

**The Highland Council
No. 15 2020/2021**

Minutes of **Special Meeting** of the **Highland Council** held REMOTELY on Thursday,
1 October 2020 at 10.30am.

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

Present:

Mr G Adam	Mrs D Mackay
Mr B Allan	Mr D Mackay
Mr R Balfour	Mr W MacKay
Mr A Baxter	Mr G MacKenzie
Mr B Boyd	Mrs I MacKenzie
Mr R Bremner	Mr S Mackie
Mr I Brown	Mr A Mackinnon
Mr J Bruce	Ms A MacLean
Mrs C Caddick	Mr C MacLeod
Mrs I Campbell	Mr D MacLeod
Miss J Campbell	Mr D Macpherson
Mrs G Campbell-Sinclair	Mr R MacWilliam
Mrs H Carmichael	Mrs B McAllister
Mr A Christie	Mr J McGillivray
Mr I Cockburn	Mr N McLean
Mrs M Cockburn	Mr H Morrison
Ms K Currie	Mr C Munro
Mrs M Davidson	Ms L Munro
Mr J Finlayson	Ms P Munro
Mr M Finlayson	Mrs M Paterson
Mr C Fraser	Mr M Reiss
Mr L Fraser	Mr A Rhind
Mr R Gale	Mr D Rixson
Mr J Gordon	Mrs F Robertson
Mr K Gowans	Mrs T Robertson
Mr A Graham	Ms E Roddick
Mr J Gray	Mr K Rosie
Mrs P Hadley	Mr G Ross
Mr T Heggie	Mr P Saggars
Mr A Henderson	Mr A Sinclair
Mr A Jarvie	Ms N Sinclair
Ms E Knox	Mr C Smith
Mr B Lobban	Ms M Smith
Mr D Louden	Mr B Thompson
Mrs L MacDonald	Mrs C Wilson
Mr A MacInnes	

In Attendance:

Chief Executive	
Executive Chief Officer, Performance & Governance	Executive Chief Officer, Infrastructure & Environment
Executive Chief Officer, Communities & Place	Executive Chief Officer, Property & Housing
Executive Chief Officer, Education & Learning	Executive Chief Officer, Resources & Finance
Executive Chief Officer, Health & Social Care	Executive Chief Officer, Transformation & Economy

Mr B Lobban in the Chair

Apologies for absence were intimated on behalf of Mrs J Barclay and Mr I Ramon.

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

The Council **NOTED** the following declarations of interest:-

Item 4 – Mrs D MacKay and Mr K Gowans (both Financial)

Item 4 – Mrs M Cockburn, Mr B Thompson, Mr A Christie, Mr A Jarvie and Ms L Munro (all Non-Financial)

Item 4.3 – Mr A MacInnes and Mr A MacKinnon (both Financial)

Item 5 – Mr A Christie (Non-Financial)

3. **Leader of the Opposition – Appointment** **Ceannard nan Dùbhlannach – Cur an Dreuchd**

Following the SNP Group's Annual General Meeting, and subsequent nomination, the Council formally **AGREED** the appointment of the new Leader of the Opposition - Mr R Bremner.

4. **Revenue Budget Update Report – October 2020** **Aithisg Ùrachaidh Buidseat Teachd-a-steach na – Dàmhair 2020**

Declarations of Interest

Mrs D MacKay declared a financial interest in this item as a member of the NHS Highland Board but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, and in terms of her dispensation, confirmed that she would take part in the discussion.

Mr A MacInnes and Mr A MacKinnon declared financial interests in this item as Directors of Organic Sea Harvest and confirmed that they would leave the meeting during this item by turning off their cameras and microphones.

Mr K Gowans declared a financial interest on the basis of a family member being an employee of High Life Highland but, having applied the test, confirmed that he would take part in the discussion (other than any specific/detailed discussion on High Life Highland).

Mrs M Cockburn and Mr A Jarvie declared non-financial interests as members of Inverness, Badenoch & Strathspey Citizens Advice Bureau but, having applied the test, concluded that their interests did not preclude them from taking part in the discussion.

Mr B Thompson, Mr A Jarvie and Ms L Munro declared non-financial interests as Directors of High Life Highland but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that their interests did not preclude them from taking part in the discussion.

Mr A Christie declared a non-financial interest as a non-Executive Director of NHS Highland but, having applied the test, concluded that his interest did not preclude him from taking part in the discussion.

There had been circulated Report No. HC/32/20 dated 24 September 2020 by the Executive Chief Officer, Resources and Finance.

Introducing the report, the Depute Leader of the Council referred to the unprecedented challenges over the previous six months as a result of the Covid-19 crisis and summarised the background to this budget update which had been deferred from the Council meeting on 10/11 September 2020. In this regard, reference was made to correspondence which had been sent by the Scottish Government, Cabinet Secretary for Finance, to the Chancellor of the Exchequer (contained within the report) outlining a number of funding flexibilities which could be offered to Local Authorities to help deal with recent additional pressures and risks, including the ongoing prevalence of Covid-19. Four options had been outlined and whilst he considered that Options 1 and 2 were less relevant to the Highland Council, Options 3 and 4 were of significantly more potential benefit and as such were being considered in more detail.

Key recommendations within the report, along with information in relation to the Crown Estate and the Roads Investment Fund, were also summarised.

The Leader of the Council expressed disappointment that no further guidance had been issued at the CoSLA Leaders' meeting in the previous week in relation to the Income Recompense Scheme, with only £90-£100m (one third of what had been predicted) being offered. As such, the importance of support for Local Authorities was emphasised and it was highlighted that the risks to the Council at present outweighed the opportunities. A letter had therefore been sent to the Cabinet Secretary for Finance in relation to accessing approximately £3m of income from second homes and it was stressed that critical decisions were now required, not least because the current budget gap forecast could have the effect of halving the Council's reserves which had taken so long to build up again.

During discussion, Members raised the following issues:-

- whilst welcoming an acceptance from the Depute Leader that there were benefits from the Options which had been detailed in the report, there was concern that Options 1 and 2 (adjustment to capital grant funding and capital receipts flexibility) were not being considered to be of significant benefit to the Council, particularly the £7-8m under Option 1 which could be used to off-set the Income Recompense Scheme;
- capital funds might not be able to be spent during the current year due to Covid-19 related industry delays and it would therefore be helpful to use the £3m of second homes income now even if it required to be repaid over three years;
- in terms of the Options which had been listed, there was around £92m of fiscal flexibility available. In this regard comparisons were drawn with English Local Authorities, many of whom were currently in a much worse financial position than the Highland Council, and as such it was suggested that the approach set out in the report appeared to be overly negative;
- in relation to Option 4, there was a proposed 20 year payback but it was suggested that a longer period might be preferable in light of the uniqueness of the current situation;
- following the deferring of this report on 11 September, concern was expressed at the length of time which had been taken to provide further financial detail for Members;
- with reference to the budget gap forecast of £11.254m, it was disappointing that the Scottish Government had not responded as positively as had been hoped to the Council's request for flexibility around the use of Council Tax income from second homes and it was suggested that further lobbying on this issue should be

undertaken;

- it was suggested that the Options in the report to raise funds should not be used until overspends had been accrued;
- it was expected that any funds distributed through the 'Barnett formula' for Scottish Local Authorities would be fully distributed by the Scottish Government;
- it was highlighted that many English Local Authorities had more commercial interests than was the case in Scotland and were therefore experiencing more significant financial challenges as a result;
- it would be extremely important to continue to lobby the Scottish Government for additional funds which did not require to be repaid;
- it was felt that although the report was fiscally prudent, it required additional vision, planning and leadership from the Administration;
- it was imperative that advantage was taken of interest rates which were at a historically low level in order to drive the economy forward and mitigate the negative effects of both Covid-19 and Brexit in particular and in this regard it was noted that many countries around the world were currently borrowing for this reason;
- it was vital that homes continued to be built in the Highlands, not least to retain young people in the area wherever possible in terms of planning for the future;
- in contrast to other comments, it was felt that borrowing on a short or long-term basis to pay for current expenditure did not demonstrate good financial management and that instead consideration should be given as to what might not actually be affordable in the future;
- the importance of tourism to the Highland economy could not be emphasised highly enough;
- it was noted that in-depth work on funding packages with CoSLA and other Local Authorities was ongoing and further detail would be provided in due course;
- considerable work had gone into building up the Council's reserves and as such it was considered that they were there to be used, not least to minimise the impact on communities, alongside the options which the Council had received in relation to future financial flexibility;
- it had to be acknowledged that the financial challenges being faced were mainly a result of the current Covid-19 crisis which was unprecedented and although borrowing to fund revenue budgets was not ideal, it should be considered at the present time;
- attention was drawn to the importance of playparks for the mental and physical wellbeing of children who had suffered throughout lockdown. In this regard, it was proposed that the £100k Playpark Fund should be retained to allow essential maintenance and re-opening of parks, with the first bids to come to the next full Council meeting in October. Also, Wards with unspent Covid-19 money, especially in deprived areas, should be allowed to spend their money on projects to assist children and adults post-Covid-19, such as contributing to playpark equipment, if they chose to do so;
- the Cabinet Secretary for Finance had confirmed on the previous day that the Scottish Government had already passed on more funding to Local Authorities than had been received in consequentials and were also developing a 'lost income scheme'. In addition, a letter had been sent to the Chancellor of the Exchequer in relation to a package of fiscal flexibilities which had been referred to as a 'game changer' by the Leader of the Council;
- it was queried as to whether the Council could afford to fund playparks in the current circumstances;
- it was important to be flexible when considering future borrowing levels and to work in partnership wherever and whenever possible;
- given the scale of the challenges being faced, and not least in light of expectations that further phases of Covid-19 were likely, it was considered that Options 1 and 2

within the report would not be sufficient but that a detailed focus should be given to Option 4 in particular;

- it would perhaps be beneficial for a 'post Covid-19' cross-party Working Group to be set up to consider the options available at that time in regard to future expenditure;
- in relation to the monthly income and expenditure reporting format, it was confirmed that this was presented regularly to the Corporate Resources Committee;
- Council reserves were currently at their highest level in thirteen years and as such it was suggested that they should be used before further borrowing was contemplated;
- in terms of accessing financial information, it was confirmed that a new system was being developed for Members and, following Covid-19 related delays, should be available for use in the coming months, alongside a Seminar in this respect;
- it was acknowledged that the early predictions of a £90m overspend as a result of Covid-19 had been inaccurate but this had been based on a worst-case scenario at that time;
- it would be preferable for the Council if additional borrowing was only considered as a last resort;
- there was support for Options 3 and 4 within the report but further detail was required in the first instance and a report would need to be brought back to the Council prior to a final decision being taken;
- it should be recognised that the Highland Council already had the third highest level of borrowing of all Scottish Local Authorities;
- the impact of additional borrowing on future generations was also highlighted and had to be taken into account as part of any future decision by the Council; and
- in relation to the Barnett consequential, it was clarified that £50m had been issued to the Scottish Government and the Highland Council's share of this had been duly passed on (around £2-3m). In addition, there was a second tranche of funds of £90m which was still being discussed by CoSLA.

Thereafter, the Convener, seconded by Mrs M Davidson, **MOVED** the recommendations as detailed in the report.

As a **FIRST AMENDMENT**, Dr I Cockburn, seconded by Mr D Loudon, moved that the following items listed in Table 10.4 of the report be re-instated - Highland Deal, Rural Transport and Playparks, with the first two items to be financed from the Second Home Council Tax and Playparks to be funded from the accounting error of £100k in the Table on Page 20 of the report (Improvement in HLH/Eden Court deficit position).

At this point, the Leader referred to the three items which were being detailed in the amendment – Highland Deal, Rural Transport and Playparks – and advised that the proposal within the report was for these items to be delayed (and not removed).

The Leader also sought clarification from Officers as to whether there had in fact been an accounting error of £100k on Page 20 of the report as had been stated. (Upon checking, it was subsequently confirmed by the Head of Corporate Finance & Commercialism that there had not been an error in this regard).

As a **SECOND AMENDMENT**, Ms M Smith, seconded by Ms P Munro, moved as follows:-

- to retain the £100k Playpark Fund under Contingencies Item 10 to enable some playparks to re-stock by Spring 2020 and further to allow the first bids to come to the next full Council meeting in October; and

- to allow Wards with unspent Covid-19 money, especially in deprived areas, to spend money on projects to assist children and adults post Covid-19, such as contributing to Playpark equipment.

On a vote being taken between the **FIRST AMENDMENT** and the **SECOND AMENDMENT**, the **FIRST AMENDMENT** received 27 votes and the **SECOND AMENDMENT** received 37 votes, with 5 abstentions, and the **SECOND AMENDMENT** was therefore **CARRIED**, the votes having been cast as follows:-

For the First Amendment

B Allan, B Boyd, R Bremner, I Brown, J Bruce, G Campbell-Sinclair, I Cockburn, M Cockburn, K Currie, C Fraser, K Gowans, A Jarvie, E Knox, D Louden, Mr D Mackay, G Mackenzie, I Mackenzie, S Mackie, D MacLeod, R MacWilliam, J McGillivray, N McLean, E Roddick, K Rosie, P Sagers, A Sinclair and C Smith.

For the Second Amendment

G Adam, R Balfour, C Caddick, J Campbell, H Carmichael, A Christie, M Davidson, J Finlayson, M Finlayson, R Gale, J Gordon, A Graham, J Gray, P Hadley, T Heggie, B Lobban, L MacDonald, Mrs D Mackay, W Mackay, A MacLean, C MacLeod, B McAllister, H Morrison, C Munro, L Munro, P Munro, M Paterson, M Reiss, A Rhind, D Rixson, F Robertson, T Robertson, G Ross, N Sinclair, M Smith, B Thompson and C Wilson.

Abstentions

A Baxter, B Campbell, L Fraser, A Henderson and D Macpherson.

Thereafter, and following a short adjournment, the Administration agreed to accept the second part of the Second Amendment, namely for Wards with unspent Covid-19 money, especially in deprived areas, to spend money on projects to assist children and adults post Covid-19, such as contributing to Playpark equipment.

It was also agreed that early consideration would be given (in the first instance by the relevant Strategic Committee) to the proposal to retain the £100k Playpark Fund under Contingencies Item 10 to enable some playparks to restock by Spring 2021 with a view to coming to a conclusion on this by the December Council meeting. In response to this agreement, the mover and seconder of the second amendment confirmed that it was now withdrawn.

Decision

The Council **NOTED** the changing context as outlined in the report and **AGREED** to take these factors into consideration as part of any future decision making.

Members also **AGREED** following recommendations as presented in the report to the Council meeting on 10/11 September:-

- to lobby both the UK and Scottish Governments for additional funding as outlined;
- the release of the £3m Crown Estate Investment Funds;
- the release of the £2.293m Roads Investment Funds;
- to hold back spend on the remaining investment funds as detailed in Section 10.4 of Appendix 2 until there was greater certainty on the budget position;
- to note the medium-term financial context and acknowledge the significant financial risks facing the Council;
- to note that budget update reports would continue to be provided to all Council

- meetings as agreed at the Council meeting on 25 June; and
- to progress the capital projects as outlined in Appendix 2 to the report.

It was further **AGREED** to set aside the sum of £10.9m from the Council's General Fund non-earmarked reserve to offset the expected increase in the Council's budget gap arising as a result of reduced expectations of funding from the income recompense scheme and changed expectation that the income from second homes council tax would be able to offset the budget gap as outlined in Section 5 of the report.

In addition, it was **AGREED** to allow Wards with unspent Covid-19 money, especially the deprived areas, to spend money on projects to assist children and adults post Covid-19, such as contributing to Playpark equipment.

Also, that early consideration should be given (in the first instance by the relevant Strategic Committee) to the proposal to retain the £100k Playpark Fund under Contingencies Item 10 to enable some playparks to restock by Spring 2021 with a view to coming to a conclusion on this by the December Council meeting.

5. Learning Estate Improvement Programme and Capital Priorities Prògram Tasgaidh / Priomhachasan Calpa na h-Oighreachd Ionnsachaidh

Declaration of Interest – Mr A Christie declared a non-financial interest in this item as a non-Executive Director of NHS Highland but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that his interest did not preclude him from taking part in the discussion.

There had been circulated Report No. HC/33/20 dated 25 September 2020 by the Executive Chief Officer, Resources and Finance.

During discussion, Members raised the following issues:-

- it should be noted that the report was not a review of the Capital Plan but rather a re-affirmation of decisions already taken;
- the response timescale for the Learning Estate Improvement Programme and Capital Priorities (LEIP) was short but the Council was fortunate to have already made key priority decisions. Community consultation had been undertaken and Members, Officials, other stakeholders and members of the public were thanked for their involvement. In summary, the Tain 3-18 Campus project continued to be developed to meet the August 2024 completion date and Broadford Primary School had been nominated as the Council's priority for inclusion in Phase 2 of the LEIP, with Nairn Academy as the second priority;
- it was welcomed that the Estate Strategy Manager would be attending a Ward Business Meeting to discuss issues relating to St Clement's School, Dingwall;
- consultation with families had indicated a strong desire for Park Primary School to be relocated back to its original site and it was hoped that this could be achieved by April 2021 through the use of modular units, with full detail on this in the report;
- there was strong support for the much needed work in relation to the schools which had been detailed in the report;
- the poor state of repair and/or over-capacity of many other schools across the Highlands was also highlighted;
- the Passivhaus design approach, considered to be the most likely way to achieve the required energy efficiency outcome, was welcomed and it was hoped that locally sourced materials would be used as much as possible;

- the urgent need to start work on the new North Coast Care Facility was emphasised;
- the importance of future action, in addition to having projects 'shovel' and 'bid' ready', was stressed;
- attention was drawn to the fast-growing population in Inverness and resultant school capacity issues;
- it was noted that work was ongoing to improve planning gain from new housing developments;
- clarification was sought and received on future capacity planning for schools and in this regard Members were urged to contact the relevant Area Education Manager for information on specific schools if required;
- a status update on works at Inverness High School was sought and provided; and
- the importance of efficient project management in relation to school improvements was emphasised.

Decision

The Council **AGREED**:-

- (i) that, following its formal inclusion in Phase 1 of the LEIP, the Tain 3-18 Campus project should continue to be developed to meet the August 2024 completion date expected for all Phase 1 projects, with a commitment to fund the project from the Capital Programme and deliver it in line with the Scottish Government's outcomes-based revenue funding model, all as outlined in Section 5 of the report;
- (ii) that Broadford Primary School should be nominated as the Council's priority for consideration by the Scottish Government for inclusion in Phase 2 of the LEIP with Nairn Academy also nominated as the next priority, as outlined in Section 6;
- (iii) that capital funding be allocated from the School Estate Improvement budget heading to enable Park Primary School to return to the Park campus while the long-term options for a new build were considered as outlined in Section 7; and
- (iv) to reaffirm the commitment for a replacement care facility to serve the Sutherland North Coast area and that an options appraisal be carried out on the alternative capital or revenue funding approaches as outlined in Section 8 and brought back to the Council meeting on 29 October with recommendations to ensure delivery of this commitment as a matter of urgency.

The meeting ended at 2.45pm.