Highland Council)

The Board **NOTED** that the CLD update had been incorporated within item 7 on the agenda.

ix. SOA Development Plan (Highland Council)

The Board scrutinised and **NOTED** the update.

7. Community Learning and Development (CLD)

There had been circulated Report No CPB/08/17 by the Director of Care and Learning, Highland Council.

Further to the discussions under item 3, it was highlighted that the CLD Support Officer was organising driver diagram training for CLD leads, which would be open to other partners.

The Board:

i.   **NOTED** the progress being made towards the development of Locality Plans as contained in Appendix A of the report;
ii.   **NOTED** the appointment of the CLD support officer to support the work of the CLD Strategic Group and the nine Community Partnerships and their CLD leads;
iii. **NOTED** that a framework for monitoring CLD provision through Locality Plans would be considered by the CLD Strategic Group to support monitoring by Community Partnerships/CLD leads once the CPP had considered the datasets and performance indicators that it would use to monitor progress for its overall planning;
iv.   **AGREED** the revisions to the CLD Plan 2015-18 in Appendix B of the report as proposed by the CLD Strategic Group to take account of the way in which the CPP had developed the planning and service delivery arrangements;
v.   **NOTED** that the updated CLD Plan would be considered by the Council's People Committee should recommendation iv. above be agreed;
vi.   **AGREED** the revised CLD Strategic Group remit in Appendix C of the report which clarified its role in the light of the new community planning/locality planning arrangements; and
vii. **NOTED** that the CLD Strategic Group had started to consider the new 2018-2021 CLD Plan.

8. Supporting more community action and community-run services: acting on feedback

There had been circulated Report No CPB/09/17 by the Head of Policy and Reform, Highland Council, on behalf of the Community Gateway Subgroup.

The Head of Policy and Reform, Highland Council, gave a presentation in amplification of the report, during which detailed information was provided on the outcome of discussions at the CPP Chief Officers' Group; the Council's redesign process; the community groups that had been consulted and their feedback/ideas for support; the findings of the "Redesigning for Community Action" event in November 2016; the features of the most popular idea of a "Community Gateway"; and providers' feedback. There were three possible courses of action for the CPP in developing the "Gateway" idea and these were described in detail in the report for the Board's consideration.

During discussion, the following issues were raised:

- in the interest of transparency, Mr I Ross explained that he Chaired a Council for Voluntary Services. Mr A Christie highlighted that he was a Director of HTSI and Highland Citizens Advice Bureau Ltd;
- it would be helpful to feed in to the work being undertaken by the Commission on Highland Democracy, given the overlap with some of the themes highlighted in the report/presentation;
- it was necessary to communicate the proposed "Gateway" effectively and offer reassurance to regional and local bodies;
- it was important to recognise the geography of Highland and the associated challenges;
- if the Board agreed to proceed with the "Gateway", there should be a period of review after 12 months;
- whilst recognising the need for grant funding, it was necessary to exercise caution in terms of increasing dependency, and to encourage Development Trusts and other community groups to generate income;
- the importance of listening to community feedback was emphasised and concern was expressed that the recommendations had drifted too far from what communities wanted, which was a simple single point of access;
- third sector organisations needed to come together and discuss how to achieve greater consistency, simplify what they did and make themselves more useful to communities;
- a national review of Third Sector Interfaces was currently underway and it was therefore an opportune time to develop the proposed "Gateway", which would help to improve efficiency and quality control;
- change should be driven through improvement rather than a top-down approach;
- the term "Community Gateway" was too inward-facing;
- there appeared to be some confusion in terms of the organisations seen as having a role in supporting community action and the features of a "Community Gateway";
- it was necessary to achieve best value, minimise duplication and meet the needs and demands of community organisations, and it was suggested that, prior to progressing development work, a mapping exercise/best value review of existing provision be carried out;
- whilst it was a good idea in principle, concern was expressed that the proposed "Gateway" would only meet a few of the needs it was intended to, and it was suggested that consideration be given to how to manage advice and information provision at a local level;
- it was not clear whether the proposed "Gateway" was virtual or physical; and
- a webpage might be helpful but most people wanted to speak to someone and it was suggested that there was a need for a small pool of people with the expertise to help community bodies navigate their way through the maze they encountered when beginning a new project.

In response to the issues raised, it was explained that, whilst there was duplication, the significant amount of time and resources required to carry out a mapping exercise was prohibitive. Another issue was that, whilst there might be a desire to have one identified person as a point of contact within an area, not all provision was controlled by the CPP. In terms of community bodies wishing to speak to somebody, the "Gateway" was not intended to replace the skills and advice provided by delivery partners and there would still be referrals.

Following further discussion, it was suggested that the Board was not in a position to proceed with the proposed "Gateway" on the basis of the information available and that

further work be undertaken by the Subgroup to clarify what it would look like and how community groups would access it. It was important to be confident that a web-based "Gateway" was what communities wanted and, as a first step, it was suggested that the original group of 14 community bodies be consulted on the proposal and whether it was sufficient or the right start in meeting their expectations/requirements.

In addition, on the point being raised, the Chief Executive, NHS Highland, confirmed that the scope for a Rapid Process Improvement Workshop (RPIW) could be explored. It was explained that RPIWs brought together people with different agendas or understandings to try and eliminate the waste from a particular process. However, it was necessary to be clear about the process to be mapped and identify a start and end point.

In relation to recommendation iv, the Chair emphasised the need to make it clear to those involved to date that their input was being taken seriously and that the CPP was exploring ways to make its action more effective.

Thereafter, the Board:

i.   **NOTED** the engagement events to date and the role the Highland Third Sector Interface had had in organising and facilitating them;
ii.   **NOTED** the feedback and ideas from community bodies, and that the idea of a Community Gateway was the most favoured; that a sub group of the Chief Officers' Group had worked to develop this idea and engaged with providers as well; and that there appeared to be considerable overlap and duplication across providers of the services sought of a Gateway;
iii. **AGREED** that, before progressing development work, the original group of 14 community bodies be consulted on the proposal for a web-based "Gateway" and whether it was sufficient or the right start in meeting their expectations/requirements;
iv.   **AGREED** that the scope for a Rapid Process Improvement Workshop be explored;
v.   **AGREED** that more detailed proposals on what the "Gateway" would look like and how community groups would access it be presented to the Board when the action at iii. above had concluded; and
vi.   **AGREED** that not responding to the feedback created risks for the CPP strategically and locally and that it be made clear to those involved to date that their input was being taken seriously and that the CPP was exploring ways to make its action more effective.

9.   **Draft Highland Outcome Improvement Plan (HOIP)**

There had been circulated Report No CPB/10/17 on behalf of the HOIP Subgroup.

During discussion, the following issues were raised:

- thanks were expressed to the Subgroup for their efforts in progressing the HOIP. In particular, partners commended the Chief Officer, HTSI, who had been the driving force behind the community engagement work;
- the departure from the bureaucracy of the SOA was welcomed;
- the HOIP was a ten-year plan and there should be clear opportunities for Community Partnerships to feed in to the ongoing process;
- mobile inclusion should be added to the proposed Infrastructure priorities;
- affordable housing was a barrier to employment and was a key priority. However, it was suggested it might sit better under Infrastructure than Poverty Reduction;
- the cross-cutting impact themes were important. However, it was not yet clear how they would interact in terms of activity;

- in relation to the Mental Health and Wellbeing outcome, it was necessary to make it clear that the term "wellbeing" was being used in the context of mental health rather than in a wider sense;
- the Plan focussed on how to address problems rather than take opportunities, and there were economic and environmental opportunities that had not been included; and
- whilst welcoming the focussed document, concern was expressed that there was no mention of the environment or sustainability.

Further discussion took place on the issues raised, during which it was emphasised that the Plan was not intended to be all-encompassing but was about reducing inequalities by addressing, as a partnership, the issues that were important to communities in Highland. However, it was recognised that there was a need for more of an asset-based approach and to better communicate the purpose of the Plan.

As a first step, it was suggested that the title of the Plan be amended to "The Highland Outcome Improvement Plan – Reducing Inequalities in Highland". In addition, it was proposed that a narrative be included to better explain the purpose of the Plan, present it in a more positive way and provide further context, particularly in terms of the links between the various outcomes and themes, and the opportunities that existed.

The Chair added that the CPP had the power to do other things as a partnership and suggested that consideration be given to the wider vision for Highland over the next ten years.

Thereafter, the Board:

i. **NOTED** the engagement process and feedback received;
ii. **AGREED** the content and structure of the draft Highland Outcome Improvement Plan subject to the title being amended to "The Highland Outcome Improvement Plan – Reducing Inequalities in Highland" and the inclusion of narrative to better explain the purpose of the Plan, present it in a more positive way and provide further context, particularly in terms of the links between the various outcomes and themes, and the opportunities that existed to deliver:

    - the 5 key outcomes outlined in section 3.3 of the report
    - the 4 impact themes outlined in section 3.4 of the report
    - the priorities identified within each outcome which could be found on pages 4-8 of the draft Highland Outcome Improvement Plan

iii. **AGREED** the next steps for consulting on the draft Highland Outcome Improvement Plan;
iv. **AGREED** that partners consider the community engagement feedback and work on developing supporting actions for a 1 year Delivery Plan that would be considered by the Board in October 2017; and
v. **AGREED** that consideration be given to the Community Planning Partnership's wider vision for Highland over the next ten years.

10. Active Highland Strategy – Community Engagement

There had been circulated Report No CPB/11/17 by the Chair of the Health Inequalities and Physical Activity Theme Group on behalf of the Active Highland Group.

The Board **NOTED** the feedback from the community engagement work.

11. **Potential impacts of the vote to leave the European Union and any contingency plans partners may have in response**

There had been circulated Report No CPB/12/17 by the Director of Development and Infrastructure, Highland Council, with input from the Chief Officers' Group.

During discussion, the following issues were raised:

- NHS Highland had significant concerns regarding the potential impact on staffing levels;
- the term "migrant workers" did not capture the labour market issues which related not only to people who perceived themselves as being migrants, and who might be temporary/seasonal workers, but to the choices people made about where they wanted their lives and careers to be;
- some companies were already taking action, including reinforcing existing links with, or diversification into, the UK market;
- there was already evidence of a downturn in labour supply in some sectors – eg harvesting of agricultural products; and
- in terms of where to present the information gathered, partners were reminded that the Scottish Government Location Director for Highland had indicated, at the previous meeting, that she would seek to present evidence to the UK Government.

Thereafter, the Board **NOTED** the content of the report and **AGREED** that the Scottish Government Location Director for Highland seek to present the information gathered to the UK Government.

12. **Date of Next Meeting**

The Board **NOTED** that the next meeting would take place at 10.00 am on Wednesday 4 October 2017 in the Police Board Room, Divisional Headquarters, Old Perth Road, Inverness, IV2 3SY.

The Board also **AGREED** that consideration be given, at the next meeting, to whether or not meetings of the Community Planning Board should be held in public.

The meeting ended at 12.40 pm.

The Highland Council

Recruitment Panel

Minutes of Meeting of the Recruitment Panel held in Council Headquarters, Inverness on Wednesday 1 November, 2017 at 9.30 a.m.

Present:

Mr A Baxter

Mr A Christie

Mrs M Davidson

Mr G Mackenzie

Mr A Mackinnon

Mr P Saggers

Ms M Smith

Officials in attendance:-

Mr S Barron, Chief Executive

Ms E Barrie, HR Manager, Corporate Resources Service

1. Appointment of Chair

It was **AGREED** to appoint Mr A Mackinnon as Chair of the Panel.

2. Apologies for Absence

There were no apologies for absence.

3. Declarations of Interest

There were no declarations of interest.

4. Exclusion of the Public

The Panel **RESOLVED** that, under Section 50A(4) of the Local Government (Scotland) Act,1973, the public be excluded from the meeting for the following item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 7A of the Act.

5. Appointment of Depute Chief Executive

The Panel considered the applications for the post of Depute Chief Executive and proceeded to interview the candidates.

Following consideration, it was **AGREED** that Mr Derek Yule be appointed to the post of Depute Chief Executive.

The meeting ended at 11.30 a.m.

Item 9 - Question Time

To the Leader of the Council

"What engagements have you and your Administration had with Her Majesty's Government and the Devolved Scottish Administration since the last full Council?"

Response to Mr C Smith

My engagements are a matter of public record. They are published on our website and updated on a monthly basis.

https://www.highland.gov.uk/info/695/council_information_performance_and_statistics/661/blogs_and_diaries)

Item 9 - Question Time

To the Chair of the Corporate Resources Committee

"It was recently highlighted that this Council is being charged £55,000 to upgrade Internet Explorer on its computers. That amount of money is equivalent to two full time salaries for a whole year.

Can I ask how such an extortionate charge for free software has arisen so early in the new IT contract and how many more scenarios like this can we expect to see for the remainder of this contract?"

Response to Mr G Cruickshank

It is correct that Internet Explorer is free software. However an upgrade of a core software component in an estate as complex as the Council's is not a straightforward process.

A number of the Council's key applications, such as the social work and payroll systems, rely on Internet Explorer for access to the system. In addition to the Internet Explorer web browser there will be a number of add-on components such as Java that are also required for systems to run.

It is vital that full testing is carried out on these key systems with any upgraded software components to ensure there is no loss of functionality, and to make changes to configurations where required. To add to the complexity the Council is also running with 4 separate environments – schools, corporate, Citrix "thin client" and the public access computers in libraries. To further complicate matters all changes have to be in line with the PSN security requirements and this usually involves testing by an external independent company. All this makes such an upgrade in the Council environment very different from a simple upgrade on a home computer.

The costs for such a work package will be a mixture of project management (as there are a number of strands of work to coordinate) and technical. Those skills are charged to the Council based on a contractual rate card and the number of days required to complete the work is agreed up front as far as possible. For this particular work package certain elements were unknown at the start so some work was carried out on a time and materials basis. That work was up to an agreed ceiling which has not been breached.

The £55,000 cost for this piece of work was split between the Council's former supplier (Fujitsu) and new supplier (Wipro) as this was one of the projects that was ongoing as the Council transitioned from one contract to the other. The bulk of the costs fell with Fujitsu (approx. £43,000). Undoubtedly there was some additional cost involved due to a handover from supplier to another but that was unavoidable.

There will always be additional projects and work packages arising in the Council's ICT environment and these will often mean additional cost on top of the core contract value. However a lot of scrutiny goes into any proposals from suppliers and all costs presented in a transparent manner as per the overall contract requirements. Funding for additional works is either met from ICT Revenue or Capital Budgets, or Service Budgets as appropriate, and will form part of this initial scrutiny which will assess the technical requirements, business necessity, and investment requirement.

Item 9 - Question Time

To the Chair of the People Committee

"Between the 2015/16 and 2016/17 years, the number of FTE equivalent of ASN teachers declined from 293.6 to 198.6. I have been told there was a change in the recording that year to exclude the approximately 40 teachers working in special schools, now only to count the ASN teachers in mainstream schools, however, this is still a significant reduction. Can you tell me the reasons for staff leaving and the number of staff recorded within each category?"

<u>Response to Mrs I MacKenzie</u>

Between the 2015/16 and 2016/17 years, the number of FTE equivalent of ASN teachers declined from 293.6 to 198.6. I have been told there was a change in the recording that year to exclude the approximately 40 teachers working in special schools, now only to count the ASN teachers in mainstream schools, however, this is still a significant reduction. Can you tell me the reasons for staff leaving and the number of staff recorded within each category?"

There was no large scale reduction in the number of ASN Teachers during this period. The figures reflect changes for recording purposes.

The figure for 2015/16 (293.6) includes all ASN Teachers: Secondary ASN, Primary ASN, Special Schools and Devolved ASN.

The figure for 2016/17 (198.6) involves Secondary ASN and Primary ASN, without the Devolved ASN and Special Schools staff that are funded from school budgets. If the number of school funded posts is added to this to provide a comparable figure, it is 279.3. The difference of 14.3 is likely to be due to changes in budgets, and some use of Pupil Support Assistants instead of Teachers.

Item 9 - Question Time

To the Leader of the Council

"Following the announcement by Visit Scotland to close over a third of their staffed locations within two years, can you outline what your Administration is doing to provide resilience in the Highland's tourism economy and provide certainty for those working in the sector in Thurso, Durness, Drumnadrochit and Fort Augustus whose offices are earmarked for closure?"

Response to Mr S Mackie

Visit Scotland have been in regular contact with the Council for a number of years over the planned reduction in size of their publicly funded Visitor Information Centre network to reflect changing visitor behaviour and the need to direct resources towards other activities such as their digital presence. These discussions included a request from the Council that emphasis should be moved from the VIC network towards marketing activity and this has taken place over the last few years. This has included significant marketing of the North Coast 500 (NC500) which has brought substantial extra business to places along the route including Thurso and Durness with a recent HIE study indicating that 29,000 extra visitors had been attracted to the area in 2016 because of the NC500.

Visit Scotland is also ensuring that following closure of some of their staffed offices, a network of locations providing information to visitors will remain through their Visit Scotland Information Partner (VIP) programme which includes over 250 Highland businesses including the Council's learning and leisure partner High Life Highland sites.

The Council has also embarked on the rollout of a public Wi-Fi service in a number of Highland locations. Recognising that many visitors now access information on their mobile devices locations have been selected with visitor use of the service to gain information in mind. The locations formerly served by a staffed centre that are receiving free public Wi-Fi are Dornoch, Drumnadrochit, Fort Augustus, Nairn, Thurso & Wick with further locations under consideration for a further phase of Wi-Fi provision.

Item 9 - Question Time

To the Leader of the Council

"What has been done to review and strengthen the Council's internal procedures in respect of Sexual Harassment in the Workplace, ensuring that people can raise concerns directly and in confidence to an appointed person or person(s), who will be available and approachable by anyone wishing to make a confidential complaint?"

Response to Ms M Smith

"The Council is committed through the Harassment at Work Policy to tackle harassment in the workplace and to deal with complaints and allegations in a fair, consistent and sensitive way.

Under this policy any incident of harassment will be regarded as extremely serious, and could be grounds for disciplinary action including dismissal. All employees are made aware that harassment (whether intentional or not) will not be tolerated or deemed acceptable by the Highland Council. This policy is supported by equal opportunities training and e-learning.

Depending on the circumstances and nature of the allegations, employees can raise concerns, and seek support, through a Harassment Counsellor, HR Officer or Service Director.

The Head of People and ICT Commissioned a review of the Harassment at Work Policy in October 2017 in order to ensure that it continues to reflect best practice.

We are also planning to undertake training for elected members covering bullying and Harassment during (before / after) a Full Council meeting in the New Year where its easiest to catch all elected members in a group – hopefully there will be cross party support for such an initiative which will send a powerful message of support from members."

Item 9 - Question Time

To the Chair of the Environment, Development & Infrastructure Committee

"What involvement have you had in the working map for the UNESCO designation in Sutherland?"

Response to Ms K Currie

I have had no personal involvement however council officers are involved in a working group to consider a submission for UNESCO World Heritage Status for the Flow Country. The mapping exercise is at a very early stage with no fixed boundary established.

Item 9 - Question Time

To the Chair of the Corporate Resources Committee

"Could you please provide me with a list of posts, noting grades and department, of where the Council engages Agency workers?"

<u>Response to Mrs G Campbell Sinclair</u>

At the last Council, in response to a similar question, it was confirmed that action was continuing to be taken in terms of reducing the number of agency staff across the Council and that if required a confidential briefing for any Member with the relevant Manager could be arranged.

As was explained, Agency spend is monitored by Services to ensure costs are within staffing budgets. Agency workers are used where it is necessary to meet the needs of the Service and service users e.g. short notice recruitment, technical skills, and risk factors. Examples of this are:-

- Teacher, or occasionally a promoted post (Teaching grades)
- Social Worker (HC9)
- Mental Health Officer (HC9)
- Community Works Operative 4 – LGV Driver within Waste Services (HC4)
- Community Works Operative 3 – Refuse Loader within Waste Services (HC3)
- Community Works Operative 3 – Grounds Maintenance operative within Amenity Services (HC3)

The Council may also use bank nurses to cover for Health Visitors or School Nurses. (Agenda for Change grades)

It was further pointed out that the level of detail requested in the format required would require considerable staff resources to analyse every invoice and obtain details from services and suppliers. On that basis, this information has not been collated.

I can however advise that the Shared Commercial & Procurement Service has undertaken an analysis of agency spend and is currently working with all services to ensure that best value is obtained from the use of agencies through a preferred supplier.

Item 9 - Question Time

To the Leader of the Council

"What guidance or training has specifically been given to Highland Council employees to ensure that they deal efficiently and sensitively with citizens who engage with the Council's services as a result of bereavement?"

Response to Mr R MacWilliam

There are a range of staff across the organisation who may come into contact with individuals experiencing bereavement. This may be through the type of work they are involved with e.g. registration services, burials and cremations teams, or through interactions with individuals accessing services and seeking support when bereaved. Our Care and Learning service also provide direct support to families experiencing bereavement. Depending upon the nature of each role, the training for individuals varies:

- Registration/Customer Services - training for Registration is provided in line with National Records for Scotland guidelines. The customer care element of training around death registration pulls together a number of elements which focus on the needs of the individual and their circumstances. If staff require further support around a challenging death registration, experienced staff are always on hand to talk through any issues and provide any support necessary.
- Benefits and Welfare Police Team – training around bereavement issues is identified through the ERD process and this is provided through the Customer Care Course which focuses on the needs and requirements of individual customers.
- Burials and Cremation Services - all training for staff is practical on the job training in respect to dealing with bereaved people at the graveside and carrying out the role of "Usher" in the Crematorium. Best practice is shared across Local Authorities and Highland Council are also part of the Cemetery and Crematoria Advisory group which enables further learning to be shared and passed on through the service. The administration team for the service also provide direct on the job training with support and experience being shared by members of the senior staff.
- Care and Learning – trauma and loss guidance has been developed for use within the service, to support staff in schools and in other caring roles where children and families are experiencing bereavement. Staff from Educational Psychology and Primary Mental Health Workers are used to provide support to children and staff teams.

The Council's Learning and Development team has developed a range of generic training courses which support staff across the organisation in undertaking their role

and focuses on how best to support customers who are experiencing shock or distress; including where this may be the result of bereavement.

Work is underway to explore the development of a specific training course to support staff and members who have come into contact with individuals who are bereaved. The focus for this training includes both staff who are dealing with customers but also all staff and members in their roles as colleagues and those as managers.

Agenda Item	11
Report No	HC/46/17

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 14 December 2017

Report Title: Local Fire and Rescue Plan for Highland

Report By: Deputy Assistant Chief Officer John MacDonald

1.   Purpose/Executive Summary

1.1   This Report presents the new Local Fire and Rescue Plan for Highland.

The plan, has been developed taking account of the vision of the Scottish Government as detailed within the Fire and Rescue Framework for Scotland 2016 and the Scottish Fire and Rescue Service Strategic Plan 2016 – 2019

The plan, which has a focus on local outcomes, sets out 6 local priorities that have been informed by a review of the current Local Fire and Rescue Plan, the opinions of the public and our partners collected from a series engagement events across the Highland area and the feedback received from an online survey on the performance of the Scottish Fire and Rescue Service.

The plan has also been subject to a 12 week period of public consultation which opened on 7 September 2017 and closed on 30 November 2017.

2.   Recommendations

2.1   Members are invited to **approve** the new Local Fire and Rescue Plan for Highland

3.   Background

3.1   The Scottish Fire and Rescue Service (SFRS) is required under the Fire (Scotland) Act 2005 as amended by Police and Fire (Scotland) Reform Act 2012 to prepare a Local Fire and Rescue Plan for each Local Authority Area in Scotland. The Act states that the Local Fire and Rescue Plan is required to set out the following:

- Priorities and objectives for SFRS in connection with the carrying out in the local authority's area of SFRS's functions

- The reasons for selecting each of those priorities and objectives

- How SFRS proposes to deliver those priorities and objectives

- In so far as is reasonably practicable, outcomes by reference to which delivery of those priorities and objectives can be measured

- How those priorities and objectives are expected to contribute to the delivery of any other relevant local outcomes which are identified by community planning

- Such other matters relating to the carrying out of SFRS's functions in the local authority's area as SFRS thinks fit

3.2   In April 2014, the current Local Fire and Rescue Plan for Highland was published covering the period of 2014-2017 and this plan set the priorities for local service delivery, the rationale for those priorities, the method in which those priorities would be delivered and provided a framework against which local performance would be measured and scrutinised.

3.3   In October 2016, SFRS published its new Strategic Plan for 2016-2019. The publication of this document triggered a formal review of the current Local Fire and Rescue Plan and the subsequent development of a new Local Fire and Rescue Plan for the Highland area.

4.   Methodology

4.1   The development of this new Local Fire and Rescue Plan for Highland has been informed with information and opinion from a number of different sources and areas, namely:

- The Scottish Government's Fire and Rescue Framework 2016

- The Scottish Fire and Rescue Service Strategic Plan 2016 – 2019

- A review of the existing Local Fire and Rescue Plan for Highland 2014 – 2017 including analysis of operational and community safety activity set against the stated priorities and objectives of the plan

- Views and opinions of Highland communities gathered from a series of eleven (11) community engagement events/workshops that took place in April and May 2017 in Wick, Portree, Fort William, Aviemore, Durness, Alness, Dornoch, Nairn, Smithton, Merkinch and Dingwall.

- Views and opinions of members of Highland Council gathered during an engagement event in Highland Council Headquarters on 14 June 2017

- Views and opinions of SFRS staff, partner agencies and the general public gathered via an online survey which was live from 06/12/16 to 31/03/17 and hosted on the SFRS consultation platform 'Citizen Hub'. A total of forty five (45) responses were received for the Highland area.

- A draft of the new plan was presented to Highland Council on 7 September 2017 and circulated in Report No. HC/34/17, in which members were invited to comment on the draft plan. Members raised eight (8) points and the response to these is provided in paragraph 4.1 below.

4.2 This plan has been developed taking account of the Scottish Government's vision as detailed within the Fire and Rescue Framework for Scotland 2016 and the strategic objectives of SFRS as detailed within the SFRS Strategic Plan 2016 -2019. The content and the priorities of the Local Fire and Rescue Plan, are however, very much focused on the local area whilst recognising the importance of community planning and partnership working in order to deliver positive local outcomes for the communities across the Highland area.

4.3 In order to deliver the expected local outcomes, the plan sets out 6 local priorities. These are:
- Domestic Fire Safety and Unintentional Harm

- Non Fire Emergencies

- Deliberate Fire Setting

- Non Domestic Fire Safety

- Unwanted Fire Alarm Signals

- Operational Resilience and Preparedness

5. Consultation Outcomes
5.1 At the meeting of Highland Council on 7 September, where the draft Local Fire and Rescue Plan for Highland was presented, members made the following observations and comments:

- In terms of prevention, it was suggested that there should be increased promotion of fire sprinklers which only activated separately in order to minimise damage and that this should be extended to include all buildings wherever possible

- In regard to recruitment, it was essential that all Fire Stations across the Highland area were fully staffed in order to be able to fully deliver all aspects of the Plan

- Increased promotion of the Fire Service in rural areas could be very helpful in terms of future recruitment

- The presence of local Fire Stations provided a high level of comfort and security for local communities and this was extremely important

- Promotion of the Service within Schools was also important in terms of highlighting future career opportunities for pupils and the confirmation that the reintroduction of cadets was being considered was welcomed

- Further detail within the Plan on rapid response measures in relation to wildfires would be beneficial

- There was concern about the lanterns which were set alight and released into surrounding areas and consideration of a Highland wide policy to address this should be considered, not least in terms of the potential risks

- There should be an increased focus on the implementation of home visits, most especially for the elderly and vulnerable across the area, as this could help to prevent future incidents

5.2 Whilst the points listed in Paragraph 4.1 above may not specifically be mentioned within the new Local Fire and Rescue Plan for Highland, there is sufficient scope and flexibility within the six (6) priorities identified within the plan to ensure these points can and will be can be acted on appropriately.

5.3 During the twelve (12) weeks formal consultation, the service received a total of three (3) responses. All three responses agreed with the content of the plan and no issues raised that are not already considered within the plan.

Date: 5-12-17

Author: John MacDonald, Deputy Assistant Chief Officer

Appendix 1: Highland Local Fire and Rescue Plan

Working together for a safer Scotland

SCOTTISH
FIRE AND RESCUE SERVICE
Working together for a safer Scotland

LOCAL FIRE AND RESCUE PLAN
FOR HIGHLAND

The Highland
Council
Comhairle na
Gàidhealtachd

Contents

Foreword

I am genuinely pleased to be able to write this short foreword on behalf of Highland Council.

The Council prides itself on the long standing and outstanding relationships it enjoys with our partners in the Emergency services, including the Scottish Fire and Rescue Service.

Together we and our partners cover the largest geographical landmass in the UK, presenting unique challenges including terrain and a myriad of place names, derived from differing cultures.

This plan follows a long tradition of practical and useful documents, covering the varied aspects of all that a modern Fire Service deals with on a 24/7 basis.

I hope that you do not have to use the Fire Service in an emergency but, if you do, I can assure you that the men and women of the Scottish Fire and Rescue Service will give you the best possible service.

Councillor Matthew Reiss
Highland Council

Introduction

Welcome to the Scottish Fire and Rescue Service (SFRS) Local Fire and Rescue Plan for Highland.

This plan has been developed to support the delivery of agreed local outcomes for the communities of Highland, in conjunction with the Scottish Government's strategic priorities for SFRS as stated within the Fire and Rescue Framework for Scotland 2016, as well as the organisational priorities contained within the SFRS Strategic Plan 2016 – 2019.

Our ambitions within Highland continue to be working in partnership to identify those at greatest risk within our communities. This allows for the delivery of targeted prevention and protection activities with the overall aim of improving community safety, building community resilience, reducing inequalities and delivering positive community outcomes.

In addition to our ambitions around the prevention agenda, we are equally focused on maintaining operational readiness and operational resilience to ensure that we can respond and provide an efficient, effective and modern fire and rescue service and emergency intervention capability, to assist our communities in their times of greatest need.

This plan sets out our priorities to allow us to deliver against these stated ambitions.

It is clear to SFRS that the risks and challenges we face and the needs of our communities have changed over recent years and indeed continue to change. It is therefore essential that as a modern and progressive organisation, we adapt and transform to meet those risks and changes ensuring that we are well positioned to address the needs of the communities we serve whilst retaining a focus on *'Working Together for a Safer Scotland'*
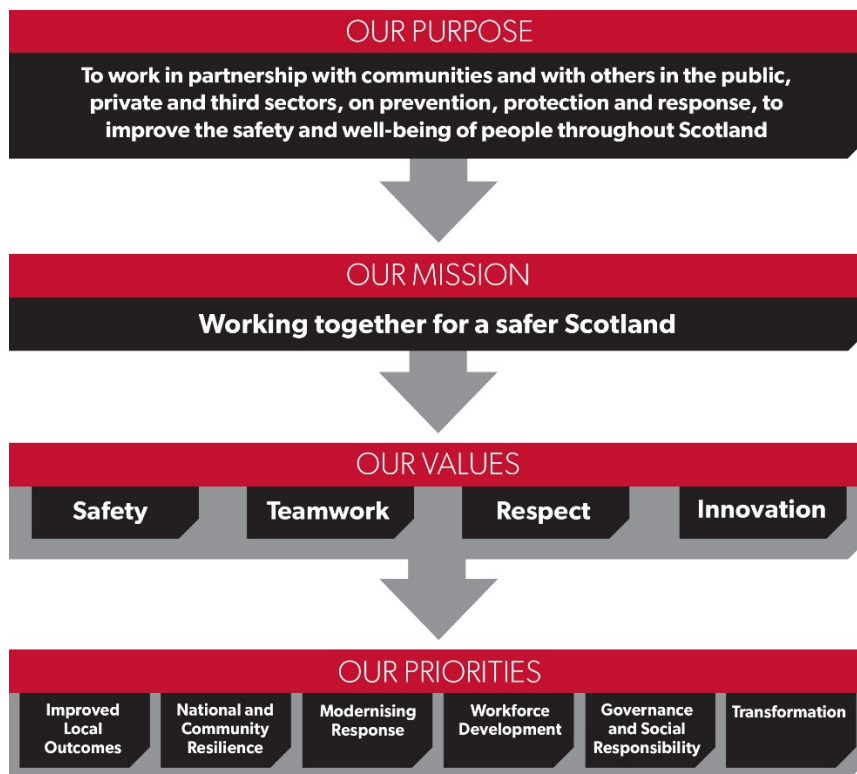

John MacDonald
Area Manager
Local Senior Officer – Highland

National Context

Scottish Ministers set out their specific expectations for the Scottish Fire and Rescue Service in the Fire and Rescue Framework for Scotland 2016. This provides the outline we should follow to ensure our resources and activities are aligned with the Scottish Government's Purpose and national outcomes.

Our Strategic Plan 2016-19 has been designed to meet these national expectations. Set against a complex and evolving backdrop, our Strategic Plan encapsulates our mission, values and strategic priorities.

OUR PURPOSE

To work in partnership with communities and with others in the public, private and third sectors, on prevention, protection and response, to improve the safety and well-being of people throughout Scotland

OUR MISSION

Working together for a safer Scotland

OUR VALUES

Safety	Teamwork	Respect	Innovation

OUR PRIORITIES

| Improved Local Outcomes	National and Community Resilience	Modernising Response	Workforce Development	Governance and Social Responsibility	Transformation

These have been shaped with due regard to the challenges we face and to what we need to achieve to be a highly effective, sustainable public service.

Operating within a climate of significant financial uncertainty and public service reform means we need to transform how we operate. This will particularly include how we prepare for and respond to changing societal needs, the impact of climate change and the threat of terrorism.

Strong leadership, supported by sound governance and management arrangements are at the very core of our foundations. These arrangements will direct and provide assurance that we comply with our statutory responsibilities. In addition, they will provide Local Senior Officers with supporting mechanisms to deliver services specifically tailored to local needs.

Local Context

Highland is the most northerly local authority area of the Scottish mainland and with a land area of 10,225 square miles, covers approximately one third of the Scottish landmass. It has a land border with Moray to the east, Perthshire to the south and Argyll & Bute to the south west and is surrounded by more than 3000 miles of coastline. Highland is an area of stunning natural beauty and is diverse in its topography from the northern inner Hebridean islands off the west coast, the rugged mountainous areas in the west to the flatter more arable lands of the east, interspersed with many glens and lochs, perhaps the most famous being the Great Glen and the mythical and world renowned Loch Ness.
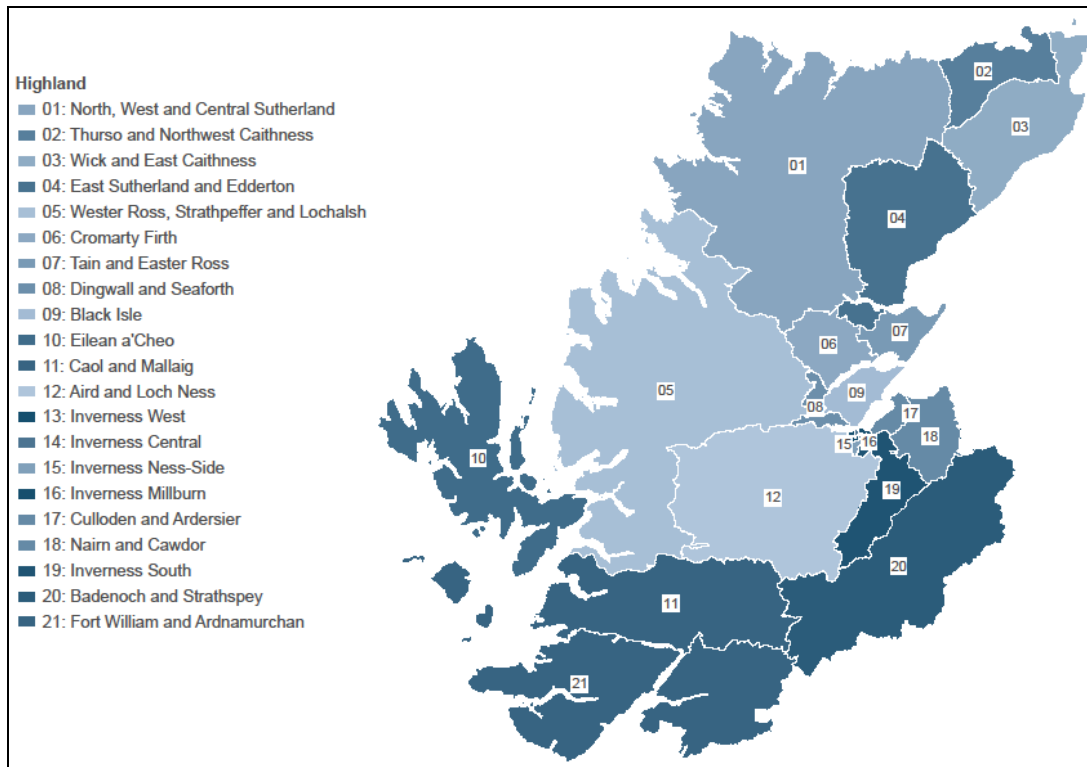
Highland has some of the most remote and sparsely populated areas within the United Kingdom combined with a number of more urbanised areas in the larger towns of Wick, Thurso, Tain, Invergordon, Alness, Dingwall, Nairn, Aviemore, Grantown on Spey, Fort William and Portree. The most populated area is the city of Inverness, which accounts for around 34% of the Highland population.

The overall population of Highland is 232,950 which is the 7th highest of all 32 Local Authority areas in Scotland and current projections indicate that this population is expected to increase to over 250,000 by 2035. Highland generally has an older age profile than the rest of Scotland with persons aged 60 or over making up 27.9% of the population, compared to the national average of 24.2%. Across Scotland over the next 25 years, the age group projected to increase the most is the 75+ category. As Highland already has a higher percentage of elderly residents this will almost certainly alter the local risk profile.

With such a large landmass it is unsurprising that the natural environment in Highland features highly. The area has a high percentage of special interest and conservation areas when compared to the rest of the country and the renewable energy sector is also an area of growth, given the vast natural resources available.

In terms of the local economy, manufacturing, construction, further & higher education, public services, forestry and agriculture all feature. The tourism and service sectors have seen an increase due to attractions such as the North Coast 500 and The Cairngorms National Park combined with the many natural features, vistas and significant historic sites throughout the area.

Operational risks for SFRS in the Highland area are varied and wide ranging. In addition to the domestic risk, there is also commercial and industrial risk, a significant transport risk from roads, railways and airports, marine risk from the many ports and harbours and associated vessels, rural risk from vast expanses of forestry, moorland and remote settlements, including special conservation areas, risk from the renewable energy sector, agricultural risk and of course an ageing population and the changes to the socio demographics associated with this.

Operational response across the Highland area is provided from a total of 61 Community Fire Stations. There is 1 permanently staffed station in Inverness, 51 part time or Retained Duty System stations and 9 Community Response Units spread across the area. Inverness Community Fire Station also provides specialist capabilities in the form of swift water rescue, a heavy rescue unit, a high reach appliance and a mobile incident command unit. Fort William has been identified as a location for investment in terms of specialist capability and the provision of a swift water rescue team.

Within Highland, the total number of emergency incidents attended by SFRS has reduced over the past 5 years as have the overall number of fires, however incidents categorised as non-fire emergencies and false alarms have increased.

In terms of fire related activity, accidental dwelling fires have decreased and Highland is rated as 31 out of the 32 Scottish Local Authorities most likely to have an

accidental dwelling fire. The statistics in terms of accidental dwelling fire casualties show a reducing trend and low likelihood of occurrence which is welcome. In terms of accidental dwelling fire fatalities, Highland has the highest incidence per 10,000 head of population in Scotland. This is clearly not a statistic to be proud of and it is essential that a focus remains on reducing the number of accidental dwelling fires through risk identification, community engagement, community education, partnership working and the delivery of targeted prevention activities.

The number of deliberate fires within the Highland area is below the national average, however, wildfires fall within this category and given the vast expanses of moorland and forestry within the area, this is a particular risk at certain times of the year. Wildfires can have a devastating impact on lives as well as the built and natural environment, often with significant financial burden to landowners and businesses as well as SFRS in terms of the protracted operational response, which is often required. It is therefore important that we maintain a focus on reducing this type of incident through a process of engagement and partnership working.

Non Fire Emergencies (NFE) have increased in number across the Highland area over the last 5 years and now account for more than 15% of all operational responses. These incidents can take many forms such as flooding, forcing entry, chemical incidents, rescue of persons from machinery, rescue of persons from height and animal rescues. By far the most common NFE response by SFRS resources in Highland is to Road Traffic Collisions (RTCs). These incidents account for more than 36% of NFE responses. In Highland, 85% of casualties and 80% of fatalities are as a result of RTCs.

Whilst many incidents within Highland result from an actual and confirmed emergency, in 2015/16 alone, 57% of emergency responses were to false alarms. These alarms may have been from a genuine belief that that there was a fire, or from a malicious report of fire, however, the vast majority are alerts of fire generated by automatic fire alarm systems, which following attendance and investigation are identified to be false. These unwanted activations have a significant impact on the occupants and business conducted within a building, not to mention the SFRS resources that are diverted from other activities to attend these incidents.

Responding to emergencies to assist people in their times of greatest need is a key priority for SFRS in Highland, however we are also equally committed to being an effective and key partner, strong supporter and active member of the Highland Community Planning Partnership. The recent introduction of the Community Empowerment (Scotland) Act 2015 has presented further opportunities to enhance community planning in Highland and SFRS will continue to support the nine Community Partnerships in Highland through active membership and leadership.

We will at all times look to adopt a preventative approach to community and fire safety as we firmly believe that prevention is always better than the cure. In developing this Local Fire and Rescue Plan, SFRS will seek to ensure it plays a key role in delivering the objectives of the Highland Outcome Improvement Plan which is founded on partnership and focused on delivering improved outcomes and reducing inequalities.

In terms of local oversight and performance reporting, Station Managers and Group Managers will report local performance quarterly to the eight Local Committees in Caithness, Sutherland, Ross & Cromarty, City of Inverness, Nairnshire, Badenoch & Strathspey, Lochaber and Isle of Skye & Raasay. The Local Senior Officer will report pan Highland performance annually to a meeting of the Highland Council.

Local Priorities

1. Domestic Fire Safety and Unintentional Harm

Domestic fires usually have a devastating impact on individuals, families and sometimes whole communities. The demand placed on resources in terms of response, intervention and recovery can also be significant and this is not solely focused on the Fire and Rescue Service, it impacts on all partners. This is why fire safety in the home is a key prevention strategy for SFRS.

Of the 32 Local Authorities in Scotland, Highland is currently 31st in the ranking of areas most likely to have an accidental dwelling fire per 10,000 head of population. Whilst this is a positive statistic when compared to the national average, the local statistic in relation to fire fatalities is the opposite. If a person has an accidental dwelling fire in Highland, they are statistically more likely to die than in any other Local Authority area in Scotland. This is something we must change and the only meaningful way to do so is to prevent the incidents occurring in the first place.

Unintentional harm in the home can present itself in many forms, however the most common relate to slips, trips or falls which predominantly involve the elderly. The impact can be significant and a preventative approach is necessary to keep people at home longer, to reduce inequalities and to improve outcomes. SFRS staff across Highland will work closely with our community planning partners to share information and ensure there is a local focus on identifying the most vulnerable within our communities.

We will aim to improve domestic fire safety and contribute to reducing unintentional harm across the Highland area.

We will achieve it by:
- *Promoting and undertaking Home Fire Safety Visits (HFSVs) to those deemed most vulnerable and at risk from fire and/or harm*
- *Utilising our HFSV programme to assess for non-fire related risk and refer those persons deemed at high risk to appropriate partners for provision of additional support*
- *Working with our partners at a local level in Highland to share information where risks in the home have been identified and to provide solutions to reduce the risk and ultimately protect people from harm*
- *Focusing engagement activities in those areas where service demand has been identified.*

Performance Indicators:
- *Number of accidental dwelling fires*
- *Number of accidental dwelling fires casualties and fatalities*
- *Number of Home Safety Visits delivered.*

Expected Outcomes:
- *Reduction in the number of accidental dwelling fires*
- *Reduction in fire related casualties and fatalities*
- *Reduced societal and economic cost of unintentional harm or injury*
- *Improve the safety and wellbeing of Highland residents*
- *Support the independent living of vulnerable residents within our communities.*

2. Non Fire Emergencies

Firefighters have a very high standard of training and have access to both traditional and modern rescue equipment. This has resulted in the Fire and Rescue Service responding to a wider range of Non Fire Emergency (NFE) incidents. NFEs account for around 15% of SFRS operational activity in Highland, however given recent trends and the ever changing risk profile, this figure is anticipated to increase.

The incident types range from water rescue, flooding, rescue of animals, rescue of persons, rescues from height, forcing entry, chemical incidents, medical emergencies and responding to terrorist incidents to name but a few. However, by far the largest demand on SFRS resources for NFE response within Highland is that of Road Traffic Collisions (RTCs). SFRS has invested in specialist rescue capability within Highland and will continue to respond to NFE incidents whenever requested, however the prevention approach will always be better than intervention. As such, at a local level within Highland, SFRS will play a key role in working in partnership to support the reduction of risk with particular focus on the area of greatest demand, that being road safety.

We also recognise that there is potential to further expand the role of SFRS across the Highland area to include providing support and intervention for non fire emergencies, such as responding to Out of Hospital Cardiac Arrests (OHCA). There is also an opportunity to promote and support community resilience to improve survivability rates from OHCA across Highland through engagement and education.

We will aim to contribute to reducing the number of NFE incidents making Highland a safer place to live, work and visit.

We will achieve it by:

- *Working in partnership and contributing to the work of the Highland Road Safety Group including the delivery of the Driving Ambition programme.*
- *Working in partnership to develop arrangements to facilitate appropriate intervention capabilities to support medical incidents*
- *Staff development and allocation of resource and capability to meet local and national needs*
- *Supporting and promoting the reduction of harm from OHCA including the delivery of Cardio Pulmonary Resuscitation (CPR) training to local communities.*

Performance Indicators:

- *Number of NFE Incidents and NFE Casualties*
- *Number of RTC Incidents and RTC Casualties*
- *Number of CPR courses delivered.*

Expected Outcomes:

- *Reduction in the number of NFE and RTC incidents*
- *Reduction in NFE and RTC casualties and fatalities*
- *Reduce the social and economic cost of non-fire emergency incidents*
- *Support for the safety and wellbeing of those living, working and visiting in Highland and contribute to delivering improved outcomes.*

3. Deliberate Fire Setting

Deliberate fire setting within Highland is primarily related to two specific periods within the year, the traditional wildfire season in spring and the lead up to bonfire night in the autumn. Although the majority of deliberate fires are focused on these specific times of the year, within Highland deliberate fire setting occurs all year round, some of which can be classed as fire related anti-social behaviour and of a criminal nature.

Whilst a small proportion of deliberate fires occur in buildings, vehicles and outdoor structures (primary fires), the majority are classed as secondary fires (grass, bushes, moorland, refuse, etc.) and in most occasions occur in outdoor locations.

Working in partnership with Community Planning partners and the communities themselves, we will seek to combine our information to identify those parts of our communities that are being affected by fire related anti-social behaviour. We will work with partners to determine those responsible and then raise awareness of the impacts of irresponsible behaviour through engagement activity and where appropriate diversionary activities.

We will also work closely with the Scottish Wildfire Forum to reduce the number and severity of wildfires within the Highland area. Wildfires can have significant impacts on people, livestock and our natural heritage and SFRS will focus on partnership working to reduce the number of incidents and consequently the impacts on the environment and the community.

We will aim to reduce the number of deliberate fires in Highland.

We will achieve it by:
- *Working in partnership with community planning partners to identify areas of need and then developing joint intervention/prevention strategies to reduce the impact of fire related anti-social behaviour*
- *Continuing to utilise our Firesetters and HI Fires education and diversionary programmes to raise awareness of the impact of fire related anti-social behaviour*
- *Continue to work with partners in the Scottish Wildfire Forum to develop joint risk reduction strategies to mitigate the impact of wildfires and the social and economic cost to the community*
- *Delivery of Thematic Action Plans in line with the SFRS seasonal calendar and the wider prevention agenda.*

Performance Indicators:
- *Total number of deliberate fires*
- *Number of primary deliberate fires*
- *Number of secondary deliberate fires.*

Expected Outcomes:
- *Reduction in the number deliberate fires*
- *Reducing incidences of fire related anti-social behaviour*
- *Improved outcomes for local communities and protection of our natural and built environment*
- *Diverting perpetrators away from anti-social behaviour through access to education programmes and/or diversionary activities.*

4. Non Domestic Fire Safety

Within Highland, from 2011 to 2016, fires within non domestic premises accounted for around 7% of all fires attended. When compared to the national average, across the 32 Local Authority areas, Highland is ranked 19 out of 32 for the rate of non-domestic fires per head of 10,000 population.

In general, all workplaces and business properties are classed as non-domestic premises and consequently come within the scope of Part 3 of the Fire (Scotland) Act 2005. This legislation is designed to not only prevent fires from occurring but to ensure that in the event of fire, persons are alerted, fire spread is restricted and the occupants are able to safely escape from the building.

The SFRS has a statutory duty to promote fire safety and to operate as an enforcing authority in relation to securing compliance with Part 3 of the Fire (Scotland) Act 2005. In order to discharge this duty, SFRS has adopted an approach of providing advice and guidance to duty holders to encourage compliance. When necessary, formal enforcement powers are applied which can result in the issuing of notices and/or prosecution for non-compliance.

Given the variety of premises types that come within the scope of the Act, SFRS has developed a fire safety enforcement framework based on a combination of life risk and historical incident data across building uses and occupancy types. This assessment is then used to create a fire safety audit programme, where premises that present a higher degree of risk from fire are subject to regular Fire Safety Enforcement Audits in order to promote and ensure compliance.

We will aim to improve non domestic fire safety and reduce the number of fires in non-domestic premises.

We will achieve it by:
- *Undertaking our fire safety enforcement audit programme in accordance with the SFRS Fire Safety Enforcement Framework*
- *Undertaking a post fire audit in all relevant premises*
- *Engaging with duty holders in relevant premises to help them to understand and to promote the duties and responsibilities placed upon them by Part 3 of the Fire (Scotland) Act 2005*
- *Working with partners to ensure that building standards and where applicable, fire engineered solutions are incorporated into building proposals at the earliest possible stage.*

Performance Indicators:
- *Number of all non-domestic fires*
- *Number of Fire Safety Enforcement Audits completed.*

Expected Outcomes:
- *Reduction in the number of fires in non-domestic premises*
- *Support for the business community to ensure compliance with fire safety legislation*
- *Improved outcomes for local communities and protection of our natural and built environment.*
- *Reduced financial loss and the consequential impact on the public and private sectors from the occurrence of fires and other emergency incidents.*

5. Unwanted Fire Alarm Signals

An Unwanted Fire Alarm Signal (UFAS) incident can be defined as '***An event which has required an operational attendance by the fire and rescue service due to the unwanted actuation of a fire alarm system***'. Within the Highland area, from 2011 to 2016, UFAS incidents accounted for 46% of all operational incidents attended by local SFRS crews which equates to more than 8500 incidents. The Department for Communities and Local Government estimated that the cost of every UFAS incident is in the region of £1970 which puts real pressure on already stretched budgets.

Responding to UFAS incidents has a significant impact not only on SFRS resources but also on the wider community and the primary employers of our retained firefighters. They result in unnecessary blue light journeys, increased road risk, increased emissions from appliances, disruption to firefighter training programmes and disruption to the delivery of community safety activities. When fire appliances are responding to UFAS incidents, they are not available for other life critical calls and every UFAS incident therefore diverts life critical resources to non-critical events.

Across the Highland area the majority of Community Fire Stations are staffed by retained firefighters and responding to UFAS incidents can have a negative impact on the primary employers of retained firefighters who have to leave their work to respond to UFAS incidents. There is also the disruption to the business in the building where the alarm has activated as a result of evacuation and the consequential impact on the internal work processes.

We will aim to reduce the number of UFAS incidents within Highland.

We will achieve it by:
- *Investigating the cause of every alarm activation at the UFAS incidents attended*
- *Analysing the data collected from every UFAS incident attended and work with occupiers to develop demand reduction plans for poor performing premises*
- *Identifying if premises that are repeat offenders and have a high incident activity level are compliant with Part 3 of the Fire (Scotland) Act 2005, and if not, implementing appropriate enforcement action*
- *Implementation of the service's UFAS policy to target and reduce unnecessary demand at a local level.*

Performance Indicators:
- *Number of UFAS incidents.*

Expected Outcomes:
- *A reduction in the number of UFAS incidents across the Highland area*
- *A reduction in unnecessary demand on retained firefighters and their primary employers*
- *Reinvest the capacity realised from the reduction in UFAS incidents to further enhance operational resilience and to increase the capacity throughout Highland to deliver more work within the prevention and safety agendas*
- *A reduction in the risk to firefighters and communities through reduced operational activity*
- *A reduction in the unnecessary costs associated with UFAS incident response as well as a reduction in the SFRS carbon footprint as a result of fewer journeys.*

6. Operational Resilience and Preparedness

SFRS has a statutory duty to respond to fires and other emergencies. Across the Highland area there are a total of 61 Community Fire Stations providing an intervention capability. A key element of delivering operational resilience is ensuring that all our fire engines can be crewed at all times.

It is essential that all our firefighters have the necessary skills, knowledge, expertise and understanding of the risks they face. This will provide a level of preparedness that allows them to respond effectively, with a focus on safety, to ultimately deliver an essential service to our communities in their times of greatest need.

SFRS personnel routinely respond to emergency incidents with partner agencies, however on occasion large scale, complex and/or major incidents will require an additional level of coordinated response and management. The Civil Contingencies Act 2004 places additional duties on SFRS as a Category 1 responder to ensure that sufficient planning and preparation takes place to allow for an effective response to large scale and major emergencies.

We will aim to enhance operational preparedness and operational resilience across the Highland area.

We will achieve it by:

- *Promoting retained and community response firefighter recruitment at all stations across the Highland area*
- *The provision of structured, risk based and planned training to support the acquisition and the maintenance of skills for operational personnel, in line with the SFRS training for operational competence policy*
- *The collection, collation and presentation of operational risk information for high risk and special risk locations throughout Highland*
- *Working with multi agency partners and the Highlands and Islands Local Resilience Partnership to undertake preplanning, to develop multi agency response plans and to adopt an integrated emergency management approach*
- *Embracing the SFRS transformation agenda and implementing operational response solutions that meet organisational and local needs.*

Performance Indicators:

- *Station establishment figures and crewing confidence levels for all Community Fire Stations across the Highland area*
- *Number of Operational Risk Information visits completed*
- *Attendance at and contribution to the Highland and Islands Local Resilience Partnership.*

Expected Outcomes:

- *Provision of an effective and efficient Fire and Rescue Service to all communities in the Highland area*
- *A reduction in the financial burden and the disruption caused to our communities when an emergency occurs*
- *Reinforcing local resilience in communities and in community fire stations.*

Review

To ensure this Local Fire and Rescue Plan remains flexible to emerging local or national priorities a review may be carried out at any time but will be reviewed at least once every three years. A review may also be carried out if the Scottish Minister directs it or if a new Strategic Plan is approved. Following a review the Local Senior Officer may revise the Plan.

Contact Us

We are fully committed to continually improving the service we provide to our communities and recognise that to achieve this goal we must listen and respond to the views of the public and our partners.

We use all feedback we receive to monitor our performance and incorporate this information into our planning and governance processes in order to continually improve our service. We are proud that the majority of feedback we receive is positive and we are keen to hear examples of good practice and quality service delivery that exemplifies the standards of service that we strive to provide for the communities of Scotland.

If you have something you'd like to share with us or you would like more information, you can get in touch in a number of ways:

Write to: Scottish Fire and Rescue Service
                              Highland Area Headquarters
                              16 Harbour Road
                              Longman West
                              INVERNESS
                              IV1 1TB

Phone: 01462 222700

Visit our website: www.firescotland.gov.uk

Follow us on Twitter: @fire_scot
Local Senior Officer: @JMacDonald_SFRS

Like us on Facebook: Scottish Fire and Rescue Service

www.firescotland.gov.uk

Agenda Item	12
Report No	HC/47/17

HIGHLAND COUNCIL

Committee: Highland Council

Date: 14th December 2017

Report Title: Budget Update

Report By: Depute Chief Executive/Director of Corporate Resources

1.   Purpose/Executive Summary

1.1   On the 7th September Council received a report detailing the financial approach being taken to address the anticipated budget gap over the period 2018-23. This gap arises as a result of anticipated cost increases in our pay, pension and other costs at the same time as estimated annual reductions in the grant funding we receive from the Scottish Government.

1.2   Due to a number of uncertainties, particularly around the level of Scottish Government grant funding we will receive in future years, and the consequent assumptions we need to make we cannot say with any degree of certainty what the budget gap will be over the period. Instead, the budget gap has been estimated to be in the range of £129.7m to £186.9m.

1.3   The approach being taken to bridge that gap includes work in 5 key thematic areas:
- **Prioritisation**- completely stopping or reducing low priority services;
- **Efficiency**- delivering the same outputs and outcomes, but at a reduced cost;
- **Commercial**- Identifying new activities the Council could undertake to generate a profit that can support core Council services;
- **Income**- increasing the overall level of income we generate from taxes, or from services we are already providing;
- **Redesign**- fundamentally reviewing the way services are provided to increase income or reduce costs.

1.4   This report provides an update on the position since that report including any changes to the budget gap, other contextual information and the work underway to bridge the gap.

2.   Recommendations

2.1   Members are asked to:

i.   Note there are no changes to the anticipated budget gap at this time

ii.   Note the progress to date in tackling the budget gap

3. Budget gap

3.1 The September Council report proposed a flexible approach based on a number of key assumptions:
  • Annual pay inflation of 1.5%. Other costs inflation at 1%
  • Annual 0.5% increase in pension contribution rates
  • A provision for general budget additions of £7.5m annually
  • An annual increase of £2.5m in loans charges
  • No change in the basic rate of Council Tax (although an increase in the tax base assumed)
  • Scenarios of annual reductions of 2%, 3.5% and 5% in Scottish Government grant funding

3.2 Using those assumptions, and the scenario of a 3.5% reduction in Scottish Government funding, a budget gap of £159.2m is forecast, split as follows over the next 5 years. In the scenarios of a 2% and 5% reduction in Scottish Government funding the total estimated gap is £129.7m and £186.9m. The assumptions used are kept under regular review but at this stage there is not sufficient information available to suggest making any changes.

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Budget gap	£33.5m	£32.4m	£31.2m	£30.7m	£31.4m	**£159.2m**

3.3 When the findings of the Barclay Review of Business Rates were announced in August one particular item had the potential to cause a significant cost pressure for the Council. That item was the proposed end to charity relief for certain recipients, including Arms' Length External Organisations set up by Councils. This would have applied to HighLife Highland and would result in them paying an extra £1.8m in business rates annually.

3.4 Whilst the Scottish Government has committed to implementing the recommendations of the review and will confirm the full details along with their budget on the 14th December it was confirmed in late November that the recommendation in respect of charity relief for ALEOs will not be implemented. As such this specific cost pressure is not expected to arise.

3.5 It is not currently anticipated that the implementation of the review will cause any significant budget pressures to the Council as a rate-payer albeit that will need to be confirmed once the Scottish Government's budget is announced. A link to the Barclay Review report can be found in the background papers section of this report.

3.6 The Scottish Government has committed to an end to pay restraint in the public sector. Whilst the Scottish Government does not directly control salary increases payable by local government any changes made in other areas of the public sector would undoubtedly influence the local government pay settlement.

3.7 It is not expected that any Government funding be made available to fund the pay settlement and any agreement in excess of 1.5% would widen the forecast budget gap. Each additional 1% would add an estimated £3m to the Council's

total salary bill.

3.8 Work is currently underway to identify any budget additions required for the coming years. This will identify any:
- Undeliverable prior year savings
- Existing cost pressures that cannot otherwise be managed
- Additional costs as a result of legislative change
- Contractual cost increases
- New expenditure commitments from Council decisions

3.9 The Scottish Government will announce its draft budget on the 14th December. At that point we will be given an idea of the likely level of the change in our core funding albeit that may be subject to amendment up until the point at which the Government finalises its budget.

3.10 At present only a one year settlement is anticipated and as yet no indication has been given as to what any funding change will be. The level of reduction Highland Council is anticipating is around the average expected reduction by other local authorities.

3.11 As part of the agreed 2017/18 funding settlement a late amendment was made to the Scottish Government's budget, allocating £130m of revenue funds across local authorities. Highland's share of this funding was £6.173m. The Finance Secretary has refused to confirm whether this funding will be recurrent and built into the baseline funding settlement. Should it transpire that the funding is not recurrent and the reduction in our core funding is in line with expectations the forecast budget gap would increase.

3.12 As in previous years it is likely that the Council will be expected to deliver new policy commitments made by the Scottish Government, the most significant of which is around the delivery of increased early years provision. It is absolutely essential that any new initiatives are fully funded by new monies from Government or else the requirement on the Council to co-fund these initiatives would further widen the budget gap.

4. Current Year Position

4.1 The Council reported its second quarter monitoring for the current financial year, 2017/18, to Corporate Resources Committee in mid-November. At that point a year end overspend of £1.439m was forecast. Service directors have committed to take all necessary action to ensure a balanced budget is delivered by year end.

4.2 Within that overall reported position there are a number of over and underspends across the services, some of which are one off and some of which are recurring. In previous years relatively few changes have been made to budgets during the course of the year however this year a more proactive approach to budget management is being used.

4.3 As approved by Resources committee budget virements have been done to permanently move budget between certain areas of recurring over or underspend that were reported as part of the quarter 2 monitoring. Service directors have also been encouraged to action such an approach within their own service areas as a matter of course.

4.4 It is anticipated that this approach should help identify and reduce any areas that are sitting with more budget than is required to deliver the current level of service. Budgets will only be transferred to an area where all management actions to contain budget pressures have been exhausted but a pressure still remains.

4.5 For 2017/18 the Council has committed to providing NHS Highland the same level of budget as 2016/17 for the provision of adult social care services, albeit £1.174m of this sum has been funded as a one off from the Council's balances. Along with the funding received from the Council, NHS Highland also received £4.34m direct from the Scottish Government. This was funded as part of the health funding settlement, primarily to address cost pressures arising from the introduction of the living wage for adult social care.

4.6 NHS Highland are facing significant cost challenges in the current year with many services seeing demand growth since integration in 2012. Further growth in demand would see a significant risk in the ability to sustain services at their current levels. NHS Highland's participation is an essential part of the 2018-23 financial approach with a balanced approach required between the identification of budget savings and areas of budget pressure that may require additional funding.

4.7 Any areas of recurring budget pressure within the Council's overall budget that cannot be contained by management action will need to be addressed as part of the 2018-23 budget process. A potential source of funding for such items would be the annual £7.5m figure assumed for budget additions. Should budget pressures be contained by management action the funding identified for budget additions may be able to be reduced, thereby narrowing the budget gap.

5. Capital Programme Review

5.1 As highlighted in section 3.1 the forecast budget gap assumes an additional £2.5m being contributed into the loans charges budget every year. Work is currently underway to review the current capital programme and understand what the implications of any changes to that programme on the revenue loans charge budget would be.

5.2 The exact loans charge implications would depend on the nature of capital spend in any given year and the anticipated life of assets constructed, over which the principal element of the borrowing would be written off. Initial modelling has suggested that a 10 year capital programme with a total cost of £550m would mean no new funding would need to be added to the loans charges budget.

5.3 As part of the review of the programme a number of significant pressures requiring capital investment have been identified, from the capacity, condition and suitability of our schools, to the general fabric and condition of all our buildings, the state of our roads and bridges, and a requirement to upgrade our ICT infrastructure.

5.4 Whilst no decisions have yet been reached on the actual projects to be taken forward it is becoming increasingly apparent that the magnitude of those

pressures would mean that a 10 year capital programme of £550m would not address all of the most significant issues that need to be dealt with.

5.5   Any increase in the loans charge budget would contribute to the revenue budget gap and require savings or additional income to be generated elsewhere. Due to the intrinsic link between capital investment and the revenue budget it is intended that the 2018-19 budget decisions made in February will encompass both capital and revenue items.

5.6   When loans charges are expressed as a proportion of the net revenue budget the Council already has one of the very highest percentages in Scotland at just under 10%. Should the net budget decrease as is anticipated and loans charges increase that percentage would increase further. On that basis there is a strong professional view that increasing capital expenditure above a 10 year limit of £550m is not affordable or sustainable in the current financial climate.

5.7   The Council will continue to try to spend its capital budget in the most efficient way possible and look at how it specifies and procures projects in order to deliver best value. That said the challenge of balancing capital expenditure against making revenue savings to ensure the overall affordability of any programme will require members to make some very difficult decisions to ensure the overall financial sustainability of the Council.

6.   Budget theme working groups

6.1   Officer working groups have been established around the budget themes with each theme being led by a service director. Each group has representation from every service and any relevant experts from elsewhere in the organisation. Each group also has a member from the administration's budget team. The Redesign Board continues to be the focus for activity on the Redesign theme.

6.2   All groups are now in a regular cycle of meetings and are identifying ideas for savings which can be developed into formal proposals. At this stage in the process it is not appropriate to go into the detail of the ideas under discussion but it is apparent that increases in existing charges or the introduction of new ones, or cessation or reduction of certain services will be the main areas for closing the gap in at least the first of the five years under consideration.

6.3   All working groups are experiencing challenges in identifying savings from a significant proportion of the Council's budget which is, for one reason or another, deemed 'protected'. This issue is also highlighted in the COSLA report summarised in section 7. Areas where there is limited or no scope to reduce budgets include:
- Teachers' salaries (budget £121m)- Scottish Government requirement to maintain pupil:teacher ratio;
- Adult social care (budget £90.8m)- Scottish Government cap on local authorities' budget reduction in this area;
- Key contractual commitments- PPP and NPD (budget £27m)- very limited scope to make savings on these longstanding commitments
- Loans charges (budget £56.7m)- limited scope to make savings around the repayment of outstanding debt.
- Direct ring-fencing of budget by Government- Attainment Fund,

Criminal Justice, Gaelic (budget £7.7m)
- Council Tax- Government cap of 3% on maximum allowable increase

There are many other areas where the requirement on the Council to meet specific legislative requirements means limited scope for savings is available.

6.4   The Council's desire to become more commercial is gathering momentum through the now established Commercial Board and the budget working group focused on that theme. It is already apparent however that the commercial opportunities that have the most potential to make a substantial impact on the budget gap will likely require start up investment, take a considerable time to deliver, or both. As such the weighting of proposals to this theme will likely come in the later years of the period under consideration.

6.5   Work will have to continue apace over the coming weeks to ensure sufficient proposals are developed to meet the budget gap. It is a legal requirement to set a balanced budget for financial year 2018/19 by the 11th March 2018 and the intention is to approve as many proposals as possible for the years beyond that.

6.6   Any proposals that are brought forward will inevitably have an impact on the Council's staff. The Council's Corporate Workforce Planning Strategy, as approved by Corporate Resources Committee in August, will be the key mechanism for considering and managing that impact.

7   Staff and Manager Engagement

7.1   Staff have been briefed about the aforementioned budget gap and the Council's financial approach. This has happened through face to face briefings for all managers (taking place in late September) and for staff working across localities (taking place in 14 locations from 30th October to 1st December). In total around 700 staff have been briefed and they have been asked for ideas for budget savings.

7.2   Nearly 200 ideas have been generated and these are being considered in the relevant theme groups. In most sessions a Trade Union representative and a member from the Redesign Board participated. Engagement with Trade Unions also continues through the Staff Partnership Forum as well as through their participation in the Redesign Board.

7.3   Wider communication on the budget position and redesign is being considered at the Redesign Board workshop on 5th December 2017. This will include communication with the general public, partners and business. The progress of the Redesign Board is reported separately to the Council.

8.   'Fair Funding for Essential Services'

8.1   On the 16th November COSLA launched a 10-page factual document entitled "Fair Funding for Essential Services" laying out the case for a fair financial settlement for local government. A copy is provided at **Appendix 1.**

8.2   This document sets out the importance of local government in the everyday lives of our citizens as well as some key contextual information about local government funding over recent years.

8.3   A number of the key statistics included in the document are detailed below:
- Just to stand still on current services, local government would need a revenue increase of £545m (5.7%) arising from inflation and demand;
- Between 2010-11 and 2017-18 overall funding for local government has gone down 8% in real terms;
- Funding for core services has further reduced as resources have been redirected towards Scottish Government led policies such as the extension of early learning and childcare, free school meals and Scottish Welfare Fund;
- Due to recent Scottish Government budget decisions, 58% of councils' budgets cannot be reduced. That means all of the cuts have to be absorbed by the rest of the budget;

8.4   Page 6 of the document outlines what local government needs from the 2018-19 budget including:
- Proper investment in the local government workforce;
- Additional investment in Health and Social Care in recognition of the rising demand;
- Increased capital funding to invest in and attract growth;
- Removal of the 3% cap on Council Tax;
- Power to introduce discretionary taxation;
- Multi-year budgets and the removal of ring-fencing and central direction through input targets;
- Full and transparent funding for new central government initiatives.

8.5   Finally, the document summaries the longer term challenges facing public sector budgets:
'We cannot keep going on like this, storing up problems for the future. Over the long term, linking in with the overall Scottish budget process, we need a fundamental review of Scottish priorities and how services are funded, ultimately with a view of improving outcomes.'

9.   Local Government in Scotland- Financial Overview 2016/17

9.1   On the 28th November Audit Scotland published this financial overview report for local government. A copy of the report can be seen at **Appendix 2.** The report provides a high-level independent analysis of the financial performance of councils during, and their financial position at the end of, 2016/17. It also looks ahead and comments on the financial outlook for councils.

9.2   The 'key messages' can be seen on page 7 of the report and are summarised below:
- Councils' financial challenges continue to grow. Funding reductions are compounded by increasing costs and demands on services.
- Councils are showing signs of increasing financial stress. They are finding it increasingly difficult to identify and deliver savings and more have drawn on reserves than in previous years to fund change programmes and routine service delivery.
- Councils' debt levels are not currently problematic, but some are becoming concerned about affordability of costs associated with debt within future budgets.
- Councils' expenditure and use of reserves often differed noticeably from that originally planned, indicating the need for budget-setting to become

more robust and reliable.

- The financial outlook for councils continues to be challenging, with the need to deliver savings being increasingly critical to their financial sustainability. As such, robust medium-term financial strategies and effective leadership to deliver them are of increasing importance.

9.3 Part 3 (pages 33 to 41) of the report comprehensively covers the financial outlook and members are encouraged to review this part of the report. The headlines from this part of the report are summarised below:

- Council funding continues to fall as cost pressures increase.
- Delivering savings is critical for councils' financial sustainability.
- Longer term affordability of capital programmes should be kept under review.
- Effective leadership is increasingly important in maintaining financial sustainability.
- Addressing the underlying demand for services through transformation is key to longer-term sustainability

9.4 Whilst the report highlights a significant number of facts and issues facing local government it does not make any specific recommendations in how councils should close their budget gap. It is apparent that Highland is not alone in the scale of the financial challenge that lies ahead with the challenge in all councils that *'…councillors need to make difficult choices and take decisions that may not sit neatly with the manifestos they were elected on in May 2017.'*

10.   Next steps

10.1 The Council intends to set its budget for 2018/19 at the Council meeting on the 15th February 2018. As detailed in section 5.5 of this report that budget will include both capital and revenue items given the intrinsic links between the two. The revenue implication of any capital investment, whether increased running costs or the cost of financing any investment, will need to be factored in to any consideration of the Council's revenue budget.

10.2 In advance of that meeting members will be afforded the opportunity of briefings on the budget as the administration's firm proposals are determined. The relevant officers will be on hand to illustrate the service implications of any decisions taken.

10.3 All savings proposed will be assessed for their community and equality impacts. Given the size of the budget gap it is anticipated that a large proportion of the savings proposed will result in changes to service provision and therefore impact on service users.

10.4 As in previous years opposition political groups will be able to propose alternative budget proposals should they so wish. Any group wishing to put forward an alternative budget proposal is requested to submit these to the Director of Corporate Resources by 5pm on the 12th February to allow officers sufficient time to assess the competence and deliverability of any savings proposed.

11.   Implications

11.1   Resource – Wider resource implications are as outlined in the report. The approach will require substantial input from officers across the organisation to identify, plan and deliver savings.

11.2   There are no specific Legal, Community (Equality, Poverty and Rural), Climate Change/Carbon Clever or Gaelic implications at this stage. Any proposals that are developed to address the budget gap may well have implications of this nature.

11.3   Risk – The budget gap figure of £159.2m is based upon a number of assumptions. Any changes in those assumptions may have a significant effect on that gap. The approach being taken is intended to be flexible to be able to absorb changes to those assumptions.

Designation: Depute Chief Executive/Director of Corporate Resources

Date: 4th December 2017

Author: Edward Foster, Head of Corporate Finance

Background Papers:

https://www.highland.gov.uk/download/meetings/id/72436/item_14_financial_approach_2018-2023

https://www.highland.gov.uk/download/meetings/id/72757/item_6_corporate_revenue_monitoring_report_to_30_september_2017

http://www.cosla.gov.uk/sites/default/files/private/coslaspendingreviewbriefing.pdf

Barclay Review of business rates: http://www.gov.scot/Publications/2017/08/3435/0

http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_171128_local_government_finance.pdf

Fair Funding for Essential Services

We all need local government

COSLA

#essentialservices

Local Government is Essential

Local government is democratically elected and provides a breadth of essential services to Scotland's communities which:

- support and protect all in our society;

- tackle inequalities;

- promote a fairer Scotland through inclusive growth.

Local government creates opportunities for every citizen which strengthens communities.

Local government is a key economic driver:

- Employing 10% of Scotland's workforce

- Procuring £6.3bn of goods

How is this done?

£9,640m
2017/18 Revenue Funding from Scottish Government

£2,075m
2017/18 Council Tax from Citizens

£787m
2017/18 Infrastructure (Capital) Funding

244,300
Employees

In the 2018-19 budget there must be a fair settlement for local government.

What local government needs in 2018/19

Just to stand still on current services, local government would need a **revenue increase of £545m, 5.7%** arising from inflation and demand.

2017/18

£9,640 million

Inflation 3% (£297m)

Demand 2.6% (£248m)

2018/19

£10,185 million

Note: 2017/18 Revenue figure taken from the Scottish Government's local government finance circular 1/2017
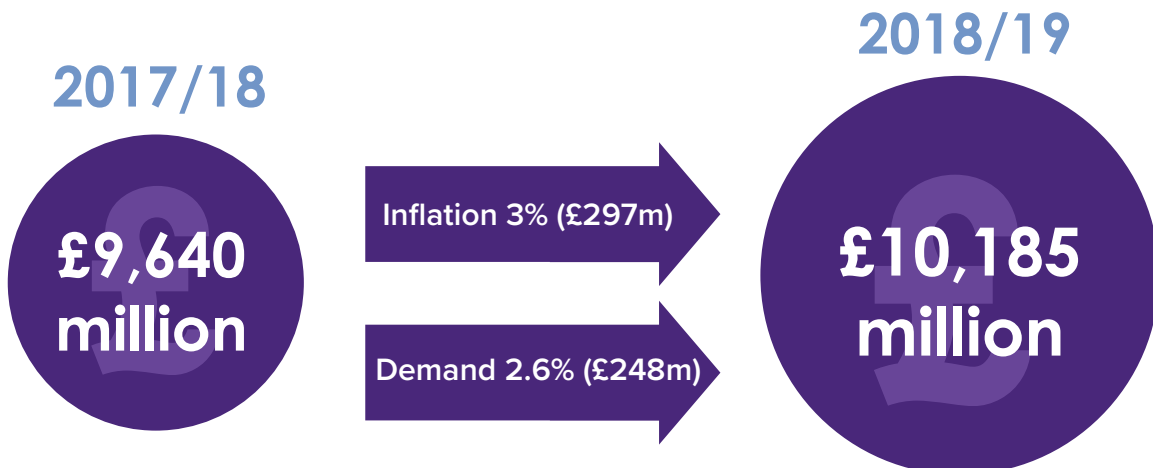
Story So Far...

Recent settlements have been very challenging. The Accounts Commission said in their Local Government in Scotland Performance and Challenge 2017 report:

> *"Councils have faced significant challenges from a long-term decline in revenue funding and from an ageing population. The scale of these challenges continues to grow. Policy and Legislative changes are also placing additional demands on councils and changing how councils work."*

In 2012, COSLA undertook a significant piece of work recognising the demographic and inflationary pressures, and called for a review of policy. This did not happen.

Overall funding has gone down

Between 2010-11 and 2017-18:

-8%
Real terms

Source: SPICe Briefing = Local Government Finance: facts and figures 2010-11 to 2017-18

Changes to core budget

The above shows the global picture for local government, but the reality has been a significant downward shift in funding for core services, with new additional resources being directed towards Scottish Government-led policies such as the extension of early learning and childcare, free school meals and Scottish Welfare Fund. These are valuable policies but undoubtedly create challenges for the rest of the budget.

SG New Policies 2%   **SG New Policies 10%**

Core 98%   **Core 90%**

Core funding down £590m

2011/12   **2017/18**
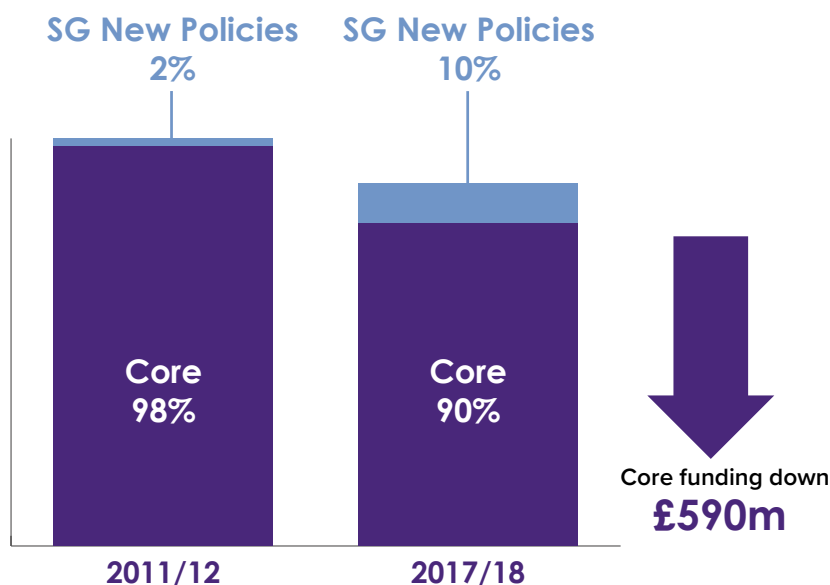
Structure of budget

Due to recent Scottish Government budget decisions, 58% of councils' budgets cannot be reduced. That means all of the cuts have to be absorbed by the rest of the budget.

42% Not Protected

58% Protected
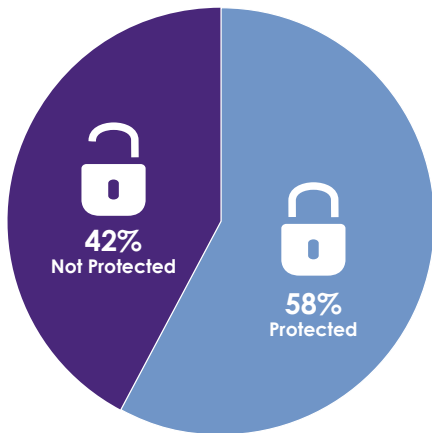
Result: 8% reduction in overall resources can only be absorbed by 42% of budget = 20% cut in those services only

However, that is only part of the story. Inflation and demand growth need to also be absorbed into the reduced part of the budget. The result is that vital services such as economic development, employability, public protection and regulatory services, and early intervention initiatives for tackling inequalities are being cut to absorb the funding shortfalls. Cuts are hitting the most vulnerable which is creating further inequalities.

Having so much of local government's budget protected through Scottish Government policy priorities prevents local government responding to local need.

Managing the cuts

Local Government has risen to the challenge but cannot continue to do so — there is no more room for manoeuvre.

£1.4bn since 2012

Efficiencies

Workforce

Charging

15,000 lost staff (fte)

13% charges up
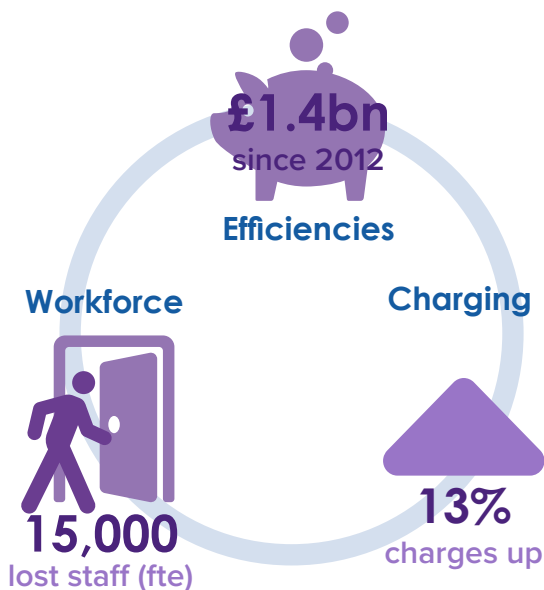
Efficiencies

- **£1.4bn of efficiency savings made since 2012**
- **Includes collaboration and streamlining of services, smarter procurement and asset management**

Workforce

- **15,000 FTE staff (30,000 people) lost over the last five years**
- **Pay erosion**

Increased Charging

- **On the whole charges have increased by 13% between 2010-11 and 2015-16**
- **Local authorities can't price citizens out of services that deliver social inclusion, health and well-being, early intervention and prevention, when setting charges. For example, when setting charges for access to leisure and cultural facilities.**

The Improvement Service, in their recent National Benchmarking Overview report, recognised this landscape.

"The absorption of major cuts while improving performance is an impressive achievement and there is a danger it is taken for granted: an assumption that, because savings have been made without a crisis of performance, savings can be continuously required and made. In reality, the trends required an overall reduction in the workforce, staff accepting year-on-year real reductions in wages, and substantial improvements in efficiency, productivity and innovation. If similar savings were necessary again across the next five years, severe issues of capacity, resilience and maintaining performance will need addressed."

So What Happens Next?

If local government continues to face the same level of grant reduction, there are extremely difficult choices ahead. The consequences and opportunity costs of this must be fully understood.

Responding to this, a number of Councils are already out to budget consultation, highlighting the magnitude and scale of the budget gaps. Councils are having to make hard choices, including:
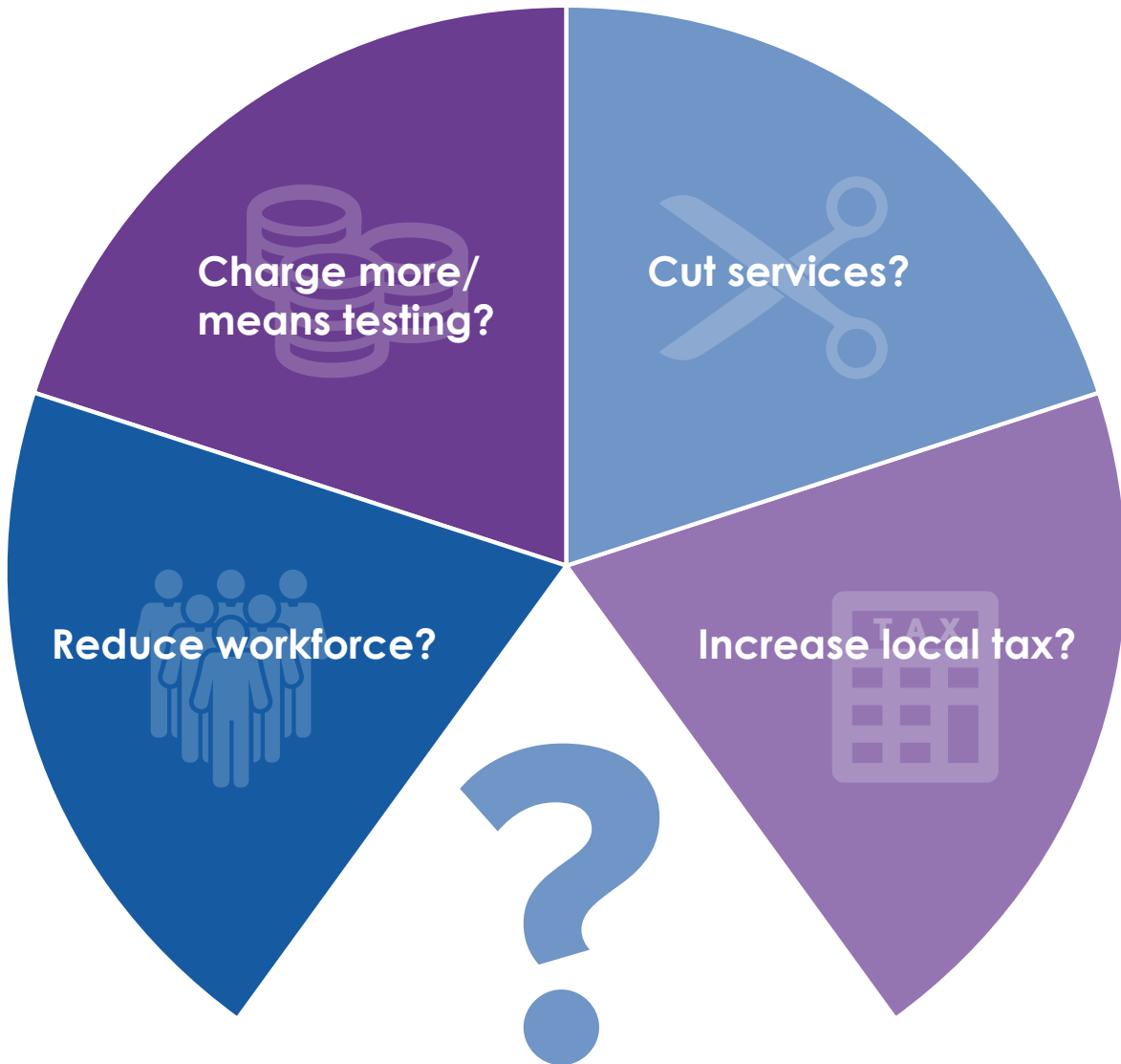
The other question is, can we continue to do it the way we are doing now without a more fundamental review of how we deliver services? Overall, this current model is not sustainable and we cannot continue to operate from one year budgets, storing up problems for the future.

What is Needed from the 2018/19 Budget

We recognise that tough choices will need to be made across the Scottish budget but we cannot underplay the needs of local government to deliver essential services that are vital to our communities.

Local government therefore needs:

Revenue Settlement

1. **No more cuts - parity with cash increase for Scottish Government**

2. **Full baselining of £130m funding from the 2016-17 budget agreement**

3. **Allow for proper investment in the local government workforce**

    Every 1% on local government paybill costs £70m

    Every 10p increase in living wage for adult social care providers costs £10m.

4. **Additional investment in Health and Social Care in recognition of the rising demand.**

Structure of Settlement

1. **Multi-year budgets**

2. **Create flexibility to help deal with pressures.**

    We cannot continue with 58% of the budget being nationally ring-fenced. We need true removal of ring-fencing and central direction through input targets

Capital

1. **Increased capital funding to invest in and attract growth**

2. **Return of reprofiled capital funding**

Local Taxation

1. **Removal of the 3% cap on Council Tax**

2. **Proper reform of local taxation**

3. **Power to introduce discretionary taxation**

Funding for Government Policies

1. **Full and transparent funding for new central government initiatives. Specifically:**

    Expansion of early learning and childcare

    Living wage for adult health and social care workers

    Carers Act

2. **If charitable status of ALEOs is withdrawn, then the £45m shortfall in delivery of these services needs to be met.**

Longer Term

We cannot keep going on like this, storing up problems for the future. Over the long term, linking in with the overall Scottish budget process, we need a fundamental review of Scottish priorities and how services are funded, ultimately with a view of improving outcomes.

Our Essential Services

Protection Services

Children's Services

15,300

Councils protect the most vulnerable in society. In 2015-16, 15,300 children were 'looked after' or on the child protection register. This number is **reducing** and it is essential that early intervention investment continues to further drive this number down.

Adult Social Care

2017

2039

2-3%
£

Adult social work services support and protect vulnerable adults, allowing them to live independent lives and ensuring they have access to the services they need. This area is under significant year on year budgetary pressure, as needs become more complex. The number of people 75+ is expected to double by 2039.

Spending on care for older people has grown in 6% real terms since 2010/11 but not at a pace to keep up with demographic change (another 2-3% needed).

Councils also support those with mental health issues. Healthy lives are as much about mental health as they are about physical wellbeing.
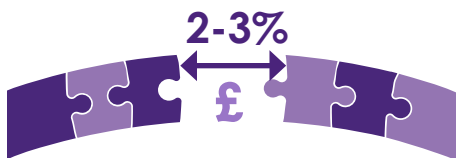
Support for Carers

Councils provide vital support to adult and young carers, helping them to manage their caring role.

Youth Justice

-50% **-70%** **-83%**

By intervening early, Councils have seen offending by young people halved since 2008, with a 70 per cent reduction in the number of under 18s in custody and an 83 per cent reduction in children referred to Children's Hearings System on offence grounds. This has resulted in a significant saving out with local government to the courts system.

Providing Affordable Housing and Tackling Homelessness

50% funded by Councils

Councils are playing a vital role in the delivery of 50,000 new affordable homes by contributing half the cost of meeting their commitment to this target. Alongside building new homes, Councils are ensuring their existing stock is not only maintained but also meets the highest standards for energy efficiency.

Councils have a vital role in using their duties to tackle homelessness and reducing the number of rough sleepers. Providing debt advice; intervening in cases of domestic abuse; benefit help; and help in managing rent arrears all contribute to this aim.

£241m

total debt

£55m

financial gain

Welfare Advice and Support

Helping deal with debt and the consequences of debt is an important aspect of Councils' work. The total combined debt of all clients who sought advice in 2015-16 was around £241m. The verified client financial gain accruing to users, as a result of intervention by money advice services funded by local authorities across Scotland in 2015-16, was around £55m.

Human Rights

Local authorities have been integral to the development and delivery of a distinctive Scottish approach to the integration of refugees and asylum seekers in Scotland. All councils have provided excellent leadership in the resettlement of Syrian refugees to Scotland and by the end of 2017 more than 2,000 people will have arrived.

Councils also play a key role in detecting and protecting those affected by human trafficking.

Regulatory Services

Local government provides a wide range of key regulatory services which protect the public. From ensuring food safety in restaurants and eateries, as well as trading standards enforcement to protect against illicit trade, scams and doorstep crime. Planning, building standards and environmental protection are key services which only too recently have been highlighted as vital areas for protecting the public.

Trading Standards **-20%**

Environmental Health **-23%**

Trading Standards and Environmental Health (Includes Building Control)

These services are under significant threat due to cost pressures which have seen budgets reduce significantly. For Trading Standards and Environmental Health Services there has been a sharp decline in the workforce with 20% and 23% reductions in these areas respectively. Both workforces have an ageing demographic and very few new entrants. If this trend continues across the next five years there would be only 350 Environmental health officers and 101 Trading Standards officers in the whole of Scotland. Given the potential of substantial regulatory change, post Brexit, and sharply increased demand from SME's for regulatory advice and support, there is a risk that Scotland is very poorly placed to respond.

Waste Management and Energy Efficiency

Councils are contributing significantly to protecting the environment through reducing waste, encouraging recycling, improving energy efficiency and tackling fuel poverty. The environment impacts on all parts of communities but can impact more on less advantaged parts. Initiatives to tackle issues such as fly tipping, littering and promoting greener neighbourhoods can reduce anti-social behaviour and foster greater community spirit.

-25% = ☹

Due to budget pressures, there has been a significant reduction in spend in environmental services, with a 25% reduction in street cleansing. This has been accompanied by a reduction in public satisfaction rates for refuse collection and street cleaning.

Healthy Lives and Social Inclusion

Councils play an integral role in promoting healthy lives across communities and providing access for all to services which can improve their health and well-being. This includes providing sport facilities, leisure centres, libraries, museums and parks, as well as organising or promoting cultural activities. These services form the fabric of communities and are geared to ensure that those who have least access and are least financially advantaged can use the services. The cultural and social benefits of these services also encourage people come into and participate in their communities and are very often tourist attractions in their own rights, thus helping to grow inclusive local economies.

There have been substantial increases in visitor numbers for sports (16.8%), libraries (29.8%), and museums (36.6%) against a backdrop of a reduction of 12% reduction in net expenditure. However, against this strain, public satisfaction rates for all culture and leisure facilities have fallen in the last 12 months.

+16.8%

+29.8%

+36.6%

Inclusive Growth and Economic Contribution

£5bn

A B C £?

Education

A key contributor to economic growth is ensuring all our children are properly educated and reach their full potential and individual aspirations. Councils spend £5 billion a year on educating children (age 2 to 18), with educational services covering early years as well as school-based and community education. Educational outcomes are a strong predictor of inclusive growth and Scottish Councils are committed to improving these outcomes.

Expansion of early years is a key priority for the Scottish Government, and local government is very supportive of the expansions. However, we are clear that it must be fully resourced, and be truly additional to the current local government settlement, to ensure it is not at the expense of other vital services. We therefore welcome the Scottish Government's commitment to do this.

10%
workforce

£6.3bn
procurement

Economic Growth

Councils make a significant and essential contribution towards inclusive economic growth both locally and nationally. Local authorities are major employers and combined directly employ 244,300 people or around 10% of the national workforce. Financial pressures have meant downsizing of workforces across all local authorities.

Councils also contribute to local and national businesses through procurement. Each year councils spend around £6.3 billion on procurement generating significant value and demand for the economy.

£250m

16,900
businesses

21,600
people
into work

Councils invest more than a quarter of a billion pounds a year in promoting economic growth and providing direct support for business. In 2015/16 councils supported around 16,900 businesses and supported 21,600 unemployed people into jobs within their local communities. Critically in supporting economic growth, Councils are equally investing in employment and skills, through modern and craft apprenticeships and probationary teachers, to help equip young people to enter the marketplace. Council services themselves also generate economic benefit.

Roads and Infrastructure

Despite financial pressures Councils are continuing to maintain roads at a stable level and are providing a wide range of infrastructure to support and sustain communities such as schools, libraries and community centres.

Digital Connectivity is an important area in which Councils are playing their part, particularly in rural areas. Councils recognise that ensuring good digital access throughout the country will ensure communities can prosper. This includes providing greater digital access to Councils' own services.

Transport

Transport is a major driver for the economy and a lifeline for many people, including those who must travel to access work, education, health care or other amenities. Transport can help people live better, healthier and richer lives. Transport has an important part to play connecting different aspects of people's lives.

For transport policy to be nimble and responsive to the needs of communities, there must be a close and direct connection to the local democratic process. Tying transport policy to the needs of communities up and down Scotland will benefit the whole country. However, llocal transport services are under significant pressure and have already been reduced. A further reduction will hit communities again.

COSLA

Local government in Scotland

Financial overview 2016/17

ACCOUNTS COMMISSION

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.
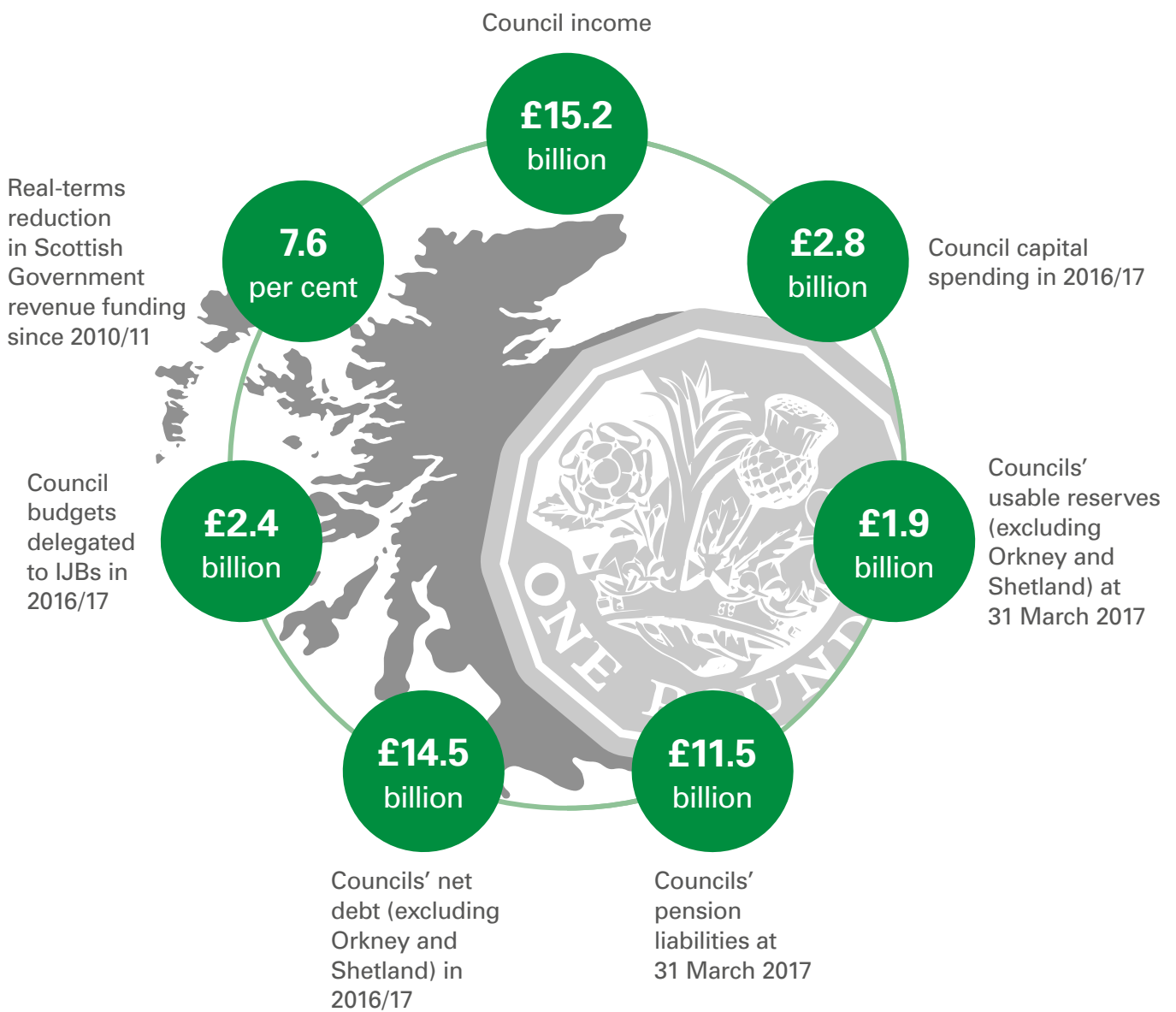
Contents

Links

⊕ PDF download

↙ Web link

? These question
mark icons appear
throughout this
report and represent
sample questions
for councillors
(paragraph 7).

Key facts

Council income

£15.2 billion

7.6 per cent

Real-terms reduction in Scottish Government revenue funding since 2010/11

£2.8 billion

Council capital spending in 2016/17

Council budgets delegated to IJBs in 2016/17

£2.4 billion

£1.9 billion

Councils' usable reserves (excluding Orkney and Shetland) at 31 March 2017

£14.5 billion

£11.5 billion

Councils' net debt (excluding Orkney and Shetland) in 2016/17

Councils' pension liabilities at 31 March 2017

Chair's introduction

Welcome to the Accounts Commission's 2017 financial overview report for local government.

Last year was the first time that we published a separate financial overview report. In view of the very positive feedback we received from our stakeholders, we have decided to continue publishing two overview reports each year: this one focuses on financial matters, and the other on councils' performance and outcomes, which we plan to publish in April 2018.

Generally, councils face increasing challenges which require flexible responses that balance immediate needs, sound long term planning and limited financial resources. This task is a demanding one for elected members – not least for newly elected members – and I would hope that this overview report and its associated material, including the examples of questions we provide to support scrutiny by councillors, is a useful source of information and guidance.

We live in a rapidly changing public sector landscape, where external issues such as the transfer of further powers to Scotland and the decision to withdraw from the European Union add to an already complex domestic environment. Against this general backdrop the Commission is very aware of the importance of understanding the individual context faced by each council in terms of demand for services and resources available to sustain or develop them.

A major element of this operating environment for councils is the continuing pressure on finances. There was a real terms reduction in councils' main source of funding from the Scottish Government for 2016/17. This year has seen a further real terms funding reduction, with that trend forecast to continue into future years.

Councils tell us that they are finding the situation more serious than ever, with savings becoming increasingly difficult to identify and achieve. The Commission recognises this, but also recognises that some councils are in a better position to respond than others.

Effective leadership and financial management is becoming increasingly critical and medium-term financial strategies and well thought out savings plans are key to financial resilience and sustainability.

Elected members need to be clear about the potential impact of planned savings on achieving corporate objectives and the subsequent outcomes for citizens. The implications of community empowerment legislation heighten the importance of engaging effectively with communities around local priorities, and working together on options for the best future use of resources in service provision.

The Commission continues to emphasise the importance of Best Value as a comprehensive framework, based on the principle of continuous improvement that encompasses the key features of a high performing and effective council. It is especially relevant in times of tight finances, and we welcome the work being carried out by the Scottish Government, CoSLA, Solace and others, to refresh the Best Value statutory guidance so that it better reflects the current context for local government.

Finally, we welcome that once again the audits of annual accounts from all 32 councils were signed off with no qualifications. This is testament to the hard work amongst council staff, especially those within the finance function, and the good relationships developed by our auditors. There is of course, always room for improvement in financial management, such as in monitoring and reporting of financial matters to both councillors and the wider public. We will continue our interest in this.

Graham Sharp
Chair of Accounts Commission

Summary

Key messages

1 Councils' financial challenges continue to grow. Funding reductions are compounded by increasing costs and demands on services. In response, councils have needed to achieve ambitious savings plans, including around £524 million of savings for 2016/17.

2 Councils are showing signs of increasing financial stress. They are finding it increasingly difficult to identify and deliver savings and more have drawn on reserves than in previous years to fund change programmes and routine service delivery. Some councils risk running out of General Fund reserves within two to three years if they continue to use them at levels planned for 2017/18.

3 Debt increased by £836 million in 2016/17 as councils took advantage of low interest rates to borrow more to invest in larger capital programmes. Councils' debt levels are not currently problematic, but some are becoming concerned about affordability of costs associated with debt within future budgets.

4 Councils' budget-setting processes for 2016/17 were complicated by late confirmation of funding from the Scottish Government and the funding arrangements for integrating health and social care. Councils' expenditure and use of reserves often differed noticeably from that originally planned, indicating the need for budget-setting to become more robust and reliable.

5 All councils received an unqualified audit opinion on their 2016/17 accounts but auditors found that in several councils financial management could be improved. Councils can use their accounts to more clearly explain their financial performance over the whole year to support better scrutiny.

6 The financial outlook for councils continues to be challenging, with the need to deliver savings being increasingly critical to their financial sustainability. As such, robust medium-term financial strategies and effective leadership to deliver them are of increasing importance.

councils are showing signs of increasing financial stress

About this report

1. This report provides a high-level independent analysis of the financial performance of councils during, and their financial position at the end of, 2016/17. It also looks ahead and comments on the financial outlook for councils. It is one of two overview reports that the Accounts Commission publishes each year, complementing a report on councils' performance and outcomes that will be published at the start of the next financial year in April 2018.

2. The report is intended to inform the public and its representatives. It is particularly aimed at councillors and senior council officers, and will be of significant interest to elected members who joined councils for the first time following the May 2017 elections. While the focus of the report is on councils, we also provide some early information about Integration Joint Boards (IJBs), which are also local government bodies, following their first full year of operation in supporting health and social integration. A programme of audit work looking in more detail at health and social care integration and IJBs is under way.[1]

3. The report is in three parts:

- Part 1 (page 10) comments on councils' income and budgets for 2016/17.

- Part 2 (page 20) looks at councils' financial performance during, and position at the end of, 2016/17.

- Part 3 (page 33) looks at councils' 2017/18 finances and the challenges faced going forward.

4. Our primary sources of information are councils' 2016/17 audited accounts (including management commentaries) and their 2016/17 external annual audit reports. We have supplemented this with data submitted by councils to the Scottish Government through local finance returns (LFRs) and Provisional Outturn and Budget Estimates (POBE). LFRs present spending information for councils on a different basis from the spending information that councils record in their annual accounts. We do not audit data contained in LFRs.

5. UK-wide changes to the format of council financial statements in 2016/17 mean that we are no longer able to compare spending on services across councils using the annual accounts. This includes changes that make it difficult to establish the true service income and expenditure totals. We will include further analysis of these areas in our local government overview report in April 2018, using Scottish Government LFR data.

6. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2016/17 prices, adjusted for inflation, so that they are comparable to information from councils' 2016/17 accounts. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

7. Throughout the report, we identify examples of questions that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The questions are also available on our website in *Supplement 1: Scrutiny tool for councillors* ⊕.

8. Accompanying this report, and to facilitate insight and comparisons across the sector, we have provided additional financial information on our website. The information is based on councils' audited accounts. We hope this will be useful for senior council finance officers, their staff and other interested stakeholders. We have also produced a separate supplement on councils' Housing Revenue Account (HRA) ⊕ and the Local Government Pension Scheme (LGPS) ⊕.

9. Throughout this report Orkney and Shetland have been excluded from exhibits that show usable reserves and debt. This is because the levels they hold mean inclusion would make it difficult to see relative positions of other councils. Most councils hold usable reserves of between five and 35 per cent of their annual income, whereas Shetland's reserves were 250 per cent of its annual income and Orkney's 300 per cent of its annual income. These large reserves relate to oil, gas and harbour related activities. As a result, both Orkney and Shetland also have more investments than borrowing unlike other councils.

Part 1

Councils' income and budgets for 2016/17

Key messages

1 2016/17 was a challenging year for councils with a real-terms reduction in revenue funding, a continuation of the council tax freeze, inflationary pressures and the cost of new UK and Scottish Government policy commitments.

2 Councils depend on Scottish Government funding for the majority of their income. The largest element of Scottish Government funding, relating to Grant Aided Expenditure, has remained largely unchanged since 2008/09, with additional funding linked to supporting national policies. The Scottish Government and COSLA should assure themselves that the funding formula remains fit for purpose in a changing landscape for local government. It is important that it is suited to improving outcomes for local communities and sensitive to priorities such as reducing inequality within and across council areas.

3 In response to funding reductions, councils approved about £524 million of savings and the use of £79 million of their reserves when setting budgets for 2016/17. Councils' savings plans have focused on reducing staff numbers, rationalising surplus property and improving procurement of goods and services. Councils were not always clear in their budget-setting reports about the risks associated with savings and their potential impact on levels of service.

4 Councils' budget-setting processes for 2016/17 were complicated by later confirmation of funding from the Scottish Government and the funding arrangements for integrating health and social care.

5 Councils set larger capital budgets in 2016/17 than in 2015/16. The Scottish Government capital grant fell and councils planned to fund expenditure through increased borrowing.
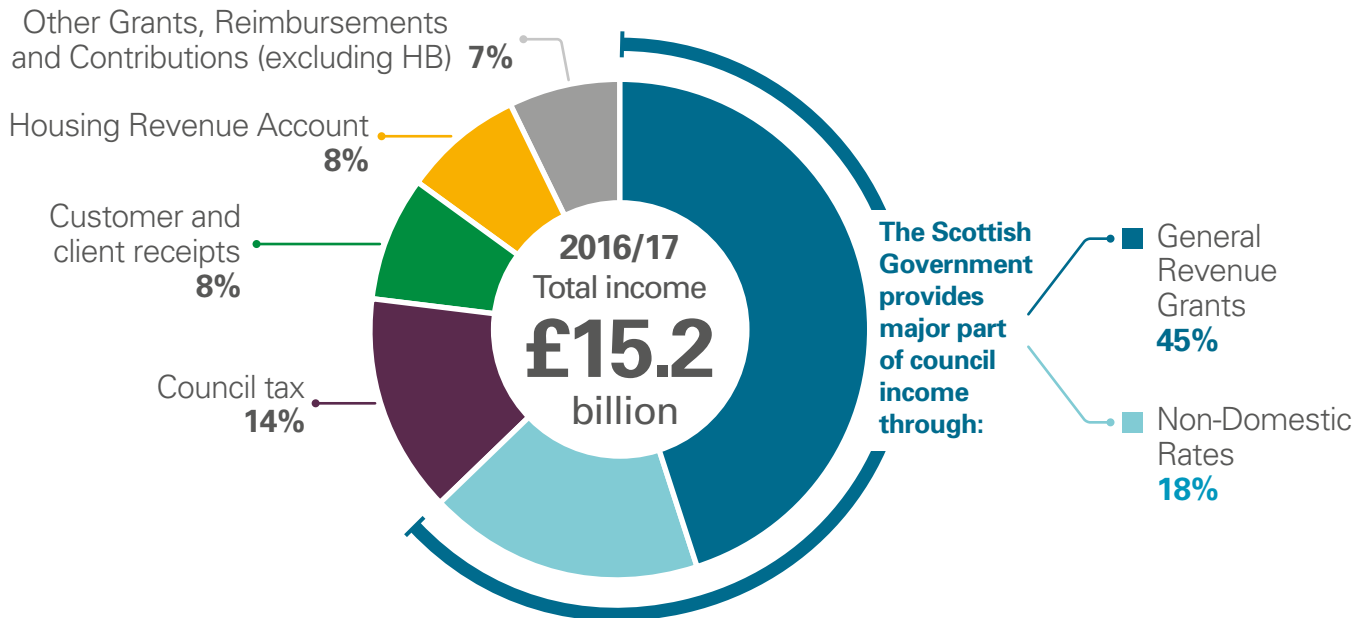
2016/17 was a challenging year for councils

Councils faced a major challenge from the significant fall in revenue funding for 2016/17

10. The Scottish Government provides almost two-thirds of councils' income through general revenue grant, non-domestic rates (NDR) and specific grants for things like community justice (Exhibit 1, page 11). In comparison, council tax accounts for 14 per cent of councils' income, and fees and charges about eight per cent of their income.[2]

Exhibit 1
Sources of council revenue income, 2016/17
Councils are dependent on the Scottish Government for the majority of their income.

Other Grants, Reimbursements and Contributions (excluding HB) **7%**

Housing Revenue Account **8%**

Customer and client receipts **8%**

Council tax **14%**

2016/17 Total income **£15.2** billion

The Scottish Government provides major part of council income through:

General Revenue Grants **45%**

Non-Domestic Rates **18%**

Notes:
1. Does not include all income collected for services delivered through council arm's-length external organisations (ALEOs) and Integration Joint Boards (IJBs).
2. Income excludes housing benefit.
3. Customer and client receipts are 2015/16 totals at 2016/17 prices.

Source: Annual accounts 2016/17 and Scottish Local Government Finance Statistics 2015-16

11. Scottish Government revenue funding for councils in 2016/17 fell by 5.2 per cent in real terms (Exhibit 2). Councils' revenue funding from the Scottish Government has fallen in real terms by 7.6 per cent since 2010/11. The size of the reduction in 2016/17 presented councils with a major challenge in delivering services and required most to identify significant savings.

Exhibit 2
Scottish Government revenue funding to councils
Revenue funding fell both in cash and real terms in 2016/17 compared to 2015/16.

	2016/17 £'000	Change on 2015/16	
		Cash %	Real %
NDR	2,769	-0.7 ▼	-2.7 ▼
Revenue Grant	6,939	-4.3 ▼	-6.2 ▼
Total revenue funding	**9,708**	**-3.3 ▼**	**-5.2 ▼**
Additional resource via IJBs	250		
	9,958	**-0.8 ▼**	**-2.8 ▼**

Source: Local Government Finance Circular 1/2017, Scottish Government

12. In 2016/17, the Scottish Government transferred an additional £250 million from the health budget to support health and social care integration. Even taking this into account, total revenue funding for councils fell in 2016/17.

13. Council tax is a key source of income for local government. Councils have typically set council tax rates to reflect local policy choices. Between 2008/09 and 2016/17, councils agreed with the Scottish Government to freeze council tax rates. To compensate them, the Scottish Government provided local government with an additional £70 million in each year of the freeze. In 2008/09, £70 million represented just over three per cent of council tax income and councils each received a share in line with their tax base. Councils that may not have increased their council tax by this amount each year will have benefited from additional funding as a result of the freeze. Councils did, however, lose the option of raising council tax to generate additional revenue. Although the council tax freeze was lifted in 2017/18, councils were constrained to increases of three per cent.

14. The revenue funding that councils received from the Scottish Government and council tax income varied between £2,000 and £2,400 per head of population for most councils in 2016/17 (Exhibit 3). This impacts on the income they have available and on the decisions they need to make about delivering services. The income per head of population in Argyll and Bute, Eilean Siar, Orkney and Shetland is higher than in other councils because they receive extra funding for their island populations, in recognition of the additional costs they face when providing services.

Exhibit 3
Income from General Revenue Grant, Non-Domestic Rates and council tax per head of population, 2016/17
Most councils received between £2,000 and £2,400 per head of population.
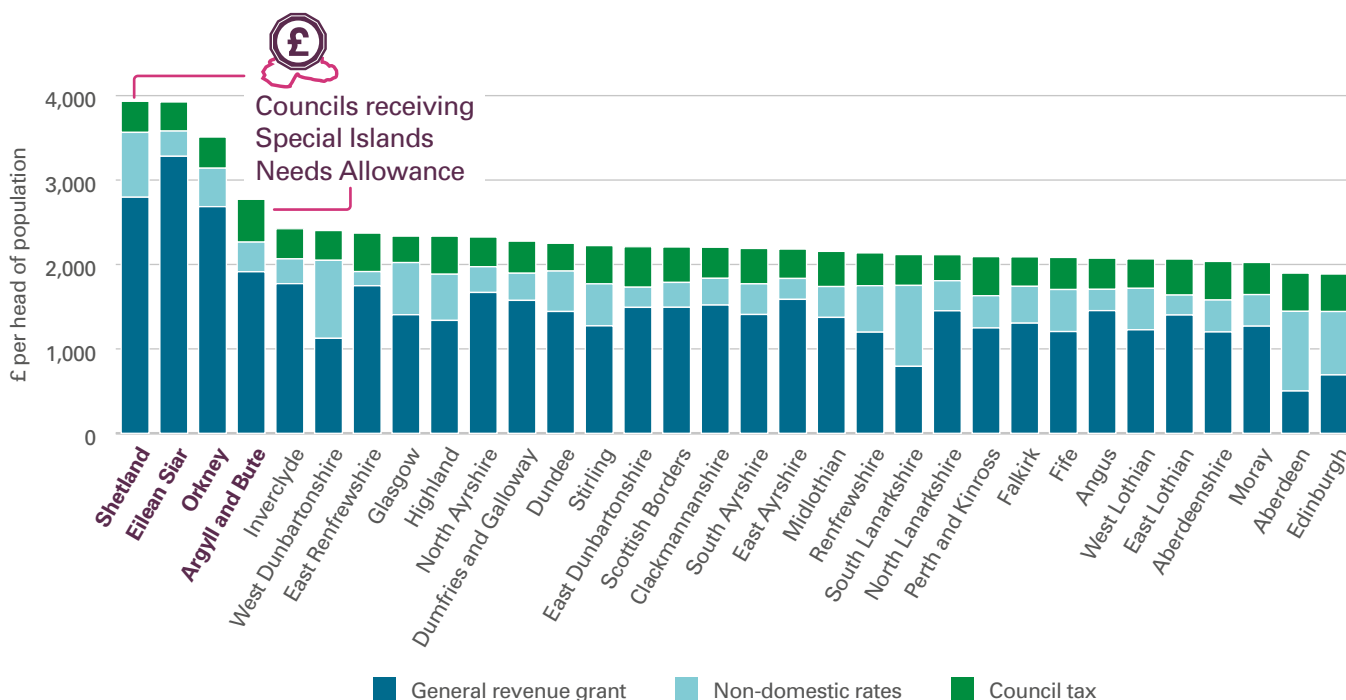
Source: Annual accounts 2016/17; and National Records of Scotland mid-year population estimate for 2015

Additional Scottish Government funding has been linked to supporting national policies

15. The Scottish Government funding mechanism is the main determinant of a council's overall funding. It is designed to reflect differences between councils in terms of population and other factors, such as geography and deprivation. The funding mechanism is based on a large number of elements as illustrated in Exhibit 4 (page 14). The Fraser of Allander Institute has provided a useful outline summary of how funds are allocated:

'The Scottish Government allocates grants to local authorities taking into account both the relative spending need of each authority, and the revenues raised from council tax and non-domestic rates income.

The grant allocation system first calculates the 'total estimated expenditure' (TEE) that each local authority is likely to need to meet its various commitments. The elements of TEE are:

- an assessment of spending needs, based on the Grant Aided Expenditure (GAE) assessments combined with a Special Islands Needs Allowance (SINA)

- a series of additional revenue grants – such as the funding used in the past to support the council tax freeze – the allocation of which is determined on a case-by-case basis

- a series of further non-specific changes to grant allocations, the allocation of which is based on local authorities' shares of GAE + SINA

- local authorities' commitments in respect of certain historic loan charges

- the sum of these elements is then adjusted by a 'floor' to ensure that no local authority experiences particularly large swings in support from one year to the next.
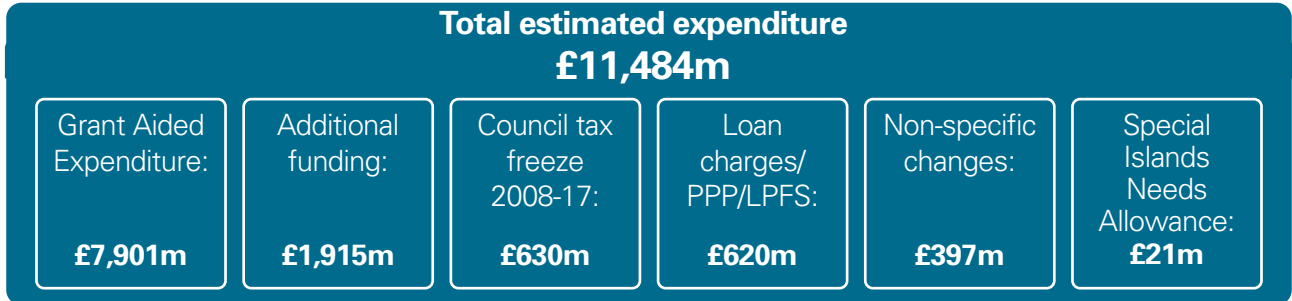
Having calculated TEE, an adjustment is then made based upon an estimate of what each local authority is expected to raise from council tax, the revenues that each local authority is forecast to raise from non-domestic rates, and their allocation of ring-fenced Gaelic funding. A further 'floor' calculation is applied to ensure that no local authority receives less than 85 per cent of the Scottish average on a per capita basis.'[3]

16. Within the Scottish Government's estimate of councils' TEE in any year, the largest element is Grant Aided Expenditure (GAE). GAE totals have remained broadly the same since 2008/09, with the exception of funding for police, fire and district courts having been removed. In 2016/17, GAE was £7.9 billion of a total estimated expenditure of £11.5 billion. GAE is distributed between councils based on an estimate of their relative spending needs across 89 elements, with reference to one or more indicators. For example, the GAE for primary education is allocated with reference to its share of primary school aged pupils. A small adjustment is made based on a secondary indicator of the percentage of pupils in small schools. The variations between councils in each of the elements are mostly determined by population profiles, although other factors to reflect rurality and deprivation are also used when appropriate.

Exhibit 4
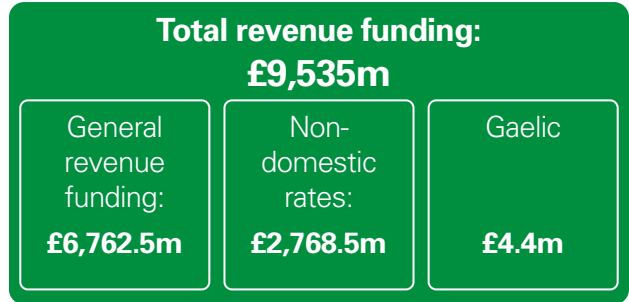Local Government funding mechanism, 2016/17
The formula contains many elements.

Total estimated expenditure £11,484m					
Grant Aided Expenditure: **£7,901m**	Additional funding: **£1,915m**	Council tax freeze 2008-17: **£630m**	Loan charges/ PPP/LPFS: **£620m**	Non-specific changes: **£397m**	Special Islands Needs Allowance: **£21m**

Main Floor: Redistributes so **no council loses more than 4.5%** a year

(−) Assumed council tax contribution: **£1,949m**

(=) **Total revenue funding: £9,535m**

General revenue funding: **£6,762.5m**	Non-domestic rates: **£2,768.5m**	Gaelic **£4.4m**

(+) **85% Floor:** Ensures Scottish Government funding 85% to all councils: **£25m**

(=) **Distributable revenue funding: £9,560.4m**

Notes: On top of distributable revenue funding, councils also received £133 million from other grants and payments such as the Teacher Induction Scheme and Discretionary Housing Payments.
In 2016/17, the 85 per cent floor was applied to funding for Aberdeen City and City of Edinburgh Councils.

Source: Audit Scotland and Fraser of Allander Institute

17. New funding for councils since 2008/09, for example funding to expand early years' childcare, has come as 'additional funding' and 'non-specific changes' and is funding specifically directed at delivering particular national policies. The proportion of council funding directed towards national policies is increasing, a trend that will continue with Scottish Government proposals for fairer funding for equity and excellence in education. This shift increasingly restricts the flexibility councils have in managing their budgets across their full range of services. The Scottish Government and COSLA should assure themselves that the funding

formula remains fit for purpose in a changing landscape for local government. It is important that it is suited to improving outcomes for local communities and sensitive to priorities such as reducing inequality within and across council areas.

Councils faced increased budgetary pressures in 2016/17

18. Councils faced a growing range of budgetary pressures in 2016/17 from the real-terms reduction in Scottish Government funding, the continuation of the council tax freeze and cost inflation. They also faced additional pressures in meeting new UK and Scottish Government policy commitments. Many of the budgetary pressures that councils faced were associated with staff. As councils' largest area of expenditure, additional staff-related costs have a very significant impact on their budgets (Exhibit 5).

Exhibit 5
Significant budgetary pressures on councils in 2016/17
UK and Scottish Government policy commitments had sizeable cost implications for councils.

The **move to the single state pension at UK level.** This ended the employer NI rebate in relation to staff in contracted-out pension schemes (such as the LGPS and Teachers schemes).

3.4 per cent increase in NI costs affected employees from 1 April 2016.

The cost of introducing the **living wage for social care workers** from 1 October 2016.

Estimated cost of £100 million.

The undertaking to **maintain teacher numbers in Scotland** and the **Teacher Induction Scheme**.

Councils spend around £2.4 billion on teachers. By not cutting teacher numbers they receive a share of £88 million extra funding.

Annual increases in staff costs.

Estimated cost of one per cent pay rise about £70 million. Costs also increase as staff move up pay scales.

The **full year effect of increased pension contributions for teachers** (increased from 14.9 per cent to 17.2 per cent from September 2015).

The estimated impact was around £20 million in 2016/17.

Source: Audit Scotland

19. In addition to the costs of meeting government policies and inflationary pressures, councils also had to deal with ongoing demand pressures. Some demand pressures such as those associated with an ageing population and placements for looked-after children, are often not easy to forecast and budget for. This highlights the need for adequate budget contingency and robust arrangements for identifying and responding to changes in demand for services.

20. Rent arrears can also create budgetary pressures for councils' Housing Revenue Accounts. The Department for Work and Pensions (DWP) began a roll-out of Universal Credit (UC) in Scotland in March 2016. By March 2017, UC had rolled out across five councils.[4] Rent arrears across these councils increased in 2016/17 by an average of 14 per cent, compared with an average of 4 per cent across the remaining councils. Our *Housing Benefit Performance Audit: Annual update 2016/17* highlighted that councils are finding that the roll-out of UC is having a detrimental effect on their collection of housing rental income.

Some service areas saw larger reductions to budgets in 2016/17

21. In responding to the range of pressures they face, councils approved about £524 million of savings and budgeted to use about £79 million of reserves in their budgets for 2016/17. Savings plans continued to focus on their main areas of spend, reducing staff numbers, rationalising surplus property and improving procurement of goods and services. It was not always clear from budget-setting reports how savings aligned with the council's corporate and financial plans or how they would impact on service delivery.

22. In 2016/17, budgets for education increased, mainly as a result of the policy commitment to maintain teacher numbers and the inflationary pressures around pay and pension costs. Despite demand pressures in social work, overall budgets reduced – but not by as much in percentage terms as in other areas of service. Remaining service areas have seen larger reductions to their budgets. In some cases, increases in fees and charges may have reduced the amount of budgeted expenditure. This pattern of larger reductions to relatively smaller service areas has been recurrent in recent years and is something that has continued into 2017/18. While it is right that resources should be aligned with policy priorities, the impact on other services and their outcomes should be carefully assessed (Exhibit 6, page 17).

Councils have been seeking to maximise the income available to them from charging for services

23. Councils generate about eight per cent of their total income from charging for services (excluding housing rents). This includes income from charges to service users, rental income (excluding council houses) as well as 'other' charges. It is difficult to establish from the data available the full extent of income councils receive. Some income from services provided via arm's-length external organisations (ALEOs) and IJBs is not shown in council totals.[5]

24. Councils have been seeking to maximise their income through increasing charges and by introducing new charges for services, for example introducing charges for garden waste. Councils have also sought to collect more of the income that is due to them. Charges for social care which are subject to regulation, represented the largest area of income from charging services in 2015/16 (Exhibit 7, page 18).

Does your council have a charging policy? Is this in line with corporate plans and objectives? When was this last reviewed?

What information do you need to be able to explain increases in fees and charges to your constituents?
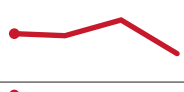
25. The Scottish Parliament's Information Centre (SPICe) has published a detailed briefing on some fees and charges ⊕. The Accounts Commission also considered fees and charges for services in its 2013 report, *Charging for services: are you getting it right?* ⊕

26. Although councils generate a relatively small proportion of their overall income from fees and charges, increases can make a difference to council finances over time. However, councils face difficult decisions in balancing their need to maximise income while also ensuring their charging policy is consistent with corporate objectives, such as providing access to services and addressing inequality. Increasing prices can be unpopular with the public, but effective leadership, sensitive management, good communications and community engagement can assist with this.

Exhibit 6
Trend in council expenditure on main services, in real terms
There was significant variation in budget changes across council services.

	2013/14 £million	2014/15 £million	2015/16 £million	16/17 Budget £million	Change over period
Education	4,771	4,736	4,830	4,826	1%
Cultural and related services	639	661	610	560	-12%
Social work	3,158	3,194	3,233	3,086	-2%
Roads and transport	454	431	427	419	-8%
Environmental services	686	684	698	668	-3%
Planning and development services	291	286	248	251	-14%
Other services	839	802	778	687	-18%
Total (excludes trading services and interest payments)	**10,840**	**10,793**	**10,823**	**10,496**	**-3%**

Note: 'Other services' combines Central Services and non-HRA housing.

Source: Scottish Local Government Finance Statistics 2015-16; and Scottish Government Provisional Outturn Budget Estimate returns 2016

Exhibit 7
Charges to service users
Charges to service users account for over £500 million of councils income.

Rent Income
£166.1m

Total
Customer and
client receipts
£1.28 billion

Other Sales, Fees
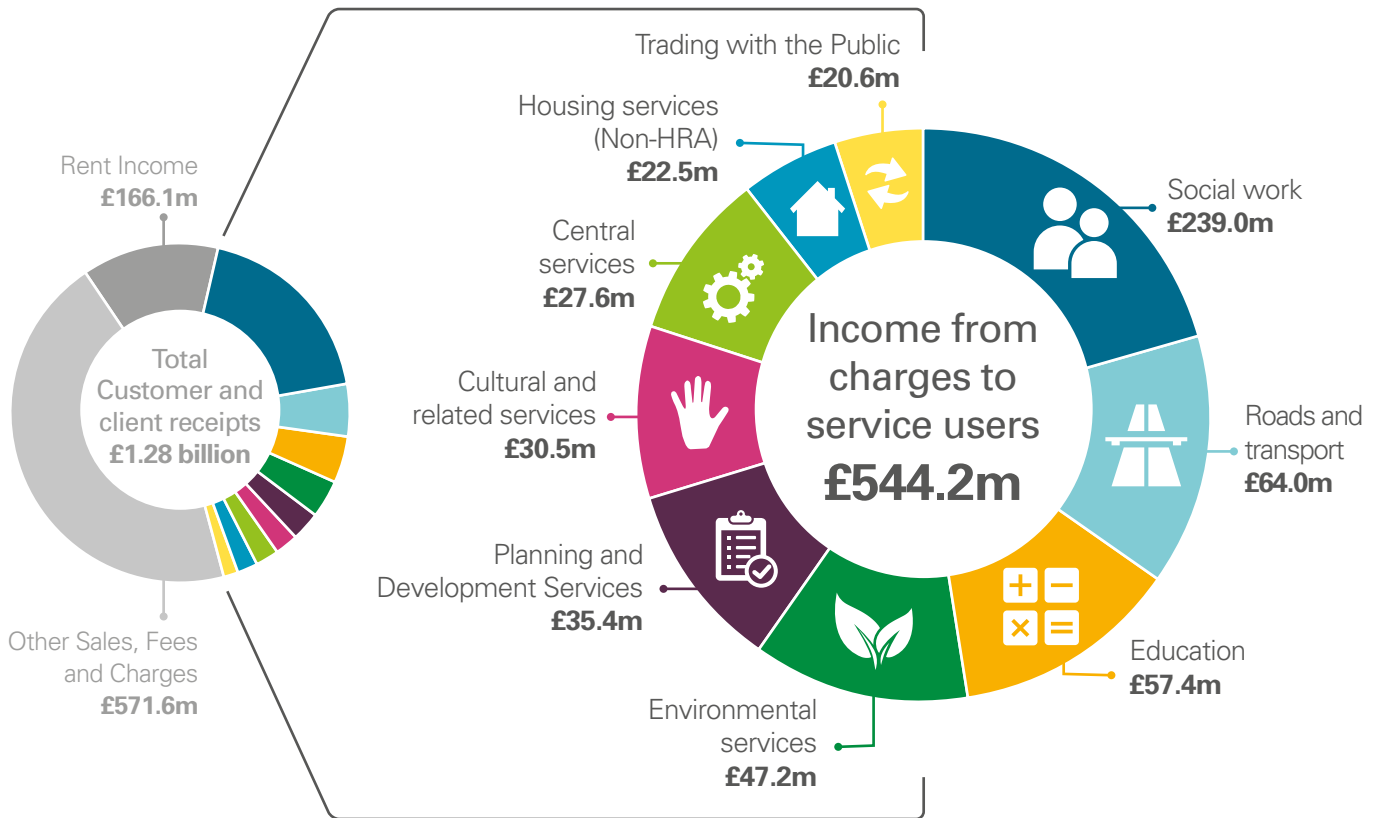and Charges
£571.6m

Trading with the Public
£20.6m

Housing services
(Non-HRA)
£22.5m

Central
services
£27.6m

Cultural and
related services
£30.5m

Planning and
Development Services
£35.4m

Environmental
services
£47.2m

Income from
charges to
service users
£544.2m

Social work
£239.0m

Roads and
transport
£64.0m

Education
£57.4m

Note: Does not include all income collected for services delivered through council ALEOs and IJBs.

Source: Scottish Local Government Finance Statistics 2015-16

Integration Joint Boards added further complexity to budget setting

27. For the majority of councils, 2016/17 was the first operational year for Integration Joint Boards (IJBs). IJBs were established as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. They are partnerships between NHS boards and councils and are responsible for the delivery of adult health and social care, and in some council areas, for other services, such as children's services. The partnerships are the subject of 'integration schemes' which are written agreements about how they will operate, including responsibilities for any budget underspends and overspends.

28. Councils delegated £2.4 billion of social care expenditure to IJB budgets for 2016/17 and NHS boards contributed £5.6 billion. The introduction of IJBs has complicated budget-setting, due to differences in both the approach and timing of budget-setting between councils and NHS boards. The establishment and development of IJBs has been a complex exercise and will take time to mature. Their operation will be the focus of further performance audit work we have planned in 2018.

Councils set larger capital programmes for 2016/17, with plans to increase borrowing

29. In addition to their day-to-day revenue spending on goods and services, councils also incur capital expenditure on the assets that support those services, including schools, houses and equipment such as vehicles. In 2015/16, councils spent about £2.4 billion on capital projects. Budgets for 2016/17 were much higher at over £3.3 billion.
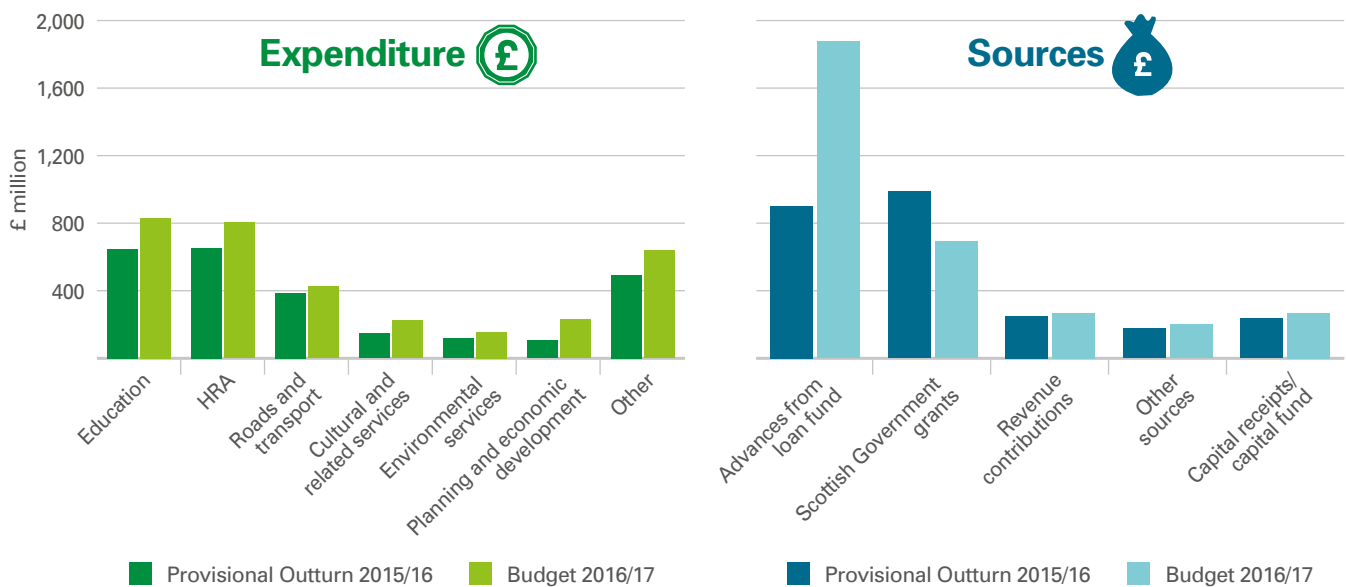
30. Councils finance their capital expenditure from a number of sources, including Scottish Government capital grants and borrowing. Scottish Government grants fell from £834 million in 2015/16 to £591 million in 2016/17, returning to a more usual level following re-profiling in earlier years. Exhibit 8 shows where councils were planning to spend their capital and how they planned to finance it.

31. Councils are required to consider the affordability of their capital programmes. This includes the cost of any borrowing along with the impact on day-to-day running costs. However, they are free to determine what they consider prudent and with interest rates remaining low in 2016/17, councils assessed increased borrowing to be affordable. The delivery of capital programmes and the affordability of debt are considered further in Part 2 and Part 3.

Exhibit 8
Capital programmes and sources of finance, 2015/16 and 2016/17
Councils planned to borrow more in 2016/17 to meet the cost of larger capital programmes.

Expenditure £

£ million

Categories: Education, HRA, Roads and transport, Cultural and related services, Environmental services, Planning and economic development, Other

Sources £

Categories: Advances from loan fund, Scottish Government grants, Revenue contributions, Other sources, Capital receipts/capital fund

■ Provisional Outturn 2015/16   ■ Budget 2016/17

■ Provisional Outturn 2015/16   ■ Budget 2016/17

Notes:
1. Excludes regional transport partnerships and Joint Valuation Boards.
2. Other budgeted use of capital includes Social Work, Central Services, Trading Services, etc.
3. Other sources of capital finance for the General Fund are grants (excluding those received from the Sottish Government).
4. For HRA this includes capital from other sources, such as developer contributions.

Source: Scottish Government Capital Provisional Outturn Budget Estimate 2015-16

Part 2

2016/17 financial performance

Key messages

1 All councils received an unqualified audit opinion on their 2016/17 accounts but the accounts could more clearly explain their financial performance.

2 Councils are showing signs of increasing financial stress with 20 councils drawing on their usable reserves in 2016/17.

3 Councils' actual use of reserves was often quite different from that originally planned. The reasons why are not always clear.

4 Auditors found that budget-setting needed to be more robust and that financial management could be improved in several councils.

5 Levels of net debt increased by £836 million in 2016/17. On average councils spent almost ten per cent of their revenue budgets servicing this debt. Some councils are concerned about the ongoing affordability of servicing their debt as resources decrease.

6 Councils that have been proactive in making difficult decisions will be better placed to deal with future financial pressures.

All councils received an unqualified audit opinion on their 2016/17 accounts but the accounts could more clearly explain their financial performance to readers

32. In 2016/17, for the sixth consecutive year, auditors issued a 'true and fair' unqualified audit opinion on the accounts of all 32 councils. An unqualified opinion means auditors have judged that all council's financial records and statements are fairly and appropriately presented, that the council's financial statements are sound and free from material misstatements or errors.

33. For the last three years, councils have had to produce a management commentary to accompany their annual accounts. These commentaries play an important role in public accountability and helping interested parties to better understand the accounts of each council and its financial performance and position. As such, they should include explanations of amounts included in the accounts as well as:

Twenty councils drew on reserves in 2016/17 – actual use of reserves was often quite different from original plans

- a description of the council's strategy and business model

- a review of the council's business

- a review of principal risks and uncertainties facing the council

- an outline of the main trends and factors likely to affect the future development, financial performance and financial position of the council.

34. Each management commentary should concisely present the financial 'story' of a council in an understandable format for a wide audience. Auditors express an opinion on whether the management commentary is consistent with the audited financial statements and is in line with Scottish Government guidance.

35. Management commentaries for 2016/17 vary in how clearly councils and IJBs explain their financial and general performance. Overall there remains scope for improvement. It is the Accounts Commission's view that councillors have an important role in ensuring that the management commentary effectively tells a clear story of financial performance and can be understood and scrutinised by a wide audience. The story at the end of the year should be produced from regular reports provided to councillors throughout the year.

Councils are showing increasing signs of financial stress

Twenty councils drew on their usable reserves in 2016/17

36. In 2016/17, 20 councils drew on their usable revenue and capital reserves. Nineteen councils drew on their revenue reserves in 2016/17, an increase from the eight councils that did so in 2015/16. Council revenue reserves fell by £32 million in 2016/17. (Exhibit 9, page 22). Overall council usable reserves (capital and revenue) fell by about £33 million.

37. The Chartered Institute of Public Finance and Accountancy (CIPFA) has identified the rapid decline of usable reserves as one of the symptoms exhibited by councils under financial stress.[6] Councils with good financial management demonstrate well-planned and managed use of reserves, in accordance with carefully thought out council policies.

38. In some cases, councils have used reserves to support service delivery. Councils have used reserves to invest in their change programmes, such as meeting the additional costs of staff severance. In 2016/17, councils continued to focus on reducing staffing levels. They reduced their workforces by almost 2,200 staff (almost one per cent of the total workforce), at a cost of £78 million (Exhibit 10, page 23). Councils' policies around voluntary severance and redundancy typically require payback of the costs over two to three years.

39. In future, severance schemes could become less attractive for staff under Scottish Government proposals to limit payments. Conversely, severance packages for staff with retirement dates after April 2020 will become more expensive for councils following changes to pension protection.

?

Do management commentaries clearly explain council performance and any changes to plans?

?

Are staff severances in line with the council's workforce plan?

Exhibit 9

Changes in revenue reserves (excluding HRA), 2015/16 and 2016/17
Many more councils drew on revenue reserves in 2016/17 compared with 2015/16.

£65 million

2016/17

£97 million

South Lanarkshire, Edinburgh, Eilean Siar, North Ayrshire, Inverclyde, West Dunbartonshire, East Renfrewshire, Argyll and Bute, Glasgow, Stirling, Fife, Falkirk, East Lothian, West Lothian, East Dunbartonshire, Highland, Moray, North Lanarkshire, Angus, Perth and Kinross, Aberdeenshire, South Ayrshire, Dumfries and Galloway, Aberdeen, Scottish Borders, East Ayrshire, Dundee, Renfrewshire, Clackmannanshire, Midlothian

£125 million

2015/16

£65 million

East Dunbartonshire, Stirling, Argyll and Bute, Angus, East Lothian, East Ayrshire, South Lanarkshire, Inverclyde, Clackmannanshire, Midlothian, South Ayrshire, East Renfrewshire, Scottish Borders, Glasgow, Edinburgh, Eilean Siar, Dundee, West Dunbartonshire, Renfrewshire, North Ayrshire, Perth and Kinross, North Lanarkshire, West Lothian, Moray, Falkirk, Dumfries and Galloway, Aberdeenshire, Aberdeen, Highland, Fife

Percentage of income

Notes:
1. Due to issues with the scale on this exhibit Orkney and Shetland are excluded (paragraph 9).
2. In 2016/17, Renfrewshire moved money from revenue to capital reserves.

Source: Audited accounts 2015/16 and 2016/17

Exhibit 10
Exit packages, 2011/12 to 2016/17
The number and average cost of exit packages both fell in 2016/17.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Total number of packages	4,070	2,407	2,373	1,933	2,660	2,195	**15,642**
Total cost of packages Cash terms £000	148,750	109,068	92,640	74,935	97,231	78,125	**600,750**
Total cost of packages Real terms £000	160,868	115,528	96,535	76,955	99,172	78,125	**627,184**
Average cost per package Real terms £	39,525	47,997	40,681	39,811	37,227	35,592	**40,096**

Note: Real terms comparisons are based on 2016/17 prices.

Source: Annual accounts 2016/17

Councils use of reserves and service expenditure was often quite different from that originally planned

40. In 2016/17, as many councils used more reserves than they had originally planned as used less . It is not always clear from management commentaries why the actual use of reserves differed from that planned.

41. There can be a range of reasons why councils need to draw more heavily on their reserves than planned. It can be the result of poor budget-setting and/or budgetary control. For example, councils may need to use reserves to balance budgets where savings have not been achieved. The failure to deliver savings might be due to councils underestimating the time required for change programmes to deliver benefits. As budgets come under greater pressure from funding reductions, cost pressures and increasing demand, it is critical that councils understand the risks of using reserves in an unplanned way in relation to future savings and long-term financial sustainability.

42. Auditors identified that some councils failed to deliver their savings plans in 2016/17. Auditors also highlighted that some budgets did not properly reflect patterns of previous actual expenditure and that councils should consider rebasing their budgets where they consistently underspend. One such area is underspending on financing costs, where slippage on capital programmes leads to less borrowing and lower interest payments. Built-in budget contingencies partly explain budget underspends but councils need to explain this more clearly.
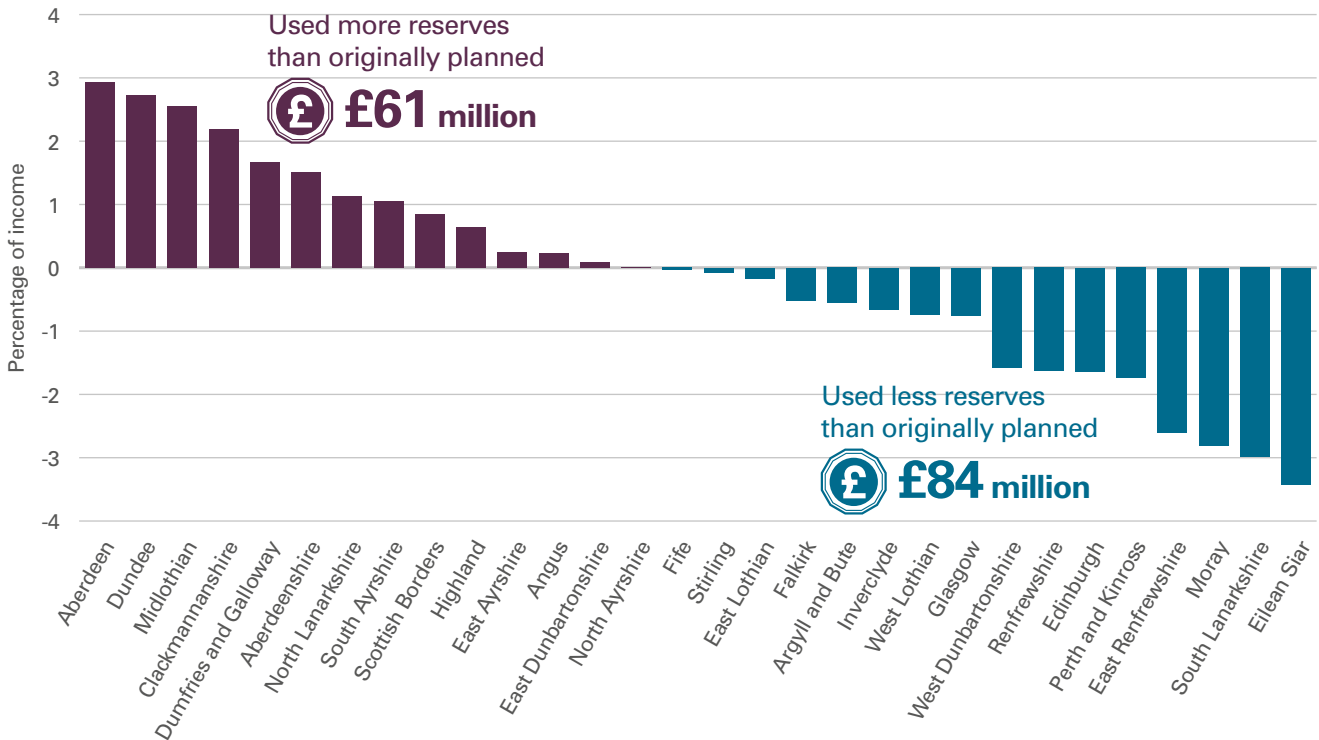
How does the council ensure that council staff have the capacity to delivery transformational change?

What have reserves been used for in recent years? Supporting services and bridging the funding gap or transforming services?

Exhibit 11
Difference between planned and actual use of General Fund reserves as a proportion of income, 2016/17
The difference between planned and actual use of reserves for some councils was more than two per cent of their total income from general revenue grants and taxation.

Used more reserves
than originally planned

£ £61 million

Used less reserves
than originally planned

£ £84 million

Percentage of income

Councils (left to right): Aberdeen, Dundee, Midlothian, Clackmannanshire, Dumfries and Galloway, Aberdeenshire, North Lanarkshire, South Ayrshire, Scottish Borders, Highland, East Ayrshire, Angus, East Dunbartonshire, North Ayrshire, Fife, Stirling, East Lothian, Falkirk, Argyll and Bute, Inverclyde, West Lothian, Glasgow, West Dunbartonshire, Renfrewshire, Edinburgh, Perth and Kinross, East Renfrewshire, Moray, South Lanarkshire, Eilean Siar

Note: Due to issues with the scale on this exhibit Orkney and Shetland are excluded (paragraph 9).

Source: Audited accounts 2016/17 and auditor returns

43. Reasons often cited by councils for under and overspends against final budgets are included in Exhibit 12 (page 25).

44. Management commentaries in councils' accounts tend to only identify the main reasons for over or underspends against final budgets and not why plans or budgets changed during the year. This represents an area of weakness in financial reporting that councils need to address to support more effective financial scrutiny. If significant changes are made to original budgets the reasons should be clearly reported to councillors throughout the year, as well as featuring in the management commentary accompanying the accounts at the end of the year.
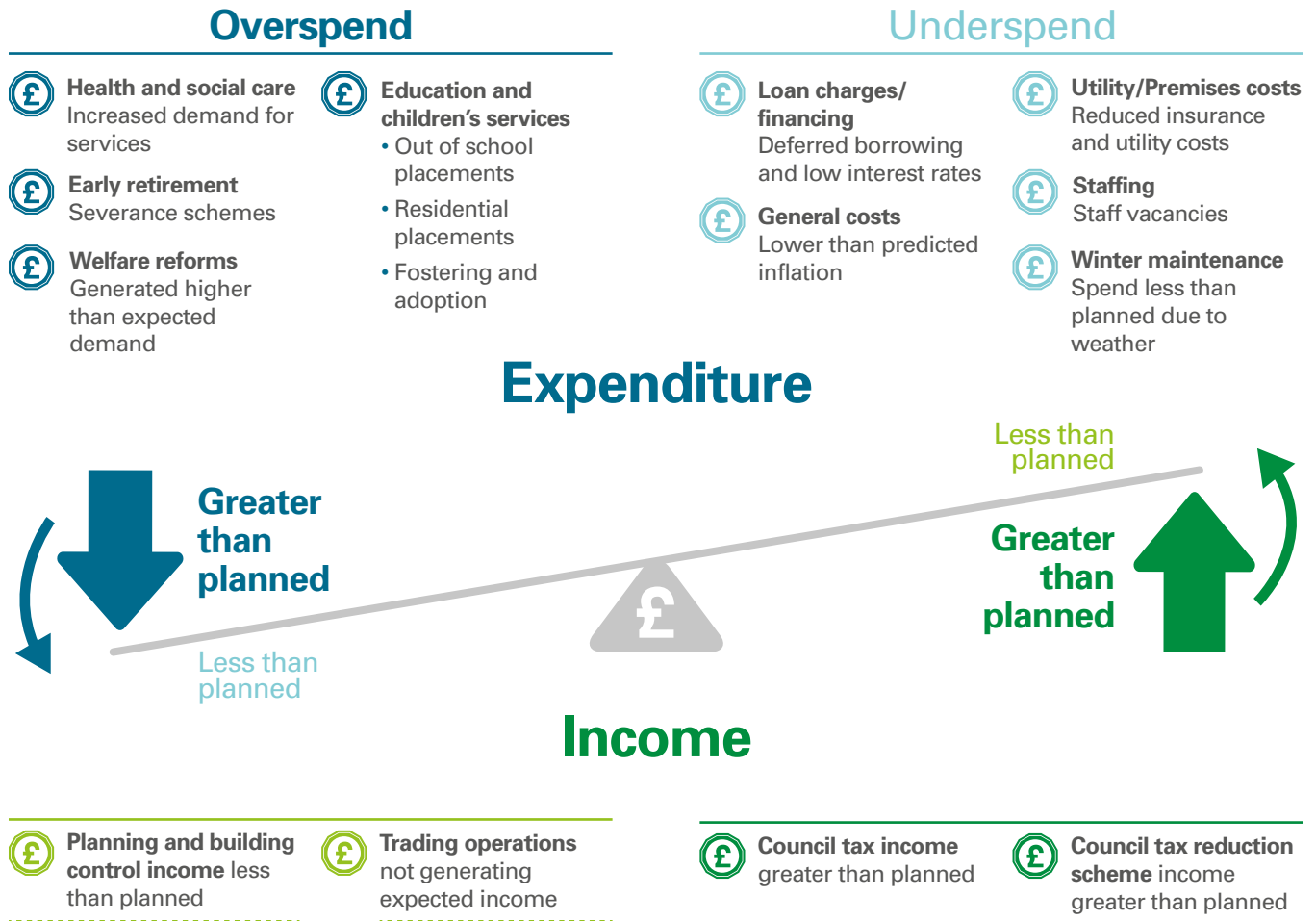
? **Do budget monitoring reports clearly explain performance against plans and any changes to plans?**

Exhibit 12
Commonly reported reasons for budget variances, 2016/17
Demand pressures primarily drove overspends – with financing costs a key driver of underspends.

Overspend

Health and social care
Increased demand for services

Early retirement
Severance schemes

Welfare reforms
Generated higher than expected demand

Education and children's services
• Out of school placements
• Residential placements
• Fostering and adoption

Underspend

Loan charges/ financing
Deferred borrowing and low interest rates

General costs
Lower than predicted inflation

Utility/Premises costs
Reduced insurance and utility costs

Staffing
Staff vacancies

Winter maintenance
Spend less than planned due to weather

Expenditure

Greater than planned

Less than planned

Less than planned

Greater than planned

Income

Planning and building control income less than planned

Trading operations not generating expected income

Council tax income greater than planned

Council tax reduction scheme income greater than planned

Source: Audit Scotland review of management commentaries

Levels of usable reserves vary widely and it is important that councils have clear reserves policies

45. The levels of usable reserves held by councils vary widely, as do policies on the minimum level of reserves they should hold. The General Fund reserve is the main revenue reserve available to support general council services. By the end of 2016/17, General Fund reserves, excluding Orkney and Shetland, totaled £1.1 billion. However, councils hold a number of other reserves and total usable reserves held amounted to £1.9 billion (excluding Orkney and Shetland, paragraph 9), (Exhibit 13, page 26).

46. There is no prescribed minimal level of usable reserves. Typically councils' policies are to have a minimum uncommitted General Fund balance of between two and four per cent. Councils need to be clear about the reasons for the levels of reserves they hold to mitigate risks and support medium-term financial plans.
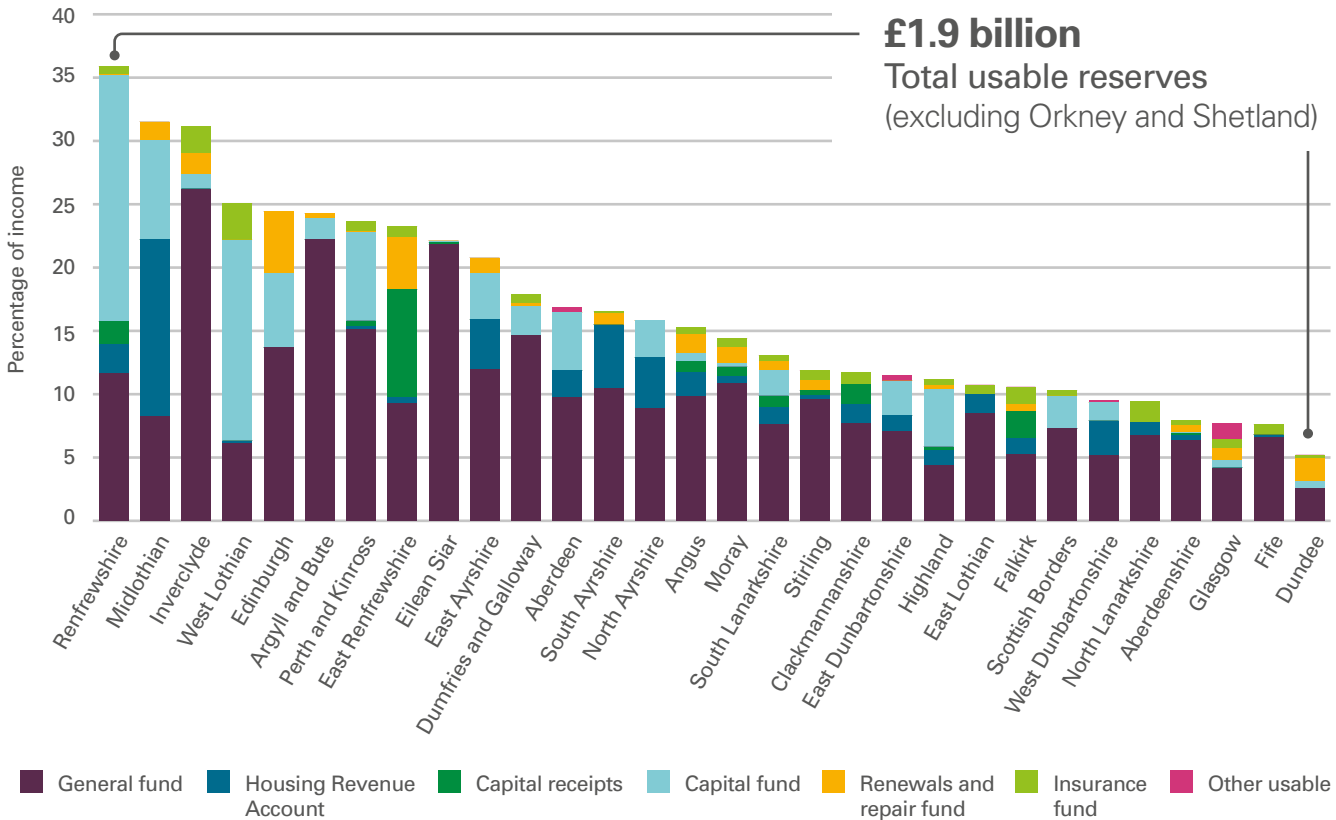
What is your councils reserves policy?

Exhibit 13
Council usable reserves at 31 March 2017
There are wide variations in the level of reserves as a proportion of income from general revenue grant, taxation and housing rents.

£1.9 billion
Total usable reserves
(excluding Orkney and Shetland)

Legend:
- General fund
- Housing Revenue Account
- Capital receipts
- Capital fund
- Renewals and repair fund
- Insurance fund
- Other usable

Note: Orkney and Shetland councils have reserves far in excess of those held by other councils and are excluded. We explain why this is the case in paragraph 9.

Source: Annual accounts 2016/17

47. At the end of their first full operational year, IJBs held usable reserves of £96 million, representing about 1.2 per cent of their total income of £8 billion in 2016/17. Reserves vary across IJBs. Not all integration schemes permit IJBs to hold reserves. Only North Ayrshire Council recorded an overspend. This was largely due to spending on social care services (Exhibit 14, page 27).

48. It is not clear from the accounts of IJBs to what extent reserves have been built up in a planned way, have arisen as a result of underspends on IJB activities or have been earmarked for transformation activity. There is a lot of pressure on the budgets of IJBs and reserves at the end of 2016/17 are not forecast to continue in future years. Further analysis of IJB accounts will help inform specific audit work on IJBs being carried out in 2018.
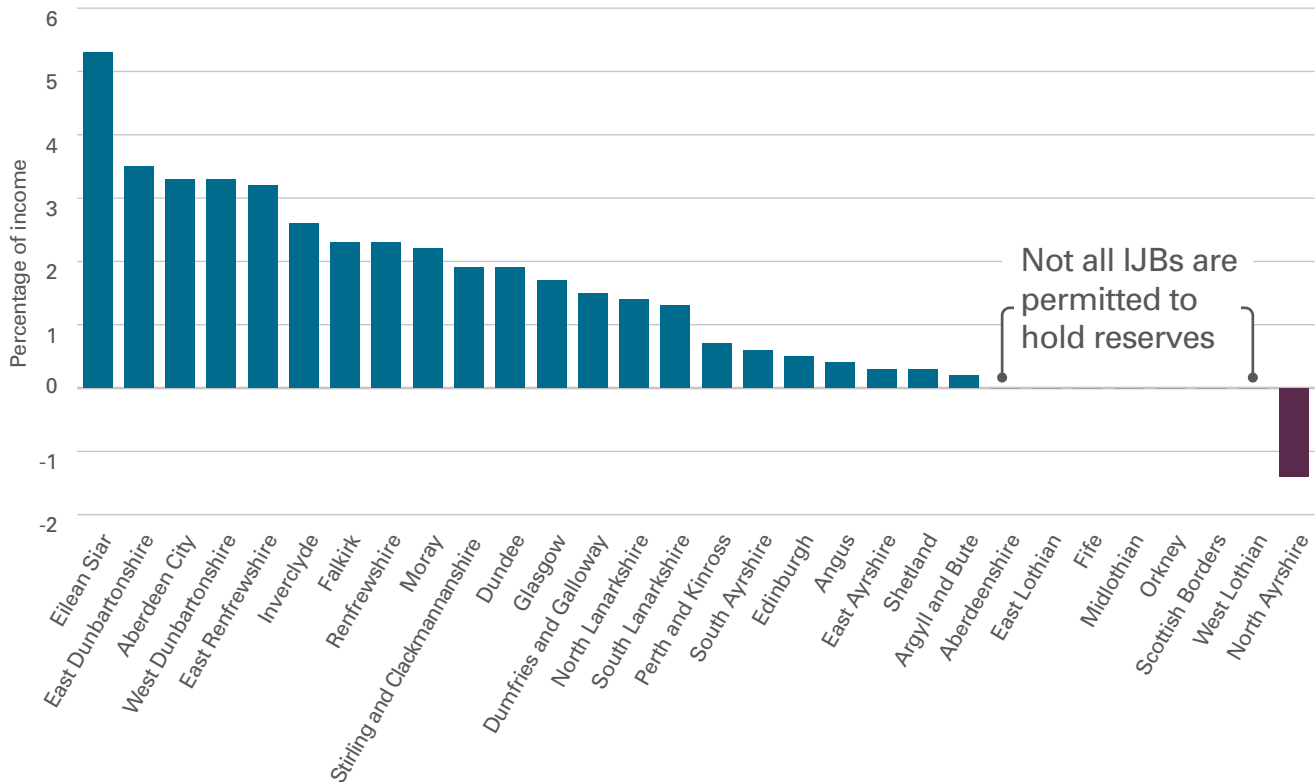
What are the different types of reserves your council holds? Do you know what these can be spent on?

Exhibit 14
IJB usable reserves as a proportion of 2016/17 income
Reserves vary across IJBs.

Not all IJBs are permitted to hold reserves

Note: Stirling Council and Clackmannanshire Council are members of the same IJB.

Source: Annual accounts 2016/17

Levels of debt have increased and some councils are concerned about future affordability

49. Following two years of reducing debt, councils' net debt increased in 2016/17 from £13.7 billion to £14.5 billion (excluding Orkney and Shetland). The increase in borrowing was lower than that originally planned when capital programmes were approved. This was primarily due to slippage in delivering capital programmes.

50. As with reserves, levels of debt vary widely across councils (Exhibit 15, page 28). 2016/17 saw an increase in the HRA borrowing requirement of about £140 million, with the 26 councils who provide social housing being actively involved in new council housing development. Collectively they plan to deliver about 13,000 homes by 2020/21. The cost of servicing additional HRA debt will be met from rental income.

51. The ongoing costs associated with debt reduces the amount councils have available for day-to-day service expenditure. It is therefore important that assets are effectively supporting service delivery and strategic priorities. Higher levels of debt often result in higher costs for councils but actual interest and repayment costs will depend on the type of debt councils hold and the period over which it has to be repaid.
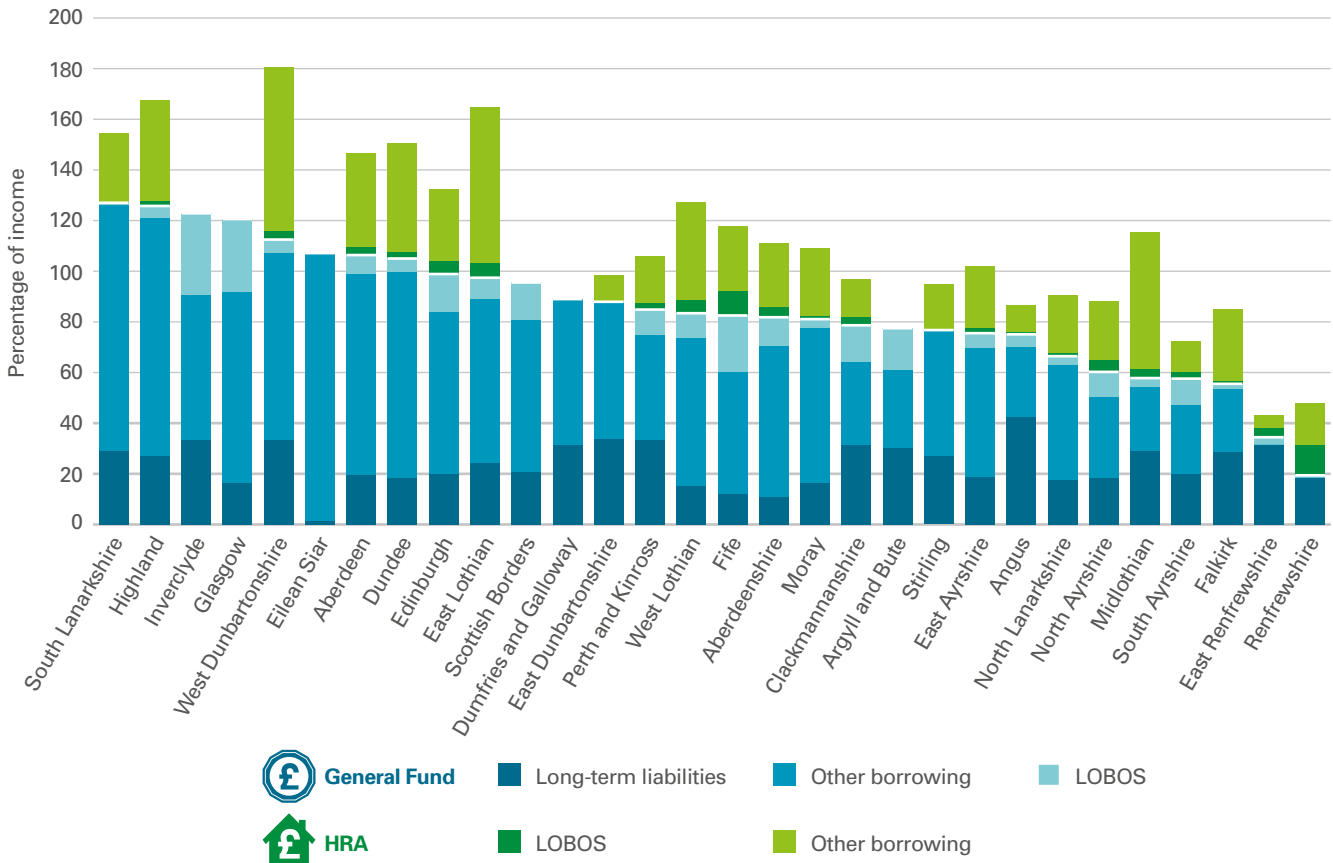
What are the levels of reserves held by your council's IJB? Are these in line with the IJB's reserve policy?

Exhibit 15
Council net external debt at 31 March 2017
Levels of debt held vary across councils as a proportion of income from general revenue grant, taxation and housing rents.

Legend:

£ General Fund
- Long-term liabilities
- Other borrowing
- LOBOS

£ HRA
- LOBOS
- Other borrowing

Note: Council debt has been allocated to General Fund and HRA in proportion to capital financing requirements.

Source: Annual accounts 2016/17

52. Despite debt increasing, the ongoing cost of servicing it, through the interest and repayment costs, reduced slightly in 2016/17. This in part reflects the lower interest rates available on new borrowing. It also reflects councils choosing to make lower voluntary debt repayments. On average, councils spent almost ten per cent of their income on interest and debt repayment (Exhibit 16, page 29).

53. Councils are required by regulation to consider the revenue impact of borrowing, ie its ongoing affordability. A large part of council debt has fixed interest rates which gives councils certainty about costs. However, this type of debt makes councils' assessment of longer term affordability more complex, requiring more detailed assumptions of future inflation and interest rates:

What share of your council's budget is taken up with interest payments and debt repayment?

- 'Lender option borrower option' loans (LOBOs) include options for the lender to increase interest rates. LOBOs account for about 11 per cent of council debt.

- PPP/PFI and indexed linked bonds include charges that increase with inflation. Projects financed using the Scottish Government's Non-Profit Distributing (NPD) programme (which replaced the previous long standing PPP/PFI programmes) also include an element of indexation but typically at lower levels. The value for money of newer NPD projects will be examined in detail in a joint report by the Auditor General and the Accounts Commission in 2019/20.
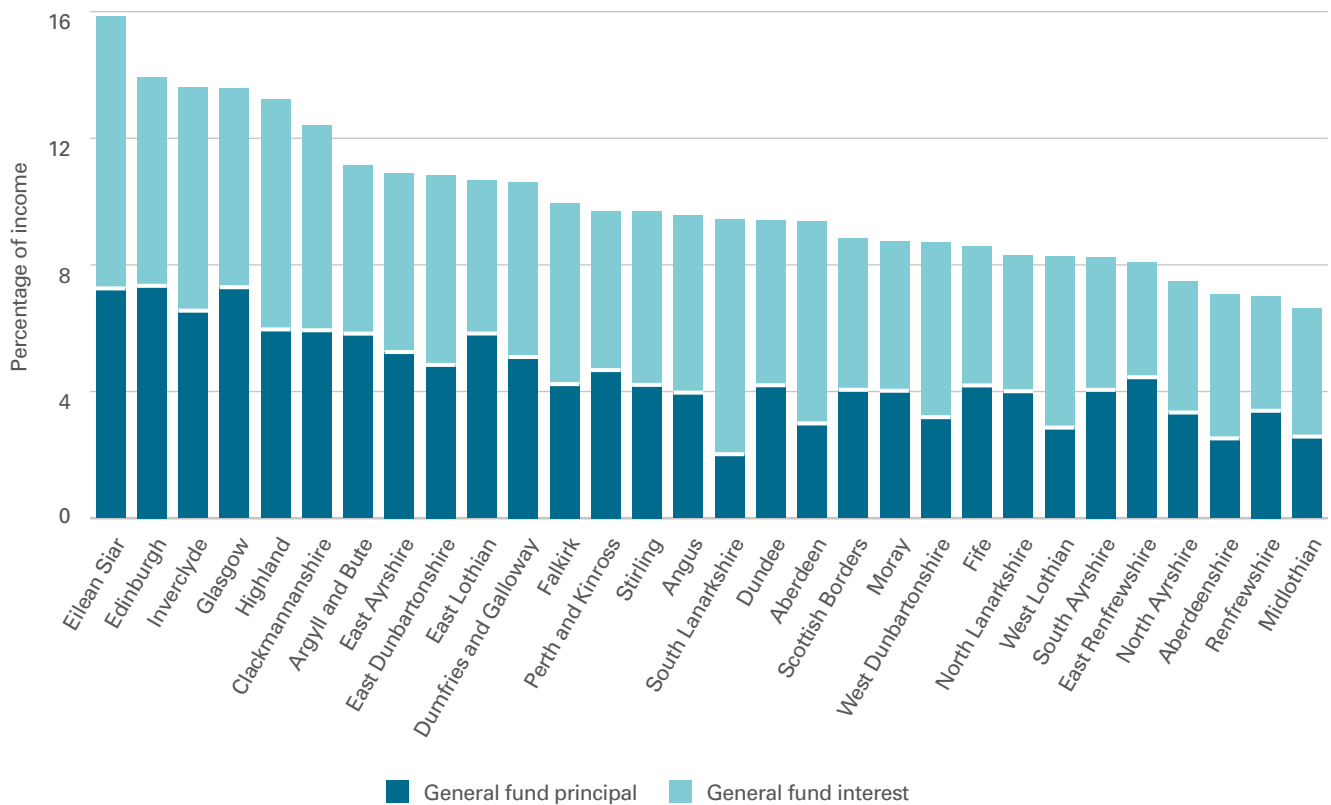
What proportion of your council's debt is linked to inflation (ie, subject to indexation)? What does that mean for longer term affordability?

Exhibit 16
Revenue cost of General Fund borrowing, 2016/17
Costs associated with debt vary across councils as a proportion of income from general revenue grants and taxation.

Source: Annual accounts 2016/17

54. Levels of debt and associated costs are set to rise in future. This is because councils have invested usable reserves in their capital programmes, something referred to as 'internal borrowing'. At the end of 2016/17 the amount of 'internal borrowing' was about £0.5 billion. Internal borrowing is usual treasury management practice for councils during periods when they would make a lower return from investing their usable reserves than it would cost them to borrow money. However, as councils increasingly rely on reserves to fund services they will need to replace internal borrowing with external borrowing, increasing their costs.

Councils continue to report significant slippage in delivering capital programmes

55. Councils spent £2.8 billion on capital projects in 2016/17, 84 per cent of their planned expenditure of £3.3 billion. Twenty-four out of 32 councils underspent against their capital budgets in both 2015/16 and 2016/17.

56. The reasons for slippage in delivering capital programmes are unclear. Management commentaries for the councils recording the largest slippage give reasons such as changes to project start dates, and one council identified weaknesses in the forward planning process. However, the consistent levels of capital slippage across the country suggest that councils are setting unrealistic budgets.

57. In our 2013 report *Major capital investments in councils* ⊕ we noted 'that for most major projects completed within the previous three years, councils' early estimates of the expected costs and timetable were inaccurate, and recommended that better information was made publicly available'.[7] Our follow-up report ⊕ in 2016 suggested councils had made limited progress on this recommendation.[8] Data for 2016/17 shows that councils still need to improve in this area.

Net pension liabilities increased for councils despite large increases in pension fund assets

58. Overall, net pension liabilities on council balance sheets were approximately £11.5 billion at the end of 2016/17, an increase of 51 per cent on the previous year. This increase was mainly due to a change in actuarial assumptions used to value future liabilities. It was a good year for Local Government Pension Scheme (LGPS) investments, which increased by almost 22 per cent.

59. Not all council pension liabilities are the responsibility of the LGPS fund. Where councils have awarded added-year pension benefits as part of severance arrangements, for both teachers and other staff, they have to meet the ongoing cost of pensions themselves. This also helps explain why the increase in council liabilities outstripped investment returns. These liabilities are not matched with any pension fund assets.

60. Public service pension scheme benefits have been reduced on a number of occasions to make the schemes more affordable. However, pension contributions have been a significant cost pressure for councils in recent years. The need for any increase in employer contributions will be determined through the results of the 2017 triennial funding valuation. The LGPS 2015 includes a cost-sharing mechanism that will limit any future increase for employers. A supplement on the Local Government Pension Scheme ⊕ is available on our website.

? **Has non delivery of the capital programme (ie, slippage) been significant at your council in recent years? Why?**

? **Do you know the implications of your council's pension liabilities of staff retiring early?**

Provisions and contingent liabilities can be difficult to quantify and should be kept under review

61. Where councils have a known obligation and they can quantify the cost, they are required to make a provision in their accounts. Councils held provisions of £132 million at the end of 2016/17 covering areas such as equal pay compensation claims, teachers' maternity pay, holiday pay, insurance claims and landfill site reinstatement.[9]

62. Councils are also required to disclose potential liabilities that are still contingent on future events or which cannot be quantified reliably. Fourteen councils are disclosing contingent liabilities for equal pay claims that they are defending. Other contingent liabilities identified by a number of councils include those relating to holiday pay claims and potential claims arising as a result of changes to the legislation around historic child abuse.

Councils that have been proactive in making difficult decisions will be better placed to deal with future financial pressures

63. Councils have had to make difficult decisions in recent years in the light of falling resources and increasing demand for services. Councils that have a track record of effective leadership, self-evaluation, robustly addressing the financial challenges, and are implementing effective medium to long-term strategies and plans, will be in a better place than those that have avoided difficult decisions or not applied sufficient pace to making changes. That is not to say that the challenges faced by councils have necessarily been uniform. Differences in the resources available to them, the demand for services and the costs councils face as a result of their size and remoteness can also impact on their financial position (Exhibit 17, page 32).

64. The effectiveness of council leadership will be tested further in the years ahead given the increasing demand for services and likely funding scenarios that the public sector faces. Decisions made as part of budget-setting for 2017/18 together with the financial outlook are considered in Part 1 (page 10).

Exhibit 17
Main determinants of a council's financial position
There are number of factors that affect a councils financial position.

Leadership

Management decisions

Policy decisions/ level of services

Financial position

Funding/ resources available

Scale and geographic costs

Demand for services

Pressures and constraints

Source: Audit Scotland

Part 3

Financial outlook

Key messages

1 The financial outlook for councils remains challenging with further real-terms reductions in funding and a range of cost and demand pressures on budgets.

2 In total councils approved £317 million of savings and the use of £105 million of reserves when setting budgets for 2017/18.

3 Some councils relying heavily on the use of reserves to fund services will need to take remedial action or they will run out of General Fund reserves within two to three years.

4 Robust medium-term financial strategies and savings plans are increasingly critical to the financial sustainability of councils.

5 Strong leadership is increasingly important and it is essential that councillors work effectively with officers, their partners and other stakeholders to identify and deliver necessary savings. It is important that councils engage with local communities when planning and delivering services and identifying savings.

Council funding continues to fall as cost pressures increase

Scottish Government funding fell again in real terms for 2017/18
65. Councils received a further real-terms reduction of 2.3 per cent in their funding from the Scottish Government for 2017/18, reflecting the overall trend and direction of travel (Exhibit 18, page 34).

66. Councils' funding continues to include money targeted at delivering national policy commitments that restricts the overall flexibility in their budget setting. In 2017/18, this included £120 million provided for the school attainment fund and £88 million for maintaining pupil teacher ratios and for the teachers' induction scheme.

the financial outlook for councils remains challenging

How is your council preparing for any further real terms reduction in Scottish Government funding?

Exhibit 18
Scottish Government revenue funding to councils
Local government funding fell in real terms in 2017/18 compared to 2016/17.

	2017-18 £000	Change on 2016-17 %
Cash terms		
NDR	2,666	-3.7 ▼
Revenue Grant	6,974	0.5
Total revenue funding	**9,639**	**-0.7** ▼
Additional resource via IJBs	357	
	9,996	**0.4** ▼
Real terms – 2016/17 prices		
NDR	2,623	-5.3 ▼
Revenue Grant	6,862	-1.1 ▼
Total revenue funding	**9,485**	**-2.3** ▼
Additional resource via IJBs	351	
	9,836	**-1.2** ▼

Source: Scottish Government Finance Circular 1/2017

Reductions in Scottish Government funding were only partly offset by the end of the council tax freeze

67. The council tax freeze ended in 2017/18. Twenty-four councils chose to increase council tax, with 21 approving the maximum three per cent permitted. Fourteen councils chose to remove the ten per cent discount on second homes, another option for increasing revenue. For some councils, additional income from second homes is not significant.

68. shows the additional income councils are due from council tax in 2017/18. Additional income arising from council tax reforms to banding multipliers are also shown, but councils do not benefit from these increases as the Scottish Government funding mechanism has been adjusted accordingly.
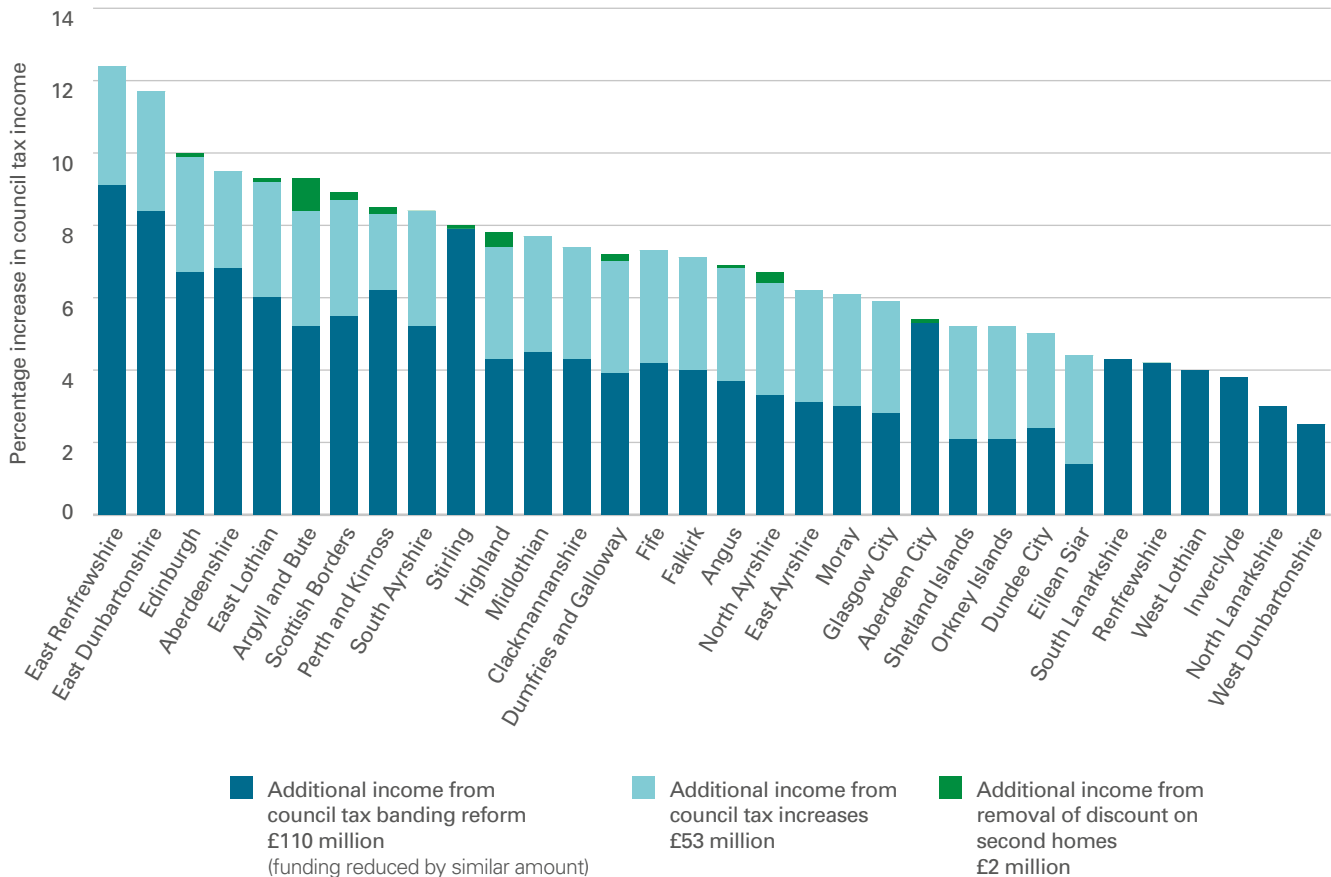
?

If your council plans to raise council tax, do you know how much it will raise? How will you communicate and explain the reasons for the rise to constituents?

Exhibit 19

Increase in council tax by council, 2017/18

Council tax in 2017/18 has risen as a result of reforms and the end of the council tax freeze.

Additional income from council tax banding reform £110 million (funding reduced by similar amount)

Additional income from council tax increases £53 million

Additional income from removal of discount on second homes £2 million

Note: Council tax due before any discounts are applied.

Source: Council tax banding information and SPICe

Delivering savings is critical for councils' financial sustainability

Councils approved savings of £317 million and the use of £105 million of reserves when setting budgets for 2017/18

69. When setting budgets for 2017/18, councils had to take into account a number of new cost pressures, including:

- the introduction of the apprenticeship levy of 0.5 per cent of pay bills above £3 million

- the requirement to meet the first full year effect of the living wage

- meeting HMRC guidelines on paying the national minimum wage for care workers when sleeping over

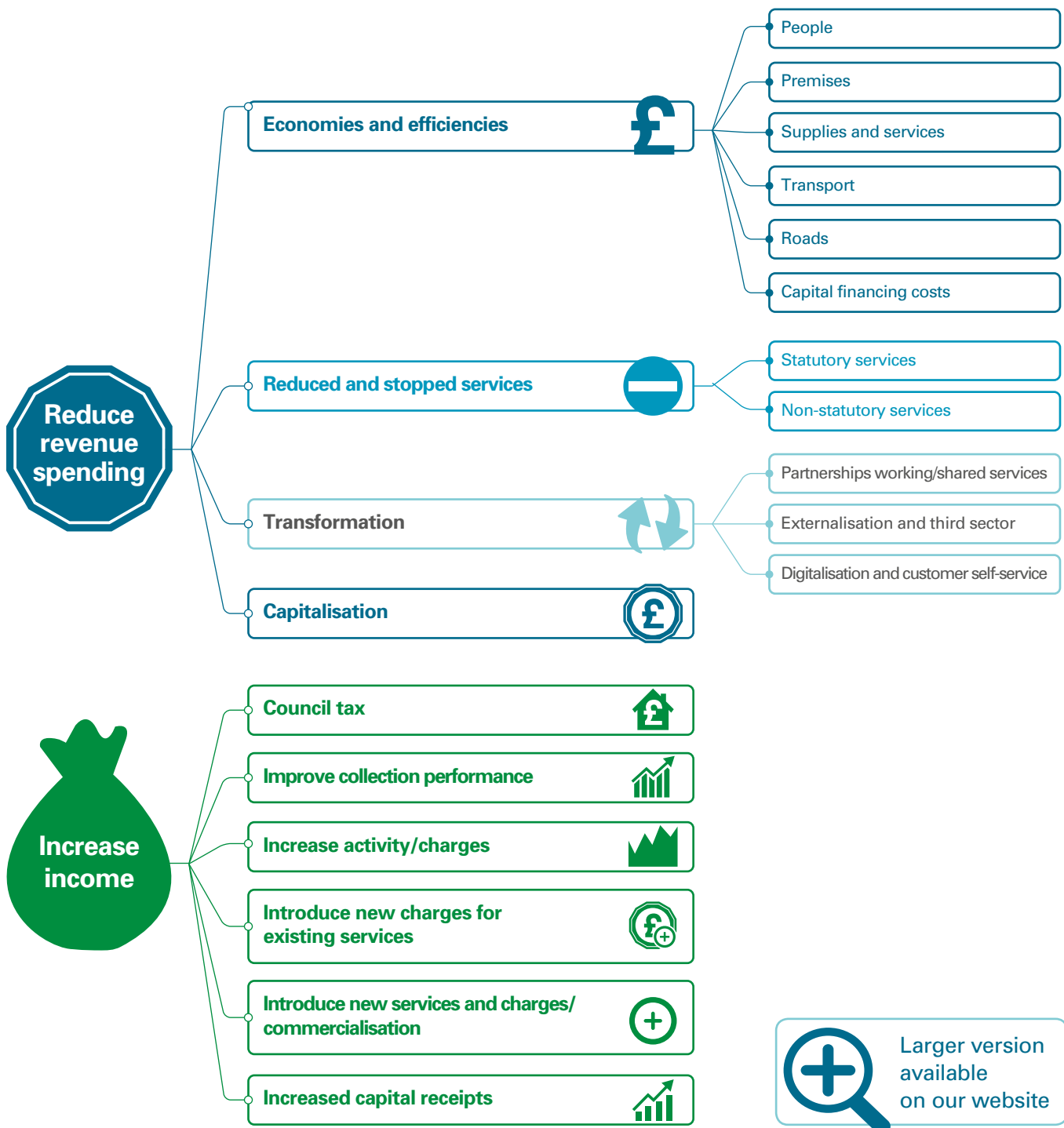- non-domestic rates (NDR) revaluation.

70. In balancing funding reductions and cost pressures, councils' 2017/18 budgets included approved savings of £317 million and the use of £105 million of General Fund reserves. Common measures taken by councils to close their funding gaps in 2017/18 are set out in Exhibit 20. Not all initiatives to reduce expenditure are savings, some simply deferred expenditure by moving it from revenue to capital.

Does your council have a savings plan? What are the options to close future funding gaps?

Exhibit 20
Measures taken by councils to close their funding gaps in 2017/18

Reduce revenue spending

Economies and efficiencies £
- People
- Premises
- Supplies and services
- Transport
- Roads
- Capital financing costs

Reduced and stopped services
- Statutory services
- Non-statutory services

Transformation
- Partnerships working/shared services
- Externalisation and third sector
- Digitalisation and customer self-service

Capitalisation £

Increase income
- **Council tax**
- **Improve collection performance**
- **Increase activity/charges**
- **Introduce new charges for existing services**
- **Introduce new services and charges/ commercialisation**
- **Increased capital receipts**

Larger version available on our website

Source: Audit Scotland, analysis of budget setting reports 2017/18

Some councils will need to take remedial action or they will run out of General Fund reserves within two to three years

71. Some councils' plans for 2017/18 have relied more heavily than others on using reserves to bridge funding gaps. A number of these councils could have relatively low levels of General Fund reserves remaining at the end of the year (Exhibit 21).

What is the likely use of reserves for 2017/18? How does this compare to forecast funding gaps?

Exhibit 21
Budgeted use and remaining levels of General Fund reserves, 2017/18
Two-thirds of councils budgeted to use reserves in 2017/18.

■ Budgeted use of General Fund reserves 2017/18   ■ Forecast General Fund reserve 31 March 2018
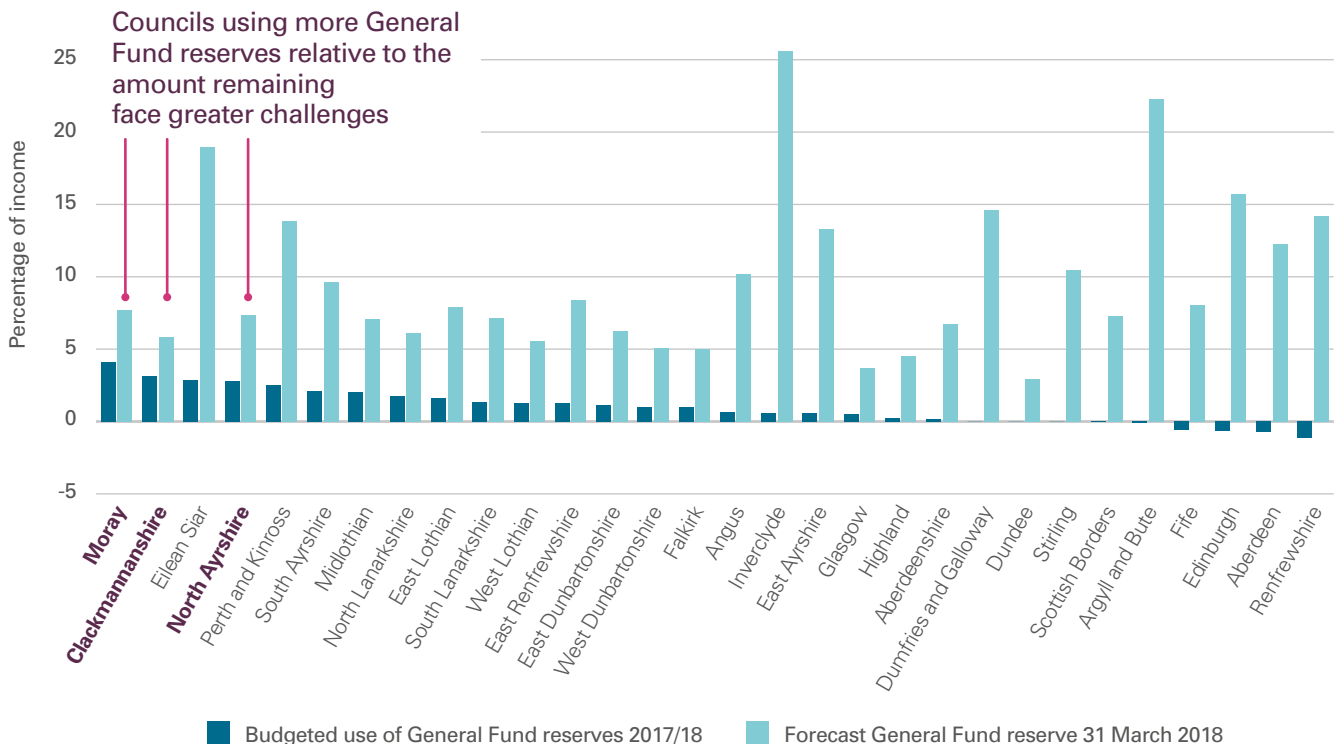
Source: Annual accounts and auditor funding gap returns 2017

72. Councils using reserves to support services in 2017/18 will be faced with having to identify larger savings in 2018/19 or again using reserves. However, using General Fund reserves at the current rate is not an option for some councils – Clackmannanshire, Moray and North Ayrshire councils would run out of General Fund reserves within two to three years if they continued to use them at the level planned for 2017/18.

73. Forecasts made by councils when setting their budgets for 2017/18 indicated the overall local government funding gap would increase to about £350 million in 2018/19 and to about £650 million in 2019/20.[10]

74. Since setting 2017/18 budgets, councils will have changed their plans for the current year and updated their forecast funding gaps for 2018/19 and beyond. A number of factors have created further potential pressures and uncertainties, for example:

- ongoing demand pressures from people living longer and population growth

- ongoing cost pressures from general inflation

What is your council's financial position? What particular challenges does it face?

- increased staffing costs from staff moving up pay scales, proposals to end the public sector pay cap and potential increases in employers' pension contributions following the LGPS triennial funding valuation

- income and rent collection potentially becoming more difficult and costly as a result of increased charges and the continued roll-out of Universal Credit

- interest rate rises

- the potential impact from changes to NDR (as outlined in Exhibit 22)

- potential impacts from the process of withdrawal from the European Union.

Exhibit 22
Barclay review of non-domestic rates (NDR) 2017
The Barclay review recommended removing NDR relief for councils' ALEOs.

Councils collect NDR and pay this into a central pool, which is redistributed back to councils by the Scottish Government.

The Government established the Barclay review group in 2016 to make recommendations that would 'enhance and reform' NDR in Scotland. The review aimed to:

- better support business growth and long-term investment
- reflect changing marketplaces
- retain the same level of income (recommendations would be 'revenue neutral').

The review concluded that some form of NDR was still appropriate. The recommendations in the report focused on measures to support economic growth, improve how the system is administered and increase fairness in the system.

In seeking increased fairness, the review recommended that councils' NDR relief for ALEOs should be removed. The review recommended that legislation be changed to remove relief for ALEOs and, in the interim, that the Scottish Government should adjust its funding to recoup an estimated £45 million of ALEO funding from councils. The review recommended this is applied from April 2018.

The Scottish Government has accepted many of the points of the Barclay review, but the recommendation around ALEOs is still being considered. The Accounts Commission will examine ALEOs in more detail in a report to be published in May 2018.
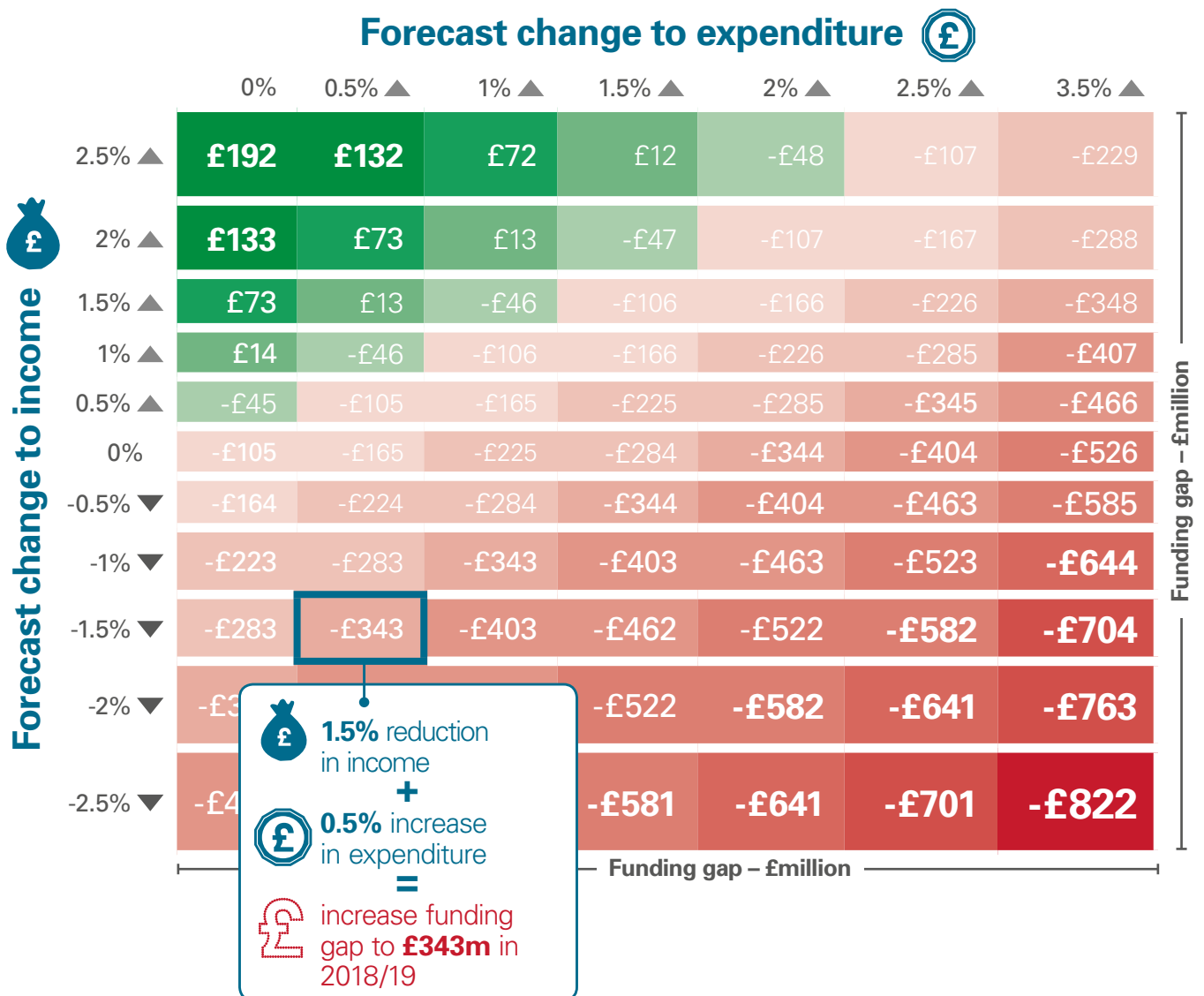
Source: Report of the Barclay Review of Non-Domestic Rates, August 2017

75. Uncertainty means that councils need to prepare for a range of possible scenarios both in terms of costs and funding and different savings options available to them. For example, if councils were to apply a further three per cent increase in council tax in 2018/19 this would raise about £68 million in additional income. In contrast, applying a one per cent increase to staff salaries would cost about £70 million. Even a small proportional increase above this as a result of lifting the public sector pay cap would have further significant costs. Exhibit 23 shows the overall impact of various income and expenditure scenarios on the size of the total funding gap across councils for 2018/19.

Exhibit 23
Council funding gaps scenarios, 2018/19
In the absence of further savings, councils would use around £343 million in 2018/19 if expenditure were to increase by 0.5 per cent and income decrease by 1.5 per cent.

Forecast change to expenditure £

Forecast change to income	0%	0.5% ▲	1% ▲	1.5% ▲	2% ▲	2.5% ▲	3.5% ▲
2.5% ▲	£192	£132	£72	£12	-£48	-£107	-£229
2% ▲	£133	£73	£13	-£47	-£107	-£167	-£288
1.5% ▲	£73	£13	-£46	-£106	-£166	-£226	-£348
1% ▲	£14	-£46	-£106	-£166	-£226	-£285	-£407
0.5% ▲	-£45	-£105	-£165	-£225	-£285	-£345	-£466
0%	-£105	-£165	-£225	-£284	-£344	-£404	-£526
-0.5% ▼	-£164	-£224	-£284	-£344	-£404	-£463	-£585
-1% ▼	-£223	-£283	-£343	-£403	-£463	-£523	-£644
-1.5% ▼	-£283	-£343	-£403	-£462	-£522	-£582	-£704
-2% ▼	-£3..			-£522	-£582	-£641	-£763
-2.5% ▼	-£4..			-£581	-£641	-£701	-£822

1.5% reduction in income **+** **0.5%** increase in expenditure **=** increase funding gap to **£343m** in 2018/19

Funding gap – £million

Source: Audit Scotland funding gap returns

Savings plans should be scrutinised and the impact assessed

76. CIPFA's report on building financial resilience and managing financial stress in local authorities highlighted the importance of planning for savings over at least a three-year period, and the need for robust challenging of plans as part of the scrutiny process.[11] In previous reports, the Accounts Commission has highlighted the need for councils to adopt this practice.

77. Regular updates on forecasts of funding gaps as savings are approved enable councillors to better understand the impact of the savings decisions they are making. However, currently only about half of councils routinely update their three-year financial forecasts as part of their annual budget-setting process.

78. To achieve effective financial management, long-term planning is essential. It is important that councils continue to consider likely funding scenarios and what this means for council services in the longer term as well as the medium term. For councils with lower levels of reserves, financial plans need to be increasingly detailed and robust. This will mean more work for officers and members in clearly identifying savings and assuring themselves that they have the capacity to deliver their intended plans.

79. It is important that savings plans are clear and that the impact on services is understood. Savings should be realistic and achievable. Where funding reductions are passed on to other bodies, such as ALEOs and IJBs, by reducing council contributions to them, it is equally important to assess the impact on service users and communities. Risks associated with income generation initiatives or arising from cuts to services should be explicit and considered by councillors as part of their scrutiny role.

80. Medium-term financial strategies should ensure that both revenue and capital budgets are aligned with corporate plans and that the revenue impact of capital expenditure is understood. Savings from service redesign and other initiatives need to be monitored effectively to ensure that plans and strategies continue to be relevant and accurate.

Longer-term affordability of capital programmes should be kept under review

81. Council capital programmes for 2017/18 are broadly in line with those for 2016/17, with General Fund budgets at about £2.6 billion and HRA budgets at about £800 million.

82. Councils are required to consider the affordability of their capital programmes and any new borrowing before approving them each year. Assessments will include consideration of:

- existing debt levels and servicing costs and how these may increase

- capital reserves available

- impact on running costs, eg reduced overall running costs arising from invest to save initiatives

- additional income streams that can be used to service borrowing

Does your council have a medium term financial strategy aligned with corporate objectives?

How does annual budget setting link to medium term financial planning?

What impact will savings have on the delivery of services? What are the potential risks?

How clearly does the council's capital programme link with the asset management plan and corporate objectives?

- additional funding available, eg Scottish Government funding for NPD projects, additional capital grants in respect of the City Deals (a recent initiative backed by UK and Scottish governments).

83. As revenue resources reduce, and the cost of some debt increases, it is becoming increasingly important for councils to keep the longer-term affordability of their borrowing under review. The need for robust business cases setting out how new capital expenditure will support corporate objectives is key. Capital finance and treasury management are areas covered by regulation and where councils also take professional advice. A key treasury management issue facing councils is the risk around interest rate rises, which makes decisions about the timing of borrowing important. If councils borrow in advance of their need they will incur additional interest costs in the short term. However, if the interest rates go up before councils borrow then they will be faced with paying higher interest rates for the term of any new borrowing. Recently a number of councils have been turning to short-term borrowing to keep their interest costs down but this strategy is not without risk and it is important that councils are clear about these in their plans and reports.

Effective leadership is increasingly important in maintaining financial sustainability

84. The Accounts Commission recognises that the financial challenges facing councils will inevitably mean councillors need to make difficult choices and take decisions that may not sit neatly with the manifestos they were elected on in May 2017. This requires effective political leadership and effective communications. It is essential that councillors work effectively with officers, council partners and other stakeholders to identify and deliver necessary savings. It is important that councils engage with local communities when planning and delivering services and identifying savings. We published a report *Roles and working relationships in councils – Are you still getting it right?* ⬇ (November 2016) to support councillors in their difficult and challenging role.

Addressing the underlying demand for services through transformation is key to longer-term sustainability

85. Given the scale of the challenge facing councils, we are of the view that the sustainability of some services will be increasingly dependent on the ability of councils and their partners to address the underlying demand for them. With health and social care integration, for example, much depends on the extent to which resources can be switched from treatment to prevention. Council transformation programmes need to identify and deliver changes of this nature over the longer term. It is important that councils give careful consideration to their capacity to support such change when making savings as part of budget setting.

86. The extent to which council transformation plans are delivering real changes to the way services are being delivered will be explored further in the second of our local government overview reports planned for publication in April 2018.

What additional training would you like to receive to develop your knowledge and skills in financial scrutiny?

What measures in the council's corporate and transformational plans are aimed at addressing the underlying demand for services?

Endnotes

◀ 1 We published the first of three planned audits on health and social care integration in 2015: *Health and social care integration* ⬇, December 2015. Our next national audit in this area will be carried out in 2018/19. Annual audit plans and reports for each IJB are also published on **Audit Scotland's website** 🖳.

◀ 2 This excludes income received from arm's-length external organisation (ALEOs) providing services such as leisure services on behalf of the council.

◀ 3 *Fiscal issues facing Local Government in Scotland*, Fraser of Allander Institute, March 2017.

◀ 4 East Lothian Council, Highland Council (Inverness Jobcentre only), East Dunbartonshire, Midlothian Council and Inverclyde Council (no council stock – therefore no arrears).

◀ 5 ALEOs are separate bodies councils create to deliver services that they previously delivered in house.

◀ 6 *Building financial resilience: managing financial stress in local authorities*, CIPFA, June 2017.

◀ 7 *Major capital investment in councils* ⬇, Accounts Commission, March 2013.

◀ 8 *Major capital investment in councils: follow-up* ⬇, Accounts Commission, January 2016.

◀ 9 For more detail on councils' implementation of equal pay, see the Accounts Commission's *Equal pay in Scottish councils* ⬇ report.

◀ 10 This forecast is based on the average of available forecasts.

◀ 11 *Building financial resilience: managing financial stress in local authorities*, CIPFA, June 2017.

Local government in Scotland
Financial overview
2016/17

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Agenda Item	13
Report No	HC/48/17

HIGHLAND COUNCIL

Date: 14.12.17

Report Title: **Redesign of Highland Council Progress Report**

Report By: The Chief Executive

1. Purpose/Executive Summary

1.1 This report provides Members with an up-date of the Board's activities since the Council meeting in October 2017. Two Board workshops have been held since then and another is planned for later in December, along with a formal Board meeting. The Board has focused on its programme of reviews and staff engagement. No Council decisions are required on redesign at this time.

Recommendations

2.
2.1 Members are asked to note:
   i. the Board's growing programme of reviews, with five peer reviews underway, a new peer review to be undertaken and new areas for Lean reviews. Recommendations from current peer reviews will be made by early 2018 and in time to feed into the budget process.

   ii. that Board workshops are open to all Members to attend and that Members can propose areas for review to the Board.

   iii. the positive engagement with staff in the 16 local briefings carried out between October and December. Nine Board members including trade union representatives and two further members participated. Over 500 staff took part in the briefings and generated nearly 200 ideas and issues to explore. These are being considered in the relevant budget theme groups as well as the Redesign Board. Feedback to staff is being arranged.

   iv. The Board has begun to develop its communication plan and this will continue over the next few months.

3.   Introduction

3.1   In the two workshops since the last report to Council, the Redesign Board has focused on progressing its programme of peer reviews, learned about progress with two former reviews and a current Lean review, supported face to face briefings with staff across the region and begun work on its communications plan. Recent Board activities are described more fully below and can be tracked on the website. No redesign decisions are sought from Council at this time.

4.   Programme of reviews

4.1   Being more open-minded to new ways of delivering services is a fundamental part of redesign. This is supported by a programme of reviews. In the two workshops held in November and December the Board:

1. Has been briefed on the progress being made with implementing the waste review and review into additional support needs (ASN) in schools. These concluded earlier this year. Progress with business case development on waste is due to be reported to the EDI Committee early in 2018.
2. Has considered up-dates from the five peer reviews and a potential energy project as noted below;
3. Has agreed to commission a new peer review for in-house and out-sourced trade services, with a review team to be appointed;
4. Has provided views on the in-service review of school lets; and
5. Has heard how a Lean review of the resource allocation process for ASN is progressing.

4.2   1. Music tuition: This review has progressed the furthest. It has engaged widely with a range of stakeholders, including instructors, principal teachers of music, primary head teachers, groups of pupils and parents. It has also benefitted from a forensic approach to understanding the income and expenditure involved in this service. Board members have considered the emerging proposals and have acknowledged the broader social and educational value of music tuition for those involved. Areas for improvement have been identified and options for redesigned service delivery have been identified and are being appraised. The Board will consider its recommendations in a formal board meeting later this month. The Board's recommendations will them be made to a relevant committee or Council and feed into the Council's budget process.

2. Commissioned preventative services for children: having identified 20+ providers and the costs involved the review team is working to align the services provided with the priorities for children's services, including preventing children moving into residential care where possible. Given the complexity of current arrangements the Board has agreed extra time for this review with emerging proposals to be discussed with the Board in January 2018. Recommendations on redesigned service delivery would be considered soon afterwards in a formal board meeting and in time to feed into the Council's budget process.

3. Grey fleet: the review team is analysing data on car use and costs and has surveyed staff for views. Emerging proposals for redesign will be discussed in a workshop later this month with recommendations to be agreed in January 2018 in a formal board meeting and in time to feed into the budget process.

4. Car parking: the Board agreed the scope of this review in November. Work is underway and emerging proposals are expected for January 2018, with recommendations to be considered soon afterwards in a formal board meeting and in time to feed into the budget process.

5. <u>Procured legal services:</u> the Board agreed the scope of this review in November. Work is underway and emerging proposals are expected for January 2018, with recommendations to be considered soon afterwards in a formal board meeting and in time to feed into the budget process.

6. <u>Potential energy project:</u> options for the Council around energy generation and supply have been explored by the Board since June as a way of reducing energy costs and generating income. Possibilities are still being clarified and later this month the Board will consider if there is a robust business case to invest in a self-funding model in solar PV energy generation from the Council's estate. The Board's recommendations would then be passed to an appropriate Committee or Council early in 2018.

7. <u>New peer review into in-house and out-sourced trade services:</u> The need for this review was identified by staff in the recent round of staff briefings. A team will be appointed and Members have been identified. The scope of the review will be considered by the Board in January with recommendations expected late March/April 2018.

4.3 Several Lean reviews are in progress and the Efficiency budget group is prioritising which reviews to undertake next. Results of reviews are show cased to the Board. Ideas for five new areas for Lean reviews were identified by staff in the recent round of staff briefings.

5. Communications

5.1 <u>Staff communications</u>
Following staff briefings for managers, covering the Council's approach to financial planning, workforce planning and redesign (plus Lean reviews), 16 briefings were rolled out to staff across 14 locations[1]. The briefings involved a presentation by senior staff. Nine Board Members including both trade union representatives plus two further members also took part and shared their views. The briefings were designed to encourage staff ideas for budget savings and new areas for redesign.

5.2 Over 500 staff attended. There was good turnout particularly from manual workers. The smaller sessions were most discursive and overall nearly 200 ideas and issues were raised. These are being collated and passed to the relevant budget theme group and Redesign Board. The new ideas for a peer review of trade services has already been agreed by the Board and five new Lean reviews suggested will be programmed. New ideas for income generation and commercial activity were raised and a theme of reducing spend on suppliers emerged. All ideas will be considered and we will feed back to staff on what is happening as a result of their involvement.

5.3 <u>Communications Plan</u>
A communications plan was drafted and the first discussion with the Board has taken place. This has identified the aims of the plan, different stakeholders to communicate with and what redesign is likely to mean for them. Further discussions are planned in workshops to consider how best to communicate with each stakeholder group, including the general public and other public bodies operating in Highland. This will include considering the feedback from the Citizens' Panel on redesign issues.

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[1] Local briefings were held in Fort William, Broadford, Dingwall, Ullapool, Nairn, Inverness HQ and 2 depots, Wick, Thurso, Lairg, Kingussie, Golspie and Portree. Venues included offices, deport, village halls and a community centre.

6.   Future actions planned

6.1   The Board will continue to support and challenge peer reviews, learn about the improvements arising from Lean reviews and consider in-service reviews. In keeping with the Board's work plan, new work to progress includes the support for more community-run services (linked to developing localism) and supporting further organisational change.

7.   Implications

7.1   There are no new implications arising from this progress report. When recommendations from the Board are made implications will be identified and reported.

Date: 5.12.17

Author: Carron McDiarmid, Head of Policy and Reform Tel (01463) 702852

Agenda Item	14
Report No	HC/50/17

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 14 December 2017

Report Title: **Corporate Plan 2017-22**

Report By: The Chief Executive

1.   Purpose/Executive Summary

1.1   This report accompanies the Council's draft Corporate Plan for 2017-22 for Members' consideration. The Corporate Plan provides the measures and actions required to deliver and monitor the Council's Programme, Local Voices; Highland Choices.

2.   Recommendations

2.1   Members are asked to:

  I.   Approve the Corporate Plan for 2017-22;
  II.   Note that the Plan will support the delivery of the Highland Outcome Improvement Plan;
  III. Note that the Corporate Plan will be the subject of an Annual Performance Report in September each year.
  IV.   Note that the Plan is normally reviewed following the Annual Performance Report to Council and any changes will be submitted to Council for approval.

3.   Introduction
3.1   The Corporate Plan (CP) provides the Corporate Performance Framework under which the priorities in the Council's five year programme 'Local Voices; Highland Choices' approved by the Council in 26 October 2017 will be delivered and monitored.

3.2   The CP also supports the delivery of the Highland Outcome Improvement Plan and many priorities reflect the need to work in partnership with public agencies to achieve the best outcomes for the Highlands.

3.3   The CP is attached as appendix 1 of this report. It re-states the themes and priorities of the Programme and describes for each priority the performance indicators or high level actions required to deliver the Programme.

3.4   An Annual Performance Report for the programme will be submitted to Council for consideration in September each year. The report will support achieving the Council's statutory duties under Public Performance Reporting (PPR) to demonstrate Council performance in an accurate and transparent way to the public. Other report to Council including those on statutory performance indicators and the results from the survey of the Citizens' Panel on its views of Council services and the quality of life in the Highlands also form part of the Councils' overall approach to PPR.

1.5   Following the Annual Performance Report the priorities and performance framework will also be reviewed to take account of progress made and of any new requirements for the Council given local circumstances or changes in national policy.

2.   Implications
2.1   There are no new resource, legal, community, climate change/carbon clever, risk or Gaelic implications arising from the production of the Corporate Plan. These implications were considered when the programme was agreed.

Author: Evelyn Johnston, Corporate Audit & Performance Manager,
              Tel (01463) 702671

Date: 04.12.17

Appendices
   1. Corporate Plan 2017-22

The Highland Council
Comhairle na Gàidhealtachd

Corporate Plan
Plana Corporra

2017 – 2022

Contents
Clàr-innse

Introduction

Ro-ràdh

This corporate plan details the measures and actions needed to deliver and report the performance of our new council programme 'Local Voices Highland Choices' which represents a new approach to delivering a programme for the Highlands. The programme sets out our high level goals and priorities but also provides the opportunity for all councillors, local committees and communities to translate these into reality at a local level. For the first time, enabling real choices to be made about the way in which council resources are allocated on an area by area basis. The corporate plan provides councillors, local committees and communities the evidence that we are delivering on the priorities set out in our programme 'Local Voices Highland Choices'

In developing our programme we also set strategic goals that underpin the programme and are also reflected in this corporate plan. These are:

- Put our communities at the heart of the design and delivery of services at a local level.
- Work collaboratively to drive economic growth and ensure our infrastructure meets the needs of expanding businesses and population.
- Support children to learn and thrive by delivering a whole system approach to education and integrated children's services.
- Protect the vulnerable in our communities, promote fairness and welcome diversity.
- Be innovative and imaginative in our approach to budget constraints.
- Make Highland a stronger and more resilient region.

We are only just embarking on our journey to embed local decision making at the heart of what the council does, and so this will be an evolving process. But we will be led by the guiding principle that to be an effective council, we need to be a listening council and the planning and delivery of services across Highland must be done in a collaborative and inclusive way. Local plans will be developed to ensure there is focus on local priorities, ones that also reflect the strategic direction set out in the programme.

Margaret Davidson
Independent Group Leader

Alasdair Christie
Liberal Democrat Group Leader

Jimmy Gray
Labour Group Leader

Theme 1: A place to live
Cuspair 1: Àite airson fuireach

The council's first priority is to the people of the Highlands: the people who live and work here, those who grow up here, have settled here and grow old here. We want to make the Highlands an even better place to live. For that to happen we need attractive and sustainable communities. Working with others we need to attract more people to make the Highlands their home and encourage our younger residents to stay here.

The Highlands has a unique culture and heritage, it has some of the cleanest air, purest water and most renowned unspoiled natural environments in the world and we must ensure these precious commodities are protected and enhanced for future generations.

Key priorities

1.1   Provide homes across the Highlands that are responsive to local needs so that both young and old have a secure roof over their head. We need to provide affordable homes for younger generations and families; housing in areas where attracting professionals is a challenge; accommodation for the homeless; and homes where the elderly and vulnerable can be supported to live independently.
Actions & Measures:
   - With our partners we will build on average 500 new affordable homes per year over the next 5 years 2017-22;
   - Agree annually local housing development priorities with Area Committees for inclusion in the Strategic Housing Investment Plan.

1.2   Encourage more engaged, better informed, more resilient, sustainable and attractive communities by helping and strengthening tenant and community representation structures.
Actions & Measures:
   - % of tenants satisfied with the opportunities to participate in decision-making processes (annually);
   - % of tenants who are satisfied with the management of the neighbourhood they live in (annually);
   - Through Area Committees explore with Community Councils how to develop their role and sustainability by August 2018 and ongoing (reference also 5.1 below);
   - Develop the Ward Management function to support localism during 2018;

- Participate in the Local Governance Review launched by the Scottish Government and COSLA during 2018.

1.3 Identify and recognise the unique challenges of living in rural and remote areas of the Highlands and ensure council policies and the provision of services have local people in mind. Work with the Scottish Government and other public authorities to do the same.
Actions & Measures:
- Review the evidence base on rural poverty and inequality to reframe the key messages needed at local and national levels by April 2018;
- Promote use of rural impact assessments to ensure remote and rural needs are recognised in local and national policy by June 2018 and ongoing;
- Lobby for equal status for rural proofing in light of the Scottish Government's adoption of island proofing by June 2018 and ongoing;
- Ensure rural poverty and inequality is reflected in the work of the Community Planning Partnership (CPP) through the delivery of the Highland Outcome Improvement Plan (HOIP) and locality plans by October 2018 and ongoing.

1.4 Encourage and assist the regeneration of our town centres and high streets across the Highlands.
Actions & Measures:
- Identify and secure funding to support the regeneration of buildings, streets and sites over the period 2017-22;
- Number of regeneration projects moved forward (annually);
- Increase the number of people living in town and city centres;
- Monitor and report on implementation of Town and City Centre Development Briefs annually;
- Number of residential dwellings in town and city centres identified in local development plans and subsequently completed.

1.5 Work with communities and partners to mitigate against and adapt to climate change while raising awareness around sustaining and improving our natural, built and cultural environment.
Actions & Measures:
- Develop a new Carbon Management Plan in collaboration with partners to revise corporate emission reduction targets by December 2018;

- Draft a revised Highland Adaptation Strategy in collaboration with partners and communities to manage regional climate change risks by December 2018;
- With service partners report progress on delivery of the council's biodiversity duty January 2018 and ongoing;
- Environmental Advice & Consultancy Team (EACT) to formulate and review planning policy and guidance for the protection of the natural built and cultural heritage by December 2018 and ongoing;
- EACT team to grow internal and external advice and consultancy service by December 2018 and ongoing.

1.6   Continue to promote and support the Gaelic language and culture through the Gaelic Language Plan.
Actions & Measures:
- Monitor the Gaelic Language Plan through the Corporate Resources Committee and report progress to council annually.

Theme 2: A place to learn
Cuspair 2: Àite airson ionnsachadh

Schools are at the centre of the lives of our citizens and local communities and the democratic control of schools is at the heart of local government. We will continue to fight to ensure it remains so.

We are committed to ensuring all children and young people reach their full potential. This includes our determination to close the attainment gap for those from more disadvantaged communities and meeting the needs of all children and young people including those with additional support needs.

Everyone should be given the opportunity to develop their knowledge, skills and experience, regardless of age or background.

Key priorities

2.1   Strive to achieve the highest standards in all our schools, and reduce the attainment gap, so every young person has the opportunity and skills to succeed by supporting an accessible and broad curriculum for all.
Actions & Measures:
There are new national measures for attainment and closing the gap proposed. The consultation on these closed at the end of November 2017 and final results are awaited. Agreed measures are expected to be

in place for 2017/18 reporting, however some may not be available until 2018/19. Historic trends and targets will be reported for any measure adopted currently in use and relevant benchmark statutory performance indicators (SPI) will also be used. As the review of Education Governance progresses our ability to influence performance and improvement may be limited or removed, this also applies to priority 2.5 and 2.6 below.
Planned measures:

- Primary school literacy levels (P1, P4, P7 combined) are above the national average;
- Secondary school literacy levels (S3) are above the national average;
- Primary school numeracy levels (P1, P4, P7 combined) are above the national average;
- Secondary school numeracy levels (S3) are above the national average;
- Monitor levels of literacy and numeracy across schools in the 20% most deprived areas prior to establishing a benchmark across the Northern Alliance by June 2019;
- % leavers achieving 5 or more awards at Scottish Credit & Qualifications Framework (SCQF) level 5 (all leavers/most deprived areas SPIs) are better than the national average;
- % of school leavers achieving 5 or more awards at SCQF level 6 (all leavers/most deprived areas SPIs) are better than the national average;
- % of 16-19 year olds participating in education, training and employment is above the national average;
- Monitor and plan to reduce exclusion rates across the most deprived 20% of primary schools against the Highland and national averages;
- Monitor and plan to reduce exclusion rates across the most deprived 20% of secondary schools against the Highland and national averages;
- Monitor and improve attendance rates across the most deprived 20% of primary schools against the Highland and national averages;
- Monitor and improve attendance rates across the most deprived 20% of secondary schools against the Highland and national averages;
- The exclusion rate for Looked After Children will decrease.

2.2 Grow and retain our own skilled workforce in the Highlands; making it an exceptional place to come and study, and to remain to work.
Actions & Measures:

- Through an ambitious modern apprenticeship programme create capacity for 150 modern apprenticeships by September 2019;
- Develop processes for staff transition and retraining which support council redesign and a flexible workforce by April 2019.

2.3 Provide services that support all our children to have the best start in life.
Actions & Measures:
- Every district in Highland is able to deliver a core suite of parenting interventions by May 2018 and maintain;
- % of children reaching their developmental milestones at their 27–30 month health review (% showing no concerns across all domains) will increase;
- % of children achieving their key developmental milestones by time they enter school will increase;
- Number of children entering P1 who demonstrate an ability to develop positive relationships (get on with others) increases;
- Achieve 36% of new born babies exclusively breastfed at 6-8 week review;
- Number of children achieving the recommendation of one hour or more moderate activity on most days of the week (5 or more) increases;
- In every community in Highland, eligible 2, 3 and 4 year old children will have access to 1140 hours of high quality early learning and childcare by 2020;
- Subject to full Government funding, we will deliver 760 hours of early learning and childcare for 3 and 4 year olds from August 2018.

2.4 Continue the programme of refurbishment and renovation of Highland schools and address the need for additional capacity.
Actions & Measures:
- Programme in place to invest in priority school condition improvements over the next 10 years;
- We will seek additional resource from Scottish Government to support new school building, to address school condition and school capacity needs.

2.5 Protect the delivery of education in our schools by implementing an ambitious schools' management programme to support our Head Teachers and staff, securing long-term sustainability, especially in our rural communities.
Actions & Measures:

- % of associated school groups (ASGs) where revised management structures are implemented increases;
- The annual teacher/pupil ratio is maintained above the national average;
- % of Head Teachers who report the authority is supporting them in minimising any increase in workload;
- % of Head Teachers who report they receive adequate leadership development opportunities increases.

2.6   Promote the wider use of technology and blended teaching approaches to support the way our children and young people learn.
Actions & Measures:

- % of ASGs where one to one devices are deployed successfully increases. (baseline 0);
- % of staff who feel they are confident in using ICT in the delivery of learning and teaching increases. (baseline to be established);
- % of pupils who feel are confident in using ICT to support their learning increases. (baseline to be established);
- % of blended teaching approaches which combine online digital media with traditional classroom methods increases (baseline to be established).

Theme 3: A place to thrive
Cuspair 3: Àite airson soirbheachadh

We will work for a Highlands that includes and supports all children and adults to lead fulfilled and productive lives, free from poverty and discrimination. No matter where they live or whatever their needs, all of our citizens should always know what support is available, where they can find help, and whether that help is right for them.

We recognise that economic growth is critical to enabling our communities not just to survive, but to thrive. We will do all we can to strengthen our infrastructure; support the growth of new and existing businesses; and the creation of new jobs.

Key priorities

3.1   Urgently seek new and better ways to ensure superfast broadband and digital services are provided to all communities across the Highlands.
Actions & Measures:

- Represent Highland to ensure that the Scottish Government and it's agencies enable all Highland communities to reach the R100 ambition (100% superfast broadband coverage) by 2021;
- Deliver the Inverness and Highland City Region Deal funded town centre public Wi-Fi systems March 2018;
- % of Highland communities served by superfast broadband;
- Number of town centres with public Wi-Fi increases;
- Develop a new delivery plan for Highland Broadband using City-Region Deal funding by April 2018.

3.2   Support children and young people to be protected, healthy, safe and responsible by delivering a whole system approach to integrated children's services.
Actions & Measures:
- The number of children on the child protection register who have been registered previously will reduce;
- % of children who report they feel safe and cared for in school is maintained;
- The number of children and young people reported to Scottish Children's Reporter Administration (SCRA) on anti-social behaviour grounds reduces year-on-year;
- 90% of Child and Adolescent Mental Health Service (CAMHS) referrals are seen within 18 weeks;
- % of children and young people sustaining full time attendance at school will increase;
- The educational attainment in S4 for those pupils on part time timetables with less than 50% in school increases.

3.3   All people should live a life free from poverty and discrimination and benefit from good mental health and wellbeing. We will work with our partners to achieve this.
Actions & Measures:
- Review the evidence base to better understand the issues of poverty across all communities in Highland, both urban and rural, in order to develop new thinking on how best to tackle poverty and inequality by September 2018;
- The Poverty and Inequalities Working Group (PIWG) will develop a work plan to direct and monitor council action on addressing poverty and inequalities in Highland and how this contributes to the delivery of the HOIP by April 2018 and ongoing;
- The PIWG will establish a set of relevant measures and outcomes around its work by April 2018 and report annually;

- We will review the Fairer Highland Plan in light of the new equality outcomes agreed for 2017-2021;
- With our public sector partners, organise a seminar focused on mental health and wellbeing, to identify opportunities for better co-ordination and improved outcomes for individuals by April 2018.

3.4 Build on the work of the Inverness and Highland City Region Deal to help businesses to fully cultivate commercial opportunities including the development of international markets.
Actions & Measures:
- Deliver the School of Health and Life Sciences with the University of the Highlands and Islands (UHI) by 2021;
- Deliver the Northern Innovation Hub with Highland and Islands Enterprise (HIE) by March 2019.

3.5 Promote and support Highland business from all sectors including traditional sectors like agriculture, forestry and aquaculture as well as newer technology-driven businesses.
Actions & Measures:
- Deliver a business development service supporting businesses to start-up, to trade successfully (ongoing);
- Number of businesses supported to start-up (annual);
- Number of businesses enquiries handled (annual);
- Number of growth businesses supported (annual);
- Number and value of council loans invested in Highland businesses (annual).

3.6 With Government, HITRANS, SUSTRANS and others, deliver improvements to our key transport links.
Actions & Measures:
- Influence the HITRANS regional transport strategy by April 2018;
- Contribute on an ongoing basis to the HITRANS partnership board;
- Lobby Transport Scotland on the national transport strategy and delivery of key improvements identified in the regional transport strategy on an on-going basis;
- Secure funding for active travel improvements annually;
- Prepare integrated planning and transport strategies by March 2019 and ongoing;
- Provide new port facilities at Uig by introduction of new vessel and complete an appraisal of Corran Ferry options by end 2018;
- Through the City-Region Deal continue to lobby for access to Heathrow and other hubs e.g. Schipol;

- Implement the £6.7m Inverness Community Links Plus project by 2021 and gain further funding for cycling throughout the Highlands.

3.7 With partners and transport providers ensure fewer people experience transport as a barrier to accessing services, employment or leisure activities, including working with communities to develop community transport schemes.
Actions & Measures:
- Review our approach to the funding of community transport schemes with a view to increasing their number when we next invite expressions of interest in September 2018;
- Develop a corporate policy for council minibuses to maximise use of this resource in the community by September 2018;
- Establish partnership forums with public transport providers by March 2019;
- Establish a co-ordinated approach to the communication of public transport timetables by December 2018.

3.8 Work with NHS Highland and others to grow and invest in community based services for adults across the Highlands.
Actions & Measures:
- Agree a financial and service delivery plan for adult care with NHS Highland and align with the council's financial strategy for the first year by February 2018 and future years by June 2018;
- Review the Partnership Agreement for adult services with NHS Highland by June 2018;
- Develop a strategic commissioning plan supported by local delivery plans to shift the balance of adult social care into the community along with a clear financial plan by June 2018;
- Complete the development and transformation in Care at Home Services across the Highland Council area by 2020;
- Agree a new set of outcomes and measures for health and social care in Highland in line with the National Health and Social Care Delivery Plan and the needs of Highland by September 2018.

Theme 4: A welcoming place
Cuspair 4: Àite fàilteachail

The Highlands is an exceptionally safe and friendly place. Our natural environment is famous for its beauty as well as for supporting a wide range of sports and leisure activities. We have an increasingly diverse population and we welcome people of all faiths, nationalities and backgrounds who wish to live, study, work or visit here. We also welcome people who wish to create businesses and those that can work in key sectors where we have skill shortages.

Key priorities

4.1 With businesses and partners identify "pull factors" to actively promote the Highlands as a desirable and welcoming place to work, live, invest and create businesses.
Actions & Measures:
- With partners develop and deliver a co-ordinated talent attraction and retention strategy for Highland and its local areas by June 2018.

4.2 Collaborate with our partners to develop integrated workforce planning strategies to address skills gaps, attract key workers and encourage young people to return after studying away. Engage with Scottish and UK Governments to develop measures that allow for greater workforce freedom of movement.
Actions & Measures:
- Work with partners to develop flexibility in the workforce between partners, co-ordinate recruitment and support opportunities for shared services and joint working by March 2019;
- Continue to engage with the Scottish and UK Governments on enabling greater workforce freedom of movement, ongoing to March 2022.

4.3 Tourism continues to be of massive importance to our economy and we will work with business and partners to promote and develop the Highlands as a world class, year round, tourist destination.
Actions & Measures:
- Investigate and identify funding options to support tourism infrastructure investment, management and maintenance (ongoing);

- Develop and deliver new collaborative approaches with businesses, partners and communities to visitor facilities and management (ongoing);
- Support tourism and its supply chain businesses to start up, trade successfully and grow (ongoing);
- Support local destination organisations to collaborate and drive forward development and marketing activity in their areas (8 organisations in 2017/18 and ongoing);
- Tourism visitor numbers (annual);
- Tourism economic impact (annual).

4.4   Continue to implement a wide range of measures with our partners so that communities feel safer around roads and to reduce accidents.
Actions & Measures:
- Increase 20 mph zones;
- Develop a strategy for piloting settlement wide 20 mph zones by October 2018;
- Increase % of children walking and cycling to school;
- Increase the number of schools with agreed travel plans;
- Year-on-year increase in the number of Speed Indication Devices (SIDs) deployed across Highland.

Theme 5: A redesigned council
Cuspair 5: Comhairle ath-dhealbhaichte

The council will be more open-minded to new ways of delivering services; more commercially-minded, raising income to sustain services and jobs across the region; and more community-minded by listening locally. The council will also support community bodies to do more and target support to particular people and places in most need.

Our staff are central to identifying and making the changes needed and they will be empowered to do this.

Key priorities

5.1   Accelerate work to bring decision-making to local areas.
Actions & Measures:
- Run workshops with local committees to identify how Members want to develop localism in their area by December 2017;

- Through the Strategic and Area Chairs meetings and Redesign Board monitor progress and oversee a programme of work to develop localism by August 2018 and ongoing;
- Roll-out participatory budgeting to new Areas and for new services by June 2018 and ongoing;
- Influence national legislation on local democracy as it develops to December 2019;
- Through Area Committees explore with Community Councils how to develop their role and sustainability by August 2018 and ongoing (reference to 1.2 above);
- Contribute to the leadership of Community Partnerships to enhance local decision making by March 2018 and ongoing.

5.2 Develop new ways to deliver services that are affordable, efficient and local in order to be fit to embrace future challenges.
Actions & Measures:
- Develop the community gateway idea and provide a single point of contact to support community bodies including to run more services locally by June 2018;
- Develop communication plans for engaging with communities where services are changing as a result of redesign or funding challenges by June 2018;
- Through the Redesign Board make the council more open minded to new ways of delivering services through a programme of peer reviews, lean reviews and in-service reviews by June 2018.

5.3 Consider the key recommendations from the Commission on Highland Democracy, which seek to reinvigorate local democracy.
Actions & Measures:
- Support the promotion of the Commission on Highland Democracy findings by December 2017;
- Discuss how to take forward the findings of the Commission with community planning partners by December 2017;
- Use the findings of the Commission in local committee workshops to accelerate work on localism throughout 2018 (links to priority 5.1).

5.4 Adopt a commercially minded and innovative approach to generate income to support council services and jobs across the region.
Actions & Measures:
- Develop an action plan for the Commercial Board by March 2018;

- Develop emerging proposals for commercial activity with initial proposals by March 2018 and ongoing;
- Align the work of the income and commercial budget streams with the work of the Commercial Board by December 2017.

5.5 Many communities across the Highlands are increasingly ambitious to control more assets and land with increasing interest in local service delivery. The council will work with public agencies and communities to simplify our processes and to innovate and spread good practice.
Actions & Measures:
- Complete a Lean Review of the community asset transfer process to simplify and redesign for communities by March 2018;
- During 2018/19 identify learning opportunities from the first year of the Asset Transfer Policy by August 2018;
- During 2018/19 bring community planning partners and relevant support agencies together to share good practice and agree joint approaches to ensure that communities are supported to develop viable asset transfer requests.

5.6 Align the council's strategic and financial priorities and aspire to work more closely with our public sector partners and businesses to understand and, where we can, to support their priorities.
Actions & Measures:
- Agree a 5-year financial plan and align with council priorities, statutory duties and the council's workforce plan by February 2018;
- Focus Corporate Resources Service on supporting the organisation achieve change through redesign, effective workforce planning and financial stability by June 2018 and ongoing.

Agenda Item	15
Report No	HC/50/17

HIGHLAND COUNCIL

Committee: **Highland Council**

Date: **14 December 2017**

Report Title: **Proposals for Changes to the Governance of Education**

Report By: **Chief Executive**

1.   Purpose / Executive Summary

1.1   This report addresses the Scottish Government's third and latest consultation on proposals for the reform of education governance, and asks Members to seek views on the proposals in their communities and particularly through discussion with their respective Parent Councils.

2.   Recommendations

2.1   Members are asked to:

(i)   Discuss the proposals at this meeting.

(ii)   Endorse the approach and conclusions set out at the end of the report.

(iii)   Agree that the Council's response will take account of further consultations, including with partner authorities in the Northern Alliance and at CoSLA, and be finalised by the Strategic Chair in consultation with the Council Leader and Chief Executive.

3. Background

3.1 The Scottish Government proposals for changes to the governance of Education, follow a wide-ranging consultation that ran from September 2016 to January 2017, generating 1154 written responses in addition to the views of 700 people who took part in face to face consultations. A summary of the views garnered can be found at – *Empowering Teachers, Parents and Communities to achieve Excellence and Equity in Education: An Analysis of Consultation Responses* on the Scottish Government website.

3.2 The Government published their proposals in a *Next Steps* report on 15 June 2017. This can be found at: http://www.scot/Publications/2017/062941

3.3 Members discussed the *Next Steps* at the meeting on 29 June. That report is available at:
https://www.highland.gov.uk/download/meetings/id/72220/item_12_education_governance_review

3.4 The latest set of proposals, *Empowering Schools A Consultation on the Provisions of the Education (Scotland) Bill* were published on 7 November 2017 with a closing date for comments of 31 January 2018. A summary of the key points is attached to this report. The full document can be found at http://www.gov.scot/Publications/2017/11/9712

3.5 A parallel consultation on school funding closed on Friday 13 October. A response from Scottish Government is due in the summer of 2018. Although education governance and funding form two streams of work, they are clearly inter-connected.

4. Response to the Proposals

4.1 There is much in the general thrust of the Cabinet Secretary's proposals that is to be welcomed:
   (i) a shared ambition to improve education and the life chances of all children and young people;
   (ii) ensuring head teachers have as much freedom as possible in curriculum design, pedagogical priorities, staff recruitment and budget allocations within their schools, and more access to high quality professional support;
   (iii) enhanced career opportunities for teachers and a promise to "transform the support available to teachers and practitioners at every level in the system" (page 1 of Consultation document);
   (iv) the emphasis on collaboration between schools and between local authorities as exemplified by the Northern Alliance;
   (v) the commitment to update the legal definition of parental involvement via Parent Councils to include parental engagement in their own children's education outside of school;
   (vi) the decision, following negotiations with CoSLA, to change the leadership of the Regional Improvement Collaboratives (RICs) from Regional Directors, appointed by Scottish Government and reporting to Education

Scotland, to Regional Leads appointed by agreement of the Chief Executives of the local authorities that make up the Collaborative.

4.2 There are though, a number of continuing significant general concerns:

(i) the role of the education authority is diminished, and the overall impact of the proposals remains to centralise control of educational improvement, with a consequent loss of democratic accountability at local level;

(ii) the promise to schools of "world class educational support from local authorities" in the Foreword to the document (page1), may therefore establish unrealistic expectations of what is both intended and affordable;

(iii) with HMIE remaining embedded in Education Scotland, there is no external scrutiny of a key element of Scottish Education

(iv) the combined effect of removing responsibility for school improvement from local authorities and embedding HMIE in a Scottish Government agency, removes important checks and balances in the system;

(v) the report is silent on the likely costs of implementation;

(vi) the *Next Steps* report was light on mention of pupils - this latest consultation is very clear on the need for pupil engagement but lacks detail on the practicality of achieving its aims;

(vii) there is ongoing risk of fragmentation of schools and education from the rest of integrated children's services, undermining the delivery of GIRFEC;

(viii) the new Education Workforce Council could add further fragmentation to the children's services workforce.

4.3 Briefing meetings for Headteachers were held during November. The Headteachers did not express support for the proposals and raised a number of concerns. Key areas of concern are set out below.

- The practicality of the proposed new duties and organisational structures.
- Resourcing of the new structures, proposed levels of professional support and new career structure.
- Potential tensions with the local authority in areas which remain within its responsibility.
- The level of genuine autonomy which they will actually have.
- Workload implications.
- The poor quality of the Next Steps analysis, and also the consultation document which they feel demonstrates a lack of understanding of the system and what is actually happening for young people and families in schools and children's services.

5   Specific Concerns

5.1 There are also specific concerns.

5.2 **Regional Collaboratives** – It is difficult to see how even the best and most effective communication could create a Regional Improvement Collaborative (RIC) which is "relevant to, designed by and close to the communities they serve" (Consultation p2). This is particularly true of Highland in a RIC covering

Aberdeen City, Aberdeenshire, Moray, Shetland, Orkney, Comhairle nan Eilean Siar and Argyll & Bute.

5.3   The Northern Alliance was originally established as a 'collaborative of the willing', to give added value to the role of local authorities, not to diminish that role. Indeed, the benefits of collaboration have been clearly shown by the Northern Alliance; sharing insights and strategic approaches of common interest and providing a model for effective collaboration in other parts of the country - importantly, leaving the prime responsibility for school improvement with local authorities.

5.4   On page 2 of *Next Steps,* it states that "the structure of the present system is too complex".   However, the proposals now being consulted on do not simplify the structures.   Instead, they add further complexities through the establishment of the RICs and, in places, ambiguous redefinitions of roles and responsibilities. [This example does not match the statement of further complexity or ambiguous roles]

5.5   The diagram on page 14 of the consultation (below) suggests that the main responsibilities of local authorities will be HR and Finance. Yet, page 7 of the same document suggests that authorities will engage in "constructive discussion with the headteacher on the rationale for the decisions they are taking on the curriculum in their school".   Not surprisingly, some head teachers fear that they will be "servants of multiple masters" and that the ambiguity over challenge and support roles provides fertile ground for tensions within the system.
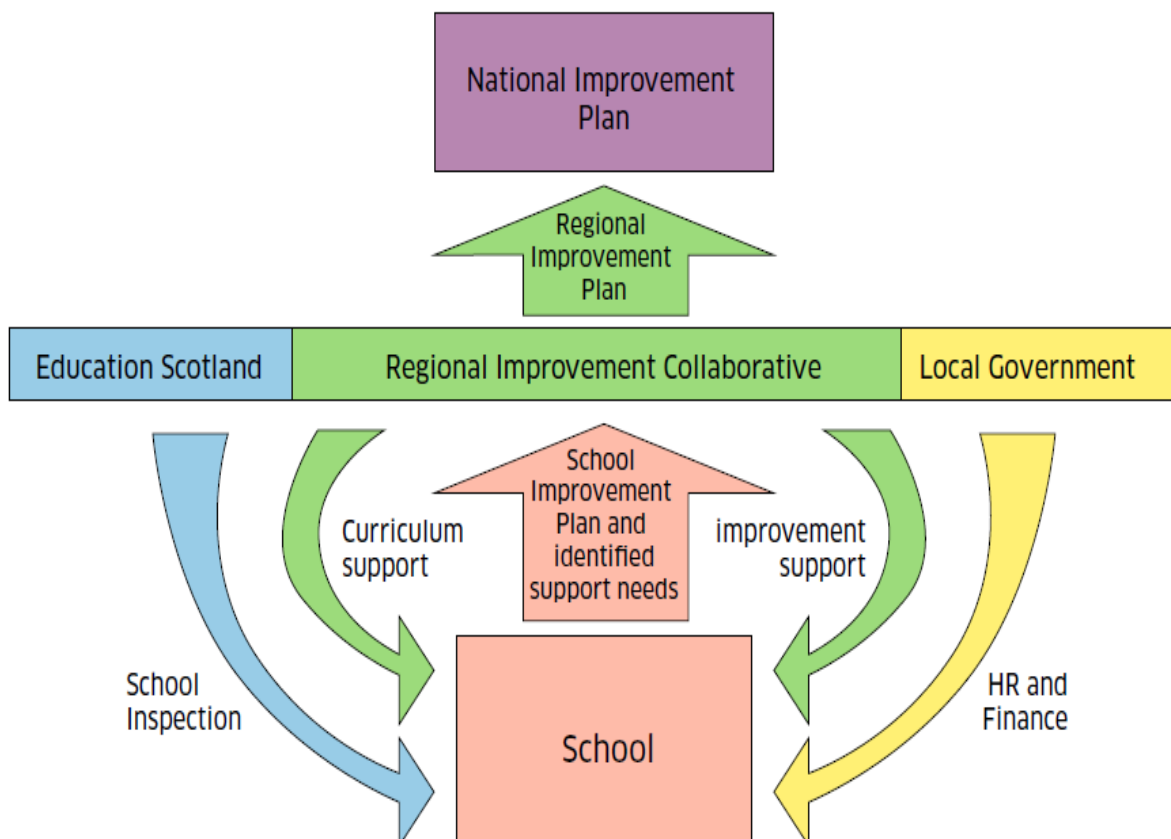
5.6 In addition, the fact that local authorities will no longer have to produce an Improvement Plan could be seen as part of a simplifying agenda, but could also be seen as a means of legally distancing them from the improvement agenda and ensuring that they will not be in a position of "imposing local curricular policies and practices on schools" (Consultation document page 16). In effect, local authorities will no longer be part of the 'engine room' of school improvement.

5.7 Finally, it is worth noting that during this consultation phase the Regional Leads have already been appointed, and timelines for progress are being put in place, including having RIC Improvement Plans agreed by the end of January 2018 - the deadline for the consultation to end.

5.8 **More Autonomy for Head Teachers** – While headteachers in Highland welcome the promise of more autonomy, discussions indicate that most are far from convinced that the proposed model is either workable or desirable. They are sceptical that such significant structural change will of itself bring the attainment improvements envisaged.

5.9 They also point out that the proposals do not address the issues that currently concern them: staff reductions and staff shortages (including supply), the effect of budget cuts and workload/bureaucracy which is not seen to be reducing. They say that addressing these problems would be a more fruitful direction for the shared national desire to improve overall attainment.

5.10 They are concerned that the RICs will add another layer of bureaucracy and will be remote from schools. Many value the professional support that can best be provided by staff in local offices who know the schools and their communities.

5.11 Schools currently allocated additional funds via the Pupil Equity Fund (PEF) and the Attainment Scotland Fund welcome the additional funding and flexibility in spending decisions, but point out that it comes with additional bureaucracy and does not compensate for the funds that have been cut from core budgets. They question the value of more control over budgets if there is no significant injection of financial resources to accompany it.

5.12 On staffing, the consultation document is clear that "it is the headteacher who should decide who works in their school and the management structure in which they work" (page 11). However, on the following page it states that "headteachers should continue to cooperate with their local authority in the allocation of probationers, student teachers, surplus staff and compulsory transfers**.**"

5.13 Nor is it clear how a Headteacher, newly appointed to school and wishing to change the staffing structure, might achieve this, if staff are in posts with permanent contracts.

5.14 **The Role of Parents** - Parent Councils are being consulted on whether they would have the appetite for collaborating with head teachers "on substantive matters of school policy and improvement" (page 18) to the extent suggested in the consultation. Many Headteachers say they fear that they will lose parents who currently contribute significantly to the life of their schools via Parent Councils if their responsibilities in future are in areas where they have no expertise.

5.15 Similarly, Headteachers say that they are concerned that the proposed requirement of head teachers to collaborate on 'substantive matters' with all parents will lead them to expend a great deal of time and energy for no return. However, they do welcome the promise of home – school link workers and the beneficial effect this could have on levels of parental engagement with the school.

5.16 Parent Councils are being encouraged to respond to the Consultation document.

6 An Alternative Approach

6.1 The notion of collaboration as the key to improvement is central to the proposals. However, collaboration already happens at all levels within the current arrangements.

6.2 It could undoubtedly be increased and made more effective, but wholesale redesign, new legislation and new duties are not the only way of achieving this.

6.3 In education the crucial issue is to identify the impact of action on the lives and development of the people served by the system. A duty on local authorities to collaborate for improvement supported by regular and meaningful inspection of local authorities on the impact of their collaborative improvement actions could well form the basis for an effective, locally accountable alternative model which would be much closer to the communities it serves.

7 Conclusion

7.1 The consultation questions appear to be based on an assumption that there is no alternative and that the proposals will deliver the anticipated improvements in educational outcomes. However, major concerns remain around:
- the lack of detail on resourcing such an ambitious set of proposals;
- the centralisation of key functions and loss of local democratically elected checks and balances in the system;
- a "one size fits all" approach to addressing perceived shortcomings in some Local Authorities;
- the tensions that will be created between different parts of the education system;
- the fragmentation of schools and education from other services for children;

- the loss of locally based support for schools, and the loss of local contact for communities on many aspects of education.

7.2   These points, as set out in this report, should form the main thrust of the Council's formal response in January 2018.

8   Implications

8.1   Resources
The Scottish Government initiated a consultation on funding arrangements for education, that has yet to report. There are a number of budget implications included in the proposals, which would need to be addressed if a Bill was presented to Parliament.

8.2   Legal
These proposals are likely to involve the revision of existing legislation.

8.3   Gaelic
These proposals envisage the local authority retaining responsibility for organising Gaelic medium provision.

8.4   Community
Significant concerns have been raised in the consultations to date, on changes to governance arrangements, about how these proposals would affect children with Additional Support Needs, or living in more disadvantaged communities. They would also appear to raise significant challenges in small rural schools, albeit these would be mediated to a large extent through implementation of the new structures and administrative that Highland Council has already committed to.

8.5   There are no new implications regarding Climate Change / Carbon Clever issues.

Steve Barron
Chief Executive
4 December 2017

Appendix 1
Empowering Schools – Consultation on School Governance, Nov: 2017 - Key Points

1. **A Headteachers' Charter will set out HT powers and responsibilities**
   - Freedom to decide teaching and learning policy, how best to design the curriculum in line with the Curriculum for Excellence and to determine improvement priorities.
   - A new duty to work collaboratively with other schools.
   - A new duty to involve the Parent Council and Parent Forum in 'substantive matters of school policy and improvement'.
   - Expectation HTs will work collaboratively with other professionals to achieve excellence and equity in their schools.
   - Freedom to decide the staffing and management structure in school and decide who works in the school.
   - Be open to professional challenge from peers / staff / community / local authority / school inspectors.
   - More control over school related budgets
   - Expect high quality professional support from a newly established Regional Improvement Collaborative and "world class educational support services" from the Council.

2. **Parental and Community Engagement**
   - Current HT duty to "inform and consult with their Parent Council" will be replaced by a duty "to work collaboratively with their Parent Councils on substantive matters of school policy and improvement."
   - The duty to collaborate with parents on policies, improvement planning and curriculum design will also apply to the Parent Forum.
   - The legal definition of parental involvement will be extended to include all aspects of parental engagement.
   - The duty of Parent Councils to represent the diversity of the school community to actively promote contact with pupils.
   - Every school will have access to a home – school link worker.

3. **Pupil Participation**
   - General duty on HTs to promote and support pupil participation in the pupil's own learning, decision-making relating to the life and work of the school and pupil participation in the wider community.

4. Regional Improvement Collaboratives (RICs)
- RICs will take over all aspects of school improvement planning from local councils.
- There are 6 RICs covering the country.
- Highland is in a RIC with Aberdeen City, Aberdeenshire, Moray, Shetland, Orkney, Comhairle nan Eilean Siar and Argyll & Bute.
- Each RIC will led by a RIC Lead.
- RICS are expected to have a Regional Improvement Plan in place by January 2018.

5. Education Workforce Council
- The Education Workforce Council will take over the current responsibilities of the General Teaching Council for Scotland, Community Learning and Development Standards Council and will register all other education professionals.
- The Education Workforce Council will be independent of Government.
- The full list of Education Workforce Council functions can be found on page 28 of the Consultation document

Agenda Item	16
Report No	HC/51/17

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 14 December 2017

Report Title: Tourism Development

Report By: Director of Development and Infrastructure

1.   Purpose/Executive Summary

1.1   This Report summarises for Members the increased value of tourism to Highland. The report also details the strategic context in which the Council, its public sector partners and the tourism industry work together to support tourism growth. A number of issues that have arisen as a result of this recent growth are described before the report concludes with a recommendation on how the Council might be involved in addressing these issues through the setting up of a cross service working group.

2.   Recommendations

2.1   Members are asked to:

   i.   note the significance of tourism to the Highland economy and welcome the levels of growth witnessed in recent years;

   ii.   agree to identify Council resources to provide financial support that allows EventScotland and their partners to bid for future major International events to be hosted in Highland;

   iii.   approve the setting up of a tourism working group within the Council to take a strategic overview of, and set priorities for the Council's contribution to addressing the issues described in the report; and

   iv.   consider which Members might be included in the proposed working group.

3. Background

3.1 Sustainable tourism is one of Scotland's key growth sectors identified in the Scottish Government's Economic Strategy and is the Highlands' most important industry, generating significant economic benefits for the area. In 2016 this included:
- direct expenditure by visitors to Highland of £965m;
- a further £226m of indirect expenditure by the tourism industry purchasing goods and services in Highland;
- a total economic impact of £1.2 billion; and
- directly supporting over 24,000 jobs (including the self-employed)

3.2 Tourism has seen a period of sustained growth with the overall economic impact of tourism growing by 34% over the period 2012 – 2016. While the most recent full year figures as quoted above relate to 2016, early indications are that growth has continued and that 2017 has been another exceptionally successful year. One early indicator, the number of visits to visitor attractions has seen numbers increase by 8.7% for the period January to September 2017 – double the rate of increase of 4.3% seen in the rest of Scotland. Also encouraging is the fact that many tourism businesses in Highland are looking to expand while others are seeking to set up in business in the sector. In the period from April to October 2017 the Council's Business Gateway service handled 1,103 enquiries with over 33% of these coming from tourism businesses.

3.3 In addition to providing economic benefits tourism also brings a range of wider benefits to Highland and many of its communities. These benefits include:
- supporting a range of local services that would not otherwise be economically viable e.g. village shops, public transport routes or leisure facilities;
- improving the accessibility of Highland through increased numbers of air routes and helping justify investment in major infrastructure such as dualling the A9; and
- helping position Highland as an attractive place which in turn assists in talent attraction and attracting inward investment.

3.4 While the benefits described above are clearly to be welcomed, the current levels of tourism, particularly in certain 'honeypot' locations, have caused issues with the most notable examples relating to pressure on infrastructure. Similarly, the tourism industry faces a number of challenges with some of these challenges being more marked in Highland than across Scotland or the UK as a whole. Resolving these issues is not something that the Council can accomplish on its own – and indeed many of the current issues relate to responsibilities that lie partly or even entirely with others. However, the Council is well placed to take an overview of these issues and through a number of its Services has the ability to play a significant role in addressing many of them.

4. Strategic context

4.1 For the last decade, the accepted approach to developing tourism in Scotland has been for the tourism industry to take a lead in defining the priorities for development with public sector partners then being encouraged to support the delivery of these priorities. Using this approach, "*Tourism Scotland 2020 - A Strategy for Leadership and Growth*" was launched by the tourism industry organisation, the Scottish Tourism Alliance in summer 2012. The strategy was based on an in-depth understanding of market opportunities matched to Scotland's capabilities and has provided a common agenda for the industry and supporting organisations. During 2016 a mid-term review

of the strategy saw the overarching ambitions continued but with a more specific focus being given to a number of key priorities for the period 2017 – 2020.

4.2   In recognition of the need to identify specific opportunities and priorities at a regional level, many areas of Scotland saw more local strategies developed, often by their local destination organisation in conjunction with the local authority. The unique circumstances in Highland have seen a slightly different approach recognising that such a large part of Scotland contains multiple destinations and destination organisations. The Council currently works with seven Destination Organisations across Highland, one of which - Visit Inverness Loch Ness, has been set up as the first Tourism Business Improvement District (TBID) in the UK. The TBID levy on its members enables the organisation to generate revenue through business rates. These Destination Organisations, together with the key public sector organisations in Highland come together to form the Highland Area Tourism Partnership. Cllrs Gordon Adam and John Gordon currently represent the Council on the Highland Area Tourism Partnership.

4.3   To dovetail with the national strategy, the Highland Area Tourism Partnership produced a Highland Tourism Action Plan for 2014-2020 which was subsequently adopted in February 2014 by the Council's Planning Environment & Development Committee as the strategic document that outlines tourism priorities and activities for Highland. A mid-term review of the Highland Tourism Action Plan has recently been undertaken and the summary of this review is included as **Appendix 1** to this report.

4.4   Following the launch of the Highland Tourism Action Plan, the Highland Area Tourism Partnership also restructured its approach, resulting in more workshop style, action orientated meetings concentrating on the two main areas of interest - tourism marketing and developing the tourism product. In the area of marketing this has had some early success with the destination organisations' marketing activity being better coordinated with VisitScotland activity and VisitScotland in turn being able to use more and better quality content from the destinations. This in turn has helped generate greater growth in tourism in Highland than across Scotland as a whole. Following this growth, attention has now turned more towards developing the tourism product and it is this element of tourism where the Council has a greater role.

5.   Infrastructure

5.1   Amongst the most noticeable and well publicised impacts arising from the recent growth in tourist numbers in Highland has been the increased pressure on infrastructure. In part this can be attributed to new developments or marketing initiatives, perhaps most notably the North Coast 500 where its popularity has exceeded all expectations. In some areas growth has been brought about by changing visitor behaviour which in itself has been driven by new technologies and platforms such as social media. This can focus visits on key sites which get high ratings from visitors such as Chanonry Point. Another good example of this are the Fairy Pools which are consistently ranked as one of the top places to visit on Skye and which saw visits increase by 54% between 2014 and 2016 whereas overall visitor numbers only increased at a quarter of that rate (13%) over the same period.

5.2   The pressures on infrastructure vary from place to place and indeed across the year but some key issues are evident in the feedback from visitors, communities, businesses and in some cases the Council's own measurements. These include:
* inadequate parking at popular tourist sites;
* greater use of single track roads by larger vehicles (notably motorhomes)

leading to roads that were not designed with this level of use in mind suffering more rapid degradation. A particular problem is edge breakup where road verges rather than passing places are used for vehicles to pass;

- increased use of some public toilets with usage levels sometimes well in excess of their design capacity;
- a lack of public toilets in some locations – both in communities and at popular countryside sites;
- a lack of facilities outwith caravan and campsites to cater for the disposal of motorhome waste from those 'wild camping' which in some cases has led to irresponsible (and illegal) disposal of waste. In some locations such as Arisaig and Morar, similar issues have arisen from those wild camping in tents;
- increased erosion of paths, trails and adjacent land at popular sites; and
- limited electric vehicle charging points in some more rural areas and on popular routes such as the NC500.

5.3 Addressing many of the above issues will require both a joined up approach between the Council, communities, businesses and in some cases other public sector partners. It will also require additional resources to be found and /or redirected to these activities and with this in mind the Council has welcomed the Scottish Government's recent announcement of a £6m Rural Tourism Infrastructure Fund. Details of how the fund might be used and by whom have yet to be announced but indications are that details are likely to be made available in early 2018 with the funding itself spread over two financial years 2018-19 and 2019-20. The initial announcement suggested that community groups are likely to be amongst the potential recipients but it is still unclear as to whether local authorities will be able to bid for funds.

5.4 While this additional funding is welcome, it is also clear that £6m spread across the whole of rural Scotland, particularly if there is a political wish to see many areas of Scotland benefit may mean that Highland may only be able to access a fairly limited sum. To try and address this the Highland Area Tourism Partnership and the Council Leader have both written to the Cabinet Secretary requesting that consideration be given to setting criteria based on evidence and need – as Highland can justifiably claim to be the area of Scotland facing the greatest challenges in this regard. It is however, clear that the Council and partners will still need to undertake some form of prioritisation exercise to decide which projects they wish to support in any funding bids.

5.5 In other locations, such as Edinburgh, the local authority is considering the introduction of a Transient Visitor Levy (TVL) based on bednights to grow revenue for infrastructure investment. This proposal is also being considered by the council's own Income Generation group. A TVL would require primary legislation, however, and therefore the support of central government.

6. Business Challenges

6.1 Another area where the Council is closely involved in tourism is through its support for tourism businesses. This support is provided to individual businesses through the Council's Business Gateway service or through wider programmes such as the Council's employment work as well as to business groups such as the Destination Organisations. Many of these businesses are currently facing particular challenges despite, or in some cases because of, the recent growth in tourism.

6.2 Significant among the challenges facing Highland tourism businesses is uncertainty related to the UK's decision to leave the European Union. While this has arguably been beneficial in the short term because of the impact on the exchange rate, there are

concerns for the longer term in relation to perceptions of the UK as an attractive and welcoming place and in particular workforce concerns. Tourism is one of the industry sectors most reliant on migrant workers with a recent British Hospitality Association report showing 24% of the UK's hospitality workforce are migrant workers. Another survey by the Federation of Small Businesses showed that Highland businesses were twice as likely to employ at least one migrant worker than the UK average (41% of businesses in Highland against 20% of businesses for the UK as a whole).

6.3   Other barriers identified by the tourism industry relate to recruitment with some of these issues being common to other sectors and not just tourism. Some businesses in more popular destinations report recruitment difficulties due to prospective employees struggling to find accommodation, particularly during the summer season. There are some suggestions that a rise in holiday rentals through collaborative economy platforms such as Air BnB has reduced the amount of accommodation previously available to house the workforce. However, real evidence of this is limited and there is a need to understand this situation better so as to guide future housing planning in these areas. Further anecdotal evidence suggests some businesses are finding it harder to recruit younger workers to come and work in more rural areas because of issues over broadband and / or mobile connectivity.

7.   International Events

7.1   Globally one of the growth areas in tourism has been in event tourism. This is an area where Highland has seen some success in recent years – most notably hosting a round of the Mountain Bike World Cup in Fort William each year, the Scottish Open Golf Championship on four occasions and the World Orienteering Championships in 2015. Each of these events brought considerable economic benefits to the location of the event and to the wider Highlands. For example, a recent economic impact assessment showed the Mountain Bike World Cup generated a direct economic impact for Highland of £2.9m in 2017. Hosting such events also brings wider benefits including being an inspiration to our young people and helping retain younger people in the area. Increased interest in mountain biking amongst Highland youngsters inspired by the World Cup has seen a number of them go on to become top riders on the global circuit. Showcasing the area as an area for activities such as mountain biking, golf or other outdoor sports also helps support some of the inward investment and more specifically talent attraction activity being outlined in a separate report to this meeting.

7.2   Attracting and retaining such events in Highland is not necessarily straightforward, not least because there can be global competition to attract such events. In particular there is normally a need for a degree of public funding with this often requiring a forward commitment at the time a bid is made to host the event. In Scotland these bids are generally led by the national events agency EventScotland who also commit funding to these bids as well as to many smaller events in Highland (EventScotland have contributed over £8.5m to events in Highland in the last 15 years).

7.3   In the case of such major events EventScotland also seek local funding to complement their own. In kind support is always welcome but there is also a requirement for a cash contribution and this is a challenge for the Council with the annual major events budget previously used for such support being discontinued at the end of the 2016-17 financial year.

7.4   With many such events being 'one-off' events, at least in a Highland context, it is still considered appropriate not to have a fixed annual budget in place as there would be financial years when much of it would not be required. However, if Highland wishes to

continue to see international events come to the area there is a need for a system that allows the Council to give a commitment to provide some funding so that a bid can be made to host the event. This should not be taken to mean there would be automatic support as each event would need to be considered on its own merits. While this approach could apply to a number of potential future events, there is a degree of urgency as the current 3 year agreement to host the Mountain Bike World Cup in Fort William comes to an end in 2018. This will require EventScotland and the organisers to submit a bid in spring 2018 for the period 2019-2021 and EventScotland has recently written to the Council seeking its support for such a bid.

7.5   As funding bid commitments are made speculatively and are normally for a value not exceeding £25k this falls within the delegated authority of the Director of Development & Infrastructure. Given budget constraints but anticipating a Council desire to attract a small number (up to 2 per annum) of major international events, it is proposed that, in consultation with the Council Administration, a source is identified to support such bids as required.

8.   A recommended approach to addressing current tourism issues

8.1   It is beyond the scope of this report to detail or recommend priorities across all the activities that might be undertaken to address the issues described above. It is therefore recommended that the Council agrees to the setting up of a Member led Tourism Working Group.

8.2   Given the cross-service and Highland wide nature of its work, it is anticipated that this group would be led by the Council Convener. To ensure activity is coordinated it is suggested that appropriate members would include Cllr Henderson as Chair of the Environment, Development and Infrastructure Committee which has responsibility for tourism as well as Cllr Adam and Cllr Gordon who are the Council's representatives on the Highland Area Tourism Partnership. Council is asked to appoint other members as considered appropriate.

8.3   A separate report to this meeting of the Council details a number of proposed actions related to tourism for inclusion in the Council Programme. The draft actions are:-
        • investigate and identify funding options to support tourism infrastructure investment, management & maintenance;
        • develop and deliver new collaborative approaches with businesses, partners and communities to visitor facilities and management;
        • support tourism and its supply chain businesses to start up, trade successfully and grow; and
        • support local destination organisations to collaborate and drive forward development and marketing activity in their areas.

8.4   It is anticipated that these actions would, if adopted, define the remit of the proposed working group. There will also be a need for an overall strategy for the group to work to. As the Highland Tourism Action Plan has already been adopted by the tourism industry representatives and a number of partner agencies as well as by the Council, it is recommended that this, along with the revised priorities detailed in the mid-term review document be used as the overarching strategy. It would however, still be appropriate for the Working Group to produce an action plan that better defines the Council's own contribution to delivering the Highland Tourism Action Plan objectives. This would avoiding the Working Group duplicating the Highland Area Tourism Partnership's role while still assisting in defining Council priorities and helping identify additional funding or Council resources to address these priorities.

9.   Implications

9.1   Resource
This report outlines a number of issues that will need to be addressed if the quality of the visitor experience is to be maintained or enhanced and Highland tourism is to continue to develop. Many of these will require both staff and financial resources to be allocated to achieve this although these will not necessarily always be Council resources. The exact level of resources required will be dependent on future decisions on which activities to proceed with. If a decision is taken to support a small number of major international events, the funds required would be identified from Council resources.

9.2   Legal
There are no legal implications directly arising from this report but some solutions such as joint projects with other partners may require legal agreements to be put in place.

9.3   Community (Equality, Poverty and Rural)
This report suggests addressing a number of tourism issues which in some cases are having a negative impact on communities at present, most notably in rural areas. Addressing these should have a positive effect on the communities concerned.

9.4   Climate Change / Carbon Clever
While tourism itself does have an impact, there are no Climate Change / Carbon Clever implications directly arising from this report.

9.5   Risk
There are no currently identifiable risks arising from this report.

9.6   Gaelic
There are no Gaelic implications arising from this report.

Designation: Director of Development and Infrastructure

Date: 4 December 2017

Author: Colin Simpson, Principal Officer – Europe, Tourism and Film

Appendix 1: Highland Tourism Action Plan mid-term review

Tourism Scotland 2020 – A Strategy for Leadership and Growth, was launched by the Scottish Tourism Alliance in summer 2012 providing a common agenda for the industry and supporting organisations. In recognition of the need to identify specific opportunities and set priorities to deliver this Strategy at a regional level, the Highland Tourism Action Plan was produced by the Highland Area Tourism Partnership* at the end of 2013. The Plan outlined priorities and activities for growing Highland tourism. As one of Scotland's strongest tourism areas, the Action Plan suggested that the Highlands could be expected to equal or exceed the national growth rate meaning that the value of tourism could grow from a level of £738m in 2012 to between £900m and £1.07bn by 2020. In practice a figure of £965m was reached in 2016.

Impacts for the Highland region

Overall Ambition

Value of Tourism	2012	2016	2020
Direct Expenditure	£738m	£965m	£900m - £1070m

Measure	2012	2016	% Change
Total Economic Impact	£913m	£1,191m	+ 30%
Visitor Numbers	5.16m	6.09m	+ 18%
Direct Employment	16,820	20,827	+ 24%
Hotel occupancy (rooms)	62%	69%	+11%
Guest House / B&B occupancy (rooms)	44%	50%	+14%
Self-catering occupancy (units)	47%	52%	+11%
Visitor Attraction Visits*	2,279,639	3,794,201	+66%

*to give a reliable comparison only Visitor Attractions participating in both 2012 & 2016 surveys have been included in these figures

Actions delivered (highlights)

Action	Progress
Improve links between Destination Organisations and VisitScotland marketing activity	Workshop format at May 2014 HTP and marketing workshops for destination groups held in December 2014, April 2015 and May 2016.
Improving the cross promotion of Highland destinations	Some cross area publications. North Coast 500. Joint growth fund activity.
Support destinations in producing development plans or assist in building organisational capacity.	Development plans in 3 areas & marketing plans in 2 more supported by public sector partners. Establishment of 1 new group and initial business planning supported.
Encourage businesses to make the most of available tourism intelligence	Workshops with destinations supported by HIE & Business Gateway. Webinar series.
Improve infrastructure that supports growth in nature, heritage and activity markets.	Numerous projects. Key ones in progress include South Loch Ness Trail, NCN78 cycle route, Snow Roads, yacht moorings and key site improvements including Ben Nevis & Fairy Pools.
Improve infrastructure that supports growth of event tourism and conferences.	Inverness Campus & conference facility improvements. Joint work on Inverness events. Investment in event legacy.

* The Highland Tourism Partnership brings together the Highland Council, VisitScotland, Highlands & Islands Enterprise, Forestry Commission, Scottish Natural Heritage, Cairngorms National Park Authority, the Federation of Small Businesses and eight key destination organisations: Venture North, Visit Wester Ross, Black Isle Tourism Team, Visit Inverness Loch Ness, VisitNairn, Destination Skye & Lochalsh, Lochaber Chamber of Commerce and Cairngorms Business Partnership.

Proposed actions for the remainder of the period to 2020

The national Tourism Leadership Group carried out a mid-term review of Tourism Scotland 2020 that reported in 2016. With the alignment of tourism strategies across Scotland and improvements in collaboration since the launch of the strategy, the group is confident that the sector is in a strong position to collectively deliver the 2020 vision. In order to achieve this four priority areas where activity should be focussed have been identified. At a Highland level the Highland Tourism Partnership has therefore updated and repackaged the Highland activities previously identified to fit within these priorities in addition to continued collaborative marketing activity.

Strengthen Digital Capabilities

1. Destination and public sector organisations will continue to deliver support to businesses to increase their digital capabilities and their use of new digital technologies.
2. We will continue to gather intelligence at a Highland and destination level to ensure the industry is able to identify and capitalise on new digital innovations.

Strengthen Industry Leadership

1. All partners will continue their commitment to the Highland Area Tourism Partnership in bringing the key tourism leadership organisations together to discuss issues and opportunities.
2. The Partnership will support activities such a Highland Tourism Conference or regional conferences to bring destinations, businesses and the public sector together.

Enhance the Quality of the Visitor Experience

1. We will continue to work together to identify and improve the infrastructure that supports potential growth markets notably:
   - Nature, heritage and activities (with this now reflecting the new commitments to the Scottish Scenic Routes Initiative and marine tourism facilities)
   - Events including both leisure and business events /conferences.
2. We will continue work to improve skills as identified in the refreshed Tourism Skills Strategy including improving links between schools, further & higher education and businesses. The partners in the Highland Area Tourism Partnership will gather details of the particular challenges Highland businesses face and any barriers to resolving these to inform future employment and skills activity.

Influence Investment

1. We will continue to try and influence investment in the specific areas defined at a national level - flight access & transport connectivity, built infrastructure, digital connectivity and business growth finance.
2. Building on the recent marketing success that has increased visitor numbers to many sites, we will work to ensure that the quality of the visitor experience and impacts on communities are not negatively affected. This will include identifying or where necessary lobbying for resources to invest in sites facing these challenges. Where appropriate we will work with communities to ensure they both contribute to and benefit from any solutions applied.
3. We will continue to support destinations taking a strategic approach to their region, through the development of plans aligned to the Highland Tourism Action Plan and identifying opportunities. Where necessary, the public sector partners will assist in building capacity to allow the destination to do so.

Marketing

1. Continue regional / destination consumer marketing ensuring that both VisitScotland and destination led activity is complementary.
2. Continue trade marketing with destination involvement.

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HIGHLAND COUNCIL

Committee: Highland Council

Date: 14 December 2017

Report Title: **Talent Attraction, Retention and Returns**

Report By: Depute Chief Executive/Director of Corporate Resources

1.   Purpose/Executive Summary

1.1   This paper presents an update on workforce sustainability issues in the Highland region and those specific to the Council. Recent work commissioned by HIE on Talent Attraction, Retention and Returns (https://www.highland.gov.uk/download/meetings/id/72943/item_17_talent_attraction_appendix_1) has highlighted out-migration and an ageing population as key themes; the potential impact of Brexit on the Council will add further complexity to the task. Close collaboration with partners to secure the Council's workforce of the future, combined with an action plan to deal with the effect of Brexit on employees will be important factors in meeting the challenges ahead.

2.   Recommendations

2.1   Members are asked to consider:

(i)   The workforce sustainability challenges facing the Highland Council.

(ii)   The importance of collaboration with partners to develop a Talent Attraction, Retention and Returns Strategy and Action Plan.

(iii)   The requirement to prepare for the workforce challenges presented by Brexit.

3. **Context**

3.1 The future workforce challenge facing the Council is one which, to varying degrees, is shared across all employers in Highland. It is also one that sits at the very core of Highland life and the need to have a working age population to support the Highland economy and community wellbeing.

3.2 While the Highland population is growing it is also ageing. By 2024, it is estimated that there will be:

- +3% increase in overall population
- -3% decline in number of people aged 16 and under
- -4% decline in number of people aged 17-65
- +38% increase in number of people aged over 66

Across Highland the scale of this demographic change will vary between communities. Recent data details net migration figures to be heavily dominated by an out-migration of 1,100 people aged 25-34 years old, furthered by c.50 aged 35-54 (2013/14). Ageing demographics coupled with the falling net migration has resulted in restricted working age population.

3.3 Recent analysis conducted on behalf of Skills Development Scotland indicates that replacement demand over the next 10 years in Highlands and Islands will be 80,800 people, with the highest gaps in: Elementary occupations (21,100 people) with almost half, (47%) of these in Highland; this is followed by Professional occupations (15,900 people), 57% in the Highland area and skilled trades (12,800 people), 56% in the Highland area). This analysis does not consider potential out-migration as a result of Brexit which is likely to exacerbate the situation.

3.4 From a workforce perspective, given that Highland already has a high employment rate and the number of jobs (new and replacement) is forecast to increase, this means that the number of people available within the labour market and the pipeline of future talent for the Council and all employers are diminishing. There is a need to increase the working age population, this can be achieved through a number of measures, including encouraging:

- young people to remain
  (currently 40% of young people describe themselves as "committed stayers", and 15% are "reluctant leavers")
- young/working age highlanders to return
  (currently 25% of those who have left consider themselves as "potential returners")
- older individuals to continue to work
  (for example, reduced hours, flexible working arrangement, reasonable adjustments etc.)
- as well as, attracting skilled working age people to live and work in Highland
  (for example, 84% of EU migrants in Scotland are of working age and have higher education qualifications)

3.5 While the challenge facing the Council is shared with other employers across Highland, it is also one that is shared across the Highlands and Islands. In response to the need to ensure the Highlands and Islands has a skilled workforce for today and tomorrow, work has been progressing across partners to deliver a Highlands and Islands skills investment plan. The Council workforce requirements are wide-ranging and complex, with the need for technical, practical, professional and specialist skills across the

Highlands, these skills are needed across the partnership community, particularly NHSH. While action on skills is the primary focus of this work, it is recognised that it must be matched by action to attract people. To this end HIE commissioned consultants to prepare Talent Attraction, Retention and Return Strategy and Action Plan.

3.6 Partner agreement to the actions proposed and delivery mechanisms is still to take place but the Strategy and Action Plan usefully provides a framework for activity at both a Highlands and Islands regional level as well as at local and organisational levels. It offers therefore a useful guide as to how the Council (and partners) may wish to approach talent attraction, suggesting the need for four separate but complementary workstreams:

- Information on living and working in Highland, key employment sectors and occupational opportunities.
- Marketing and Promotion of the opportunities and reasons why it is good to remain, return or relocate to Highland.
- Attraction of specific target groups, for example returners, business start-up entrepreneurs.
- Retention of young people and those of working age.

It is suggested that efforts will be most effective by targeting reluctant leavers/stayers and those who have left but are keen to return to the Highlands. The Chief Officers Group of the Highland Community Planning Partnership (CPP) has already discussed the issue of talent attraction and there are opportunities to develop some new approaches with partners in particular areas with support through the community partnerships now in place.

3.7 The Council already undertake actions which support this activity, for example, the Enterprising Highland website; its Graduate Placement Grant; the Business Gateway service for start-up businesses, and Inverness and Highland City Region Deal. It is proposed that over the coming months the Council, in collaboration with partners, further develops this talent attraction strategy and action plan.

3.8 The Council as an employer will benefit from and be able to contribute to this activity. However, to do so also requires the Council to fully understand the workforce challenges it faces and the future skills needs it has. The recent commitment to employ 150 modern apprenticeships over the next 2 years and the development of a corporate approach to workforce planning are positive first steps. However, it is likely that a more collaborative approach will be required in order to prevent any future sustainability risks.

4. Council Workforce

4.1 It is worth noting that the Council's workforce age profile is consistent with the overall Highland trend, with over 40% of the council's workforce aged 50 or above, with less than 10% aged below 30. A Workforce Planning Strategy was approved for 2017-2022 under which we have a set of guiding principles designed to reflect need to attract and retain a workforce which meets service outcomes. There are 9 strategic objectives in the plan, 2 of which specifically relate to establishing agile workforces. The aim is to achieve this through effective recruitment and by generating a culture of transition, underpinned by upskilling and maximising retraining opportunities.

4.2   A consolidated approach to the 2017/18 Workforce Planning cycle has identified recruitment and retention as priority actions. The focus in the early years of the resultant action plan will be to develop our own workforce through modern apprenticeships and retention of knowledge through effective succession planning. The Care and Learning Service in particular is facing an acute challenge with regards to provision for schools and health visitors. It is also recognised that the Council has an aging workforce, with a substantial outflow of experienced staff in the next 5 to 10 years. A specific requirement is the increase in Early Years Provision from 600 to 1,140 hours per child, requiring a significant uplift in staff in this sector by 2020.

5.   Brexit

5.1   Currently about 3.2 Million EU nationals live in the UK. In the Highlands the estimate is that about 10% of the population are EU nationals. The government is looking to secure the status of British nationals living in other member states and EU nationals already living in the UK, as early as possible, but no guarantees have been given yet. Uncertainty is intensified by a very real concern about the potential number of highly qualified EU staff currently working in the UK and the Highlands who might decide to leave or be deterred from coming here at all.

5.2   The Highland Council has to prepare for the impact of Brexit on its workforce and develop a strategy and action plan to deal with challenges to consider direct and indirect risks associated with Brexit from an HR, procurement, financial and legal perspective. The most likely deadline for registration of EU Nationals in employment is March 2021, when a new system will be in place. The main issues to be addressed are:

- The requirement to identify EU nationals working for the Highland Council
- Provide re-assurance, guidance and support to employees during the Brexit Implementation period, and help them to obtain the correct status in order to continue their right to work in the UK
- Identify potential areas of unplanned vacancies and future recruitment difficulties of EU nationals due to Brexit.
- Prepare for impacts from a procurement, financial and employment law perspective

5.3   The upcoming Corporate Workforce Plan will present options for dealing with the challenges associated with Brexit that the Council faces as an employer.

6.   Council Future Workforce

6.1   The financial challenges facing the Council will inevitably require downsizing in terms of staff numbers. Consideration will also have potentially to be given to terms and conditions of service in order to create a more flexible, agile and affordable workforce profile. It is therefore expected that the Council will need to consider a range of innovative and far-reaching options and that members are likely to be asked to give consideration to these in due course due to the scale of the fiscal constraints being faced by the Council over the course of the next few years. The Council will continue to place great value in our partnership agreement with Trade Unions and priority will always be given to meaningful and constructive consultation prior to any major decisions.

6.2   The complex and diverse nature of the Council's workforce makes planning for future

skills requirements challenging. Discussions with UHI have highlighted that private sector organisations tend to have a more focused approach to future sector skills requirements and are thus able to secure future apprenticeship, further and higher education places. Although there are areas of good practice, such as recent engagement by council staff with UHI to discuss EYP opportunities, the approach that the Council has traditionally adopted has tended to be disjointed, with no real single point of contact with respect to future skills requirements.

7.   Summary

7.1   Many of the workforce challenges that the council faces are common across the Public Sector, the NHSH in particular. Developing innovative ways to attract skilled workers to the region is one area where increased collaboration should deliver economies of scale. Collaboration with public sector partners will also allow the Council to influence the UHI offer. This approach will support the concept of 'growing our own', the aim of which should be to target the 40% of committed stayers and 15% of reluctant leavers amongst young people to meet future skill requirements.

7.2   The importance of conducting work to mitigate against out-migration due to Brexit and supporting EU nationals within our workforce is an important emergent task that will require initiation in early 2018.

8.   Implications

8.1   Resource - Collation of details for EU nationals within the Workforce may require extra resource.

Legal – Nil.

Community (Equality, Poverty and Rural) – Equalities Impact Assessments will be conducted as work emerges on the Talent Attraction Retention and Returns action plan and Brexit mitigation.

Climate Change/Carbon Clever –.Nil

Risk – Workforce sustainability is a Corporate Risk.

Gaelic – Nil.

Designation:	Depute Chief Executive/Director of Corporate Resources
Date:	14 December 2017
Authors:	Steve Walsh, Head of People & ICT and Andy McCann, Economy & Regeneration Manager