Agenda Item	3
Report No	HC/1/22

THE HIGHLAND COUNCIL

Committee: **Highland Council**

Date: **3 March 2022**

Report Title: **Revenue budget 2022/23 and medium-term financial outlook**

Report By: **Executive Chief Officer- Resources and Finance**

1. Purpose/Executive Summary

1.1 The Council is required by law to set a balanced budget and agree Council Tax rates for the coming financial year. This report provides details of the Council's expected budget gap for the period 2022/23 and proposals for closing the gap.

1.2 The budget reflects the requirement of the CIPFA Financial Management Code where senior officers have involved Members to deliver a budget that works towards ensuring the long-term financial sustainability of the Council.

1.3 This budget is being set in a highly uncertain economic context with significant challenges ahead and regular budget review is planned. Despite these challenges the budget put before Members today presents a balanced budget for 2022/23 that encompasses significant investment for the communities of the Highlands.

1.4 **Appendix 1** to this report presents 'Sustainable Highland- Health and Prosperity Strategy 2022/23'. The strategy has three inter-related strands covering:

- Future Highlands – Ambitious, Sustainable, Connected;
- Recovery and Risks;
- Delivering Sustainable Services.

These three strands set out the priorities for Council spend to deliver ambitious, sustainable and connected services, that will ensure the Highlands not only recovers from the pandemic but thrives into the future.

1.5 Due to the challenging financial environment the Council is proposing a below inflation increase to Council Tax rates for financial year 2022/23 of 3%.

1.6 The medium to long-term financial outlook for the Council still remains challenging and there is an estimated residual budget gap of £80.4m over the period 2023/24 to 2026/27. Meeting a budget gap of this size will require substantial transformative activity.

2. Recommendations

2.1 Members are asked to:

i) Agree the £10m of investment in a 'Sustainable Highland' as described in section 17 of this report and **Appendix 1**;
ii) Agree the Council Tax rates for 2022/23 as illustrated in **Appendix 6**;
iii) Note the Council will apply the Scottish Government funded £150 Cost of Living Award as a Council Tax credit to all eligible persons;
iv) Agree the new budget savings proposals for 2022/23 as summarised in **Appendix 10**;
v) Note the previously agreed budget savings no longer deliverable as described in section 15 and **Appendix 8**;
vi) Approve the payment of £1.5m to High Life Highland (HLH) in financial year 2021/22 and approve the creation of a £1m earmarked reserve held for the purpose of providing financial support to HLH if they are not able to further mitigate their forecast deficit for 2022/23;
vii) Agree the removal of the savings proposal relating to High Life Highland in October 2021 as outlined in section 9.10;
viii) Agree the use of reserves to fund Covid pressures as described in sections 11.4 and 16.4;
ix) Agree the planned use of reserves for investment and addressing Covid budget pressures as described in section 19.2 of this report:
x) Agree a medium-term target level for non-earmarked general fund reserves of 3% of the Council's annual revenue budget and to increase the reserve to this level over the course of 2022/23 if circumstances permit.

3. Implications

3.1 Resource implications are as noted in this report with the impact of the proposed budget on the Council's reserves fully covered in section 19. Overall the approved budget and planned investment will see the Council's non-earmarked general fund reserve reduce to £12.5m, or slightly under 2% of the annual revenue budget.

3.2 Risk Implications - The Council must set a balanced budget and the recommendations from this report will achieve that for financial year 2022/23. The development of the proposed revenue budget involves the identification of areas of risk and uncertainty. To mitigate this, officers are actively involved at a national level to ensure that they are aware of, and have assessed, all identifiable potential risks.

Nevertheless, it is not possible to eliminate all risk. Some estimates, particularly around budget pressures, are subject to wider economic variables. Other risks are due to factors outwith the Council's control, such as inflation-related risks, staff pay awards, any continuing impact of Covid, severe adverse weather events or interest rate increases. This emphasises the importance of maintaining reserves at a level sufficient to cope with any emergent situation and this is fully covered in section 19 of this report.

The medium to long-term outlook for the Council's finances continues to look challenging with a budget gap of £80.4m still showing for the period 2023/24 to 2026/27. The Council needs to ensure a focus on the transformational activity as described in 'Sustainable Highland' to ensure its longer-term financial sustainability.

3.3 Legal- Councils are legally required to set a balanced budget for each financial year. Council Tax rates for the new financial year must be decided by the 11th March of the previous financial year. By agreeing the budget today, the Council will meet both of those legal requirements.

3.4 Community Impacts – Assessing for impact is an integral part of the budget process. This is to help understand the potential impacts of the proposals:

- on groups protected under the Equality Act 2010 and under the Public Sector Equality Duty;
- any specific impacts upon rural and island communities; and
- socio-economic impacts, including impacts upon individuals, upon their opportunity to access services/employment or upon particular vulnerable communities.

A summary of impacts, including where mitigation has been identified, is contained within the accompanying detailed savings templates. Following screening, none of the savings proposed have required a full Equality Impact Assessment. A number of proposals highlight where reviews are due to take place and assessment for impact will be undertaken as part of the review process and reported as part of the outcomes for those reviews.

The Health and Prosperity Strategy at **Appendix 1** outlines a series of priorities for both investment and for transformation. As with all projects or programmes, an essential element of these strands will be assessment for impact.

3.5 Climate Change/Carbon Clever Implications- Planned investment in a number of specific areas should see the Council contributing positively to minimizing its carbon footprint. Positive carbon impacts should also arise from certain savings, most notably those relating to asset rationalisation and reducing travel.

3.6 Gaelic implications: There are no direct implications on the approach to the promotion of Gaelic through this budget report.

4. Budget setting context- Macroeconomic considerations

4.1 Whilst this budget focuses specifically on the Highland Council's planned spend for 2022/23 it is essential to consider that planned spend in the context of everything that is happening in the world around us. Those wider macroeconomic factors will also help inform our medium-term outlook and views on long-term financial sustainability. Significant factors, such as the Covid pandemic and Brexit, may continue to influence the economy in a significant way with knock-on impacts for the Council. The section below aims not to identify the causal factors individually, but rather look at the effects that could impact significantly on the Council.

4.2 Whilst the Covid pandemic may be a driver for many of the factors outlined below it is in itself a significant item to consider for the medium term. There appears to be great positivity that we may be through the worst of the pandemic but unexpected challenges may still lie ahead. The Council may have to continue to deal with further outbreaks of one kind or another which may impact directly on how services are provided. Furthermore the medium and long-term impacts of Covid may begin to emerge even more over the coming year, with the impacts of the hidden harms of Covid becoming more visible and requiring the Council to respond.

4.3 Regardless of cause, inflation has become a hugely significant factor in the Council's budget setting for 2022/23. The level of budget pressures requiring to be addressed in 2022/23 is much higher than it has been in recent years, a large part of which is due to £8.2m of contractual cost increases linked to inflationary factors. The rising cost of fuel, labour and materials impacts on both the Council's direct and indirect costs. A prolonged environment with high levels of inflation may lead to budget overspends during 2022/23 as well as widen budget gaps for future years.

4.4 Whilst interest rates remain low by historic standards they are nevertheless on an upward trajectory. The Council has significant levels of debt incurred from financing previous capital investment and whilst much of that debt is at fixed rates, new loans will require to be taken out to refinance any maturing loans or to meet the cost of new capital investment. Rising interest rates could therefore cause direct pressure on the Council's loans charges budget whilst also increasing costs from Council suppliers.

4.5 The rising cost of living will be felt by every person living in the Highlands. As an employer the Council may see increased demands for wage settlements from its employees and the pressures the rising cost of living places on families and households may lead to increased demand for Council services. Whilst the medium to long-term outlook in regard to the cost of living is highly unclear the short-term effects are becoming increasingly noticeable.

4.6 Changing demographics will continue to affect the Council, both the age profile of the Highland population but also how that population is dispersed across the vast geographic area of the Highlands. An increasing older population with increasing demands for Health and Social Care is recognised through additional funding provided by the Scottish Government. The increasing urbanisation of the Highland population is seeing greater demand for services in our built-up areas with reducing demand in many rural areas. This shift can be seen in the 2022/23 budget from costs associated with new schools yet the invisible cost is that local services in outlying areas may be increasingly inefficient as they deal with smaller client numbers.

4.7 Section 8 of this report provides detail about the funding settlement for the Council from the Scottish Government for 2022/23. Given the Council's reliance on government funding (around 80% of our external income comes from Government with only 20% from Council Tax) the success of the economy and subsequent policy choices made by Government will continue to be a major factor in determining the future structure of the Council and the level of services we deliver.

4.8 The medium and long-term outlook for the Council as outlined in section 7 will be very much influenced by all the factors outlined above. Given the great uncertainty over many of these items, along with the scale of the short-term financial challenge facing the Council, medium and long-term financial planning is increasingly difficult.

5. Budget setting context- CIPFA Financial Management Code

5.1 The CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

5.2 It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. The Code has underlying principles of leadership, accountability, transparency, adherence to professional standards, assurance and long-term sustainability.

5.3 The FM Code has seven sections covering the following key areas (with sections 3 and 4 being of greatest relevance to this paper):

1. Responsibilities of the chief financial officer and leadership team
2. Governance and financial management style
3. Long to medium-term financial management
4. The annual budget
5. Stakeholder engagement and business plans
6. Monitoring financial performance
7. External financial reporting

5.4 With regard to long to medium-term financial management the Code requires that the authority has carried out a credible and transparent financial resilience assessment and understands its prospects for financial sustainability in the longer term and has reported this clearly to members. The authority is also required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities as well as have a rolling multi-year medium-term financial plan consistent with sustainable service plans.

5.5 In respect of the annual budget the Code requires authorities to comply with its statutory obligations in respect of the budget setting process. The budget report is also to include a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

6. Budget setting context- current year (2021/22) financial position

6.1 As the Council sets its budget on an incremental basis (i.e. using the 2021/22 budget as a base for building the 2022/23 budget) it is important to understand the current year budget in order to plan for the coming year.

6.2 The overall 2021/22 revenue budget position was reported to the Corporate Resources committee in January 2022 (a link to that paper is provided in the background papers section of this report) with the overall budget showing a £0.179m overspend for the year. This near-balanced position would result in the Council's non-earmarked general fund reserve sitting at £26.167m at 2021/22 financial year-end.

6.3 The budget for 2021/22 has been heavily influenced by Covid, with additional Scottish Government funding added to the budget offsetting a range of cost pressures arising from the pandemic. This general, one-off funding will reverse out in 2022/23 but, as explained in section 11, a number of these pressures will be persisting into 2022/23.

6.4 Other significant factors underlying the 2021/22 position include an assumed payment of £2.5m to High Life Highland to support their in-year deficit arising as a result of the financial impact of pandemic restrictions which is covered in more detail in section 9 of this report. Inflationary pressures seen in 2021/22 in relation to transport contracts and salt are addressed as part of the budget pressures for 2022/23.

6.5 As part of the 2022/23 budget work any significant budget variances in 2021/22 were reviewed to understand whether they offered the opportunity for the delivery of savings in 2022/23 or required additional budget funding. Many of the items on the budget savings and budget pressure lists arise as a result of that review.

7. The budget gap- 2022/23 to 2026/27

7.1 As outlined in section 5, the CIPFA Financial Management code is clear that medium to long-term financial management must be a key consideration of all those responsible for a local authority's finances. In that regard this paper looks to set out the anticipated budget gap over the next five years to ensure that sufficient focus is put on the longer-term changes needed to secure the Council's financial sustainability.

7.2 A number of key assumptions have to be made in estimating that gap and given the uncertain wider economic context described in section 4 those assumptions will need to be regularly revisited as part of the Council's budget review process, more details of which can be found in section 20 of this report.

7.3 Specific assumptions have been made for financial year 2022/23 and these are outlined in more detail in sections 8 to 11 below. More general assumptions across the subsequent four years are as follows:

- Pay- an annual 2% uplift plus an allowance for increments
- Budget pressures- £10m in 2023/24, tapering down to £7m in 2026/27
- Change in core Government funding- a flat cash annual settlement, with a £5.432m reduction in 2023/24 (see section 8)

7.4 As the table below shows, the Council is forecasting a budget gap of £114.5m over the coming five-year period. This gap arises as a result of expected increases in costs, making an allowance for recurring roads investment, addressing existing pressures on the budget, ensuring funds are available to mitigate one-off issues requiring resolution, and forecast changes in core and exceptional funding from Government. More details on these factors are provided in the subsequent sections of this report.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Five year total £m
Cost increases:						
Pay increases	15.2	10.3	10.0	9.7	9.5	54.7
Budget pressures	18.4	10.0	9.0	8.0	7.0	52.4
Investment:						
Recurring roads investment	2.0	1.5	0.0	0.0	0.0	3.5
Funding changes:						
Decrease in Government funding- core	3.9	0.0	0.0	0.0	0.0	3.9
Increase in Government funding- one-off 2022/23	-5.4	5.4				0.0
BUDGET GAP BEFORE MITIGATION	**34.1**	**27.2**	**19.0**	**17.7**	**16.5**	**114.5**

7.5 Whilst the figures included in the table above use what is considered a prudent set of assumptions there is obviously the potential for significant variance either between years or across the five-year period. An illustration of the impact of potential changes is provided below:

- A 1% annual change in the pay assumption will have an average +/- £3.8m annual impact or a +/-£19m impact over the five year period
- A 1% change in the government funding assumption will have a +/- £5.2m annual impact or a +/-£20.8m impact over the period 2023/34 to 2026/27

7.6 The budget gap can be closed by increasing the income generated from Council Tax, increasing income generated by other means (e.g. fees and charges) or by reducing expenditure on the provision of services through efficiencies or changes to the levels of service provision. Details of how the budget gap for 2022/23 will be closed are provided in sections 12 to 16 of this report.

8. Scottish Government Funding settlement

8.1 The Scottish Government has already given the details of the local government funding settlement for 2022/23 and has committed to undertaking a spending review during calendar year 2022 with an aim to give local authorities greater certainty over their medium-term funding.

8.2 On the 9th December the Scottish Government announced their draft budget. Some considerable analysis of the settlement was required to unpick the exact detail of the settlement, but the key aspects for Highland are outlined below:

- A core funding reduction of £3.9m
- Ring-fenced funding for social care of £24.8m (around £17.1m of this is new, £7.7m repeating 2021/22 funding)
- Ring-fenced funding for education of £6.5m (around £0.9m of this is new, £5.6m repeating 2021/22 funding)
- Additional funding for the implementation of Scottish Government policies- free school meals, music tuition, curricular charges and child bridging payments
- No restrictions placed on local authorities around increases to Council Tax rates

The funding letter from the Cabinet Secretary for Finance regarding the settlement can be seen at **Appendix 2**.

8.3 Across Scottish local authorities the overall position for core funding was that of a flat cash settlement, with Highland doing worse than the average position as a result of the distribution mechanism and underlying empirical data. As a result of the national core flat cash settlement and how that related to the significant cost increases facing local authorities COSLA conducted a campaign to lobby the Scottish Government to provide more funding for local authorities.

8.4 As a result of that campaign, stage 2 of the parliamentary budget process saw the Scottish Government decide to allocate an additional £120m to local authorities, of which Highland's share is £5.4m. The funding letter accompanying this announcement, which can be seen at **Appendix 3**, made very clear that this funding was one-off for 2022/23 and would not be recurring. As can be seen from the table at section 7.4 whilst this additional funding helps mitigate the budget gap in 2022/23 the reversal of it will widen the gap for 2023/24.

8.5 The combination of the core funding reduction detailed at the first bullet point in section 8.2, combined with a one-off cash uplift of £5.4m described at section 8.4, gives an overall increase of £1.5m in the Council's core funding. It is important to identify the change in the Council's core funding as part of the funding settlement as this funding reflects the financial support available from government to support existing activity as opposed to funding provided for increased activity. The cost of the existing activity invariably rises from year to year, as described in sections 10 and 11, as a result of inflationary and other factors. For 2022/23 the increased funding of £1.5m compares with increased costs of £35.6m.

8.6 In terms of the additional specific funding provided for social care, education, and other government key policy areas no recognition of these items is made in the Council's budget gap calculations. As this funding has to be spent as additionality to current spending levels the net impact of this funding on the budget gap is zero- the increased funding will be offset by additional expenditure. It is intended that all the additional funds will be passported directly to the relevant Council service area- more detail on the social care funding is provided in section 9 of this report.

8.7 In terms of the assumptions for the 5-year budget gap in section 7 a flat cash assumption has been used for years 2023/24 to 2026/27 albeit in 2023/24 the one-off funding for 2022/23 is reversed, leading to an overall funding reduction. There is great uncertainty over the funding outlook for local government and, as the recurring core settlement for 2022/23 shows, there is the potential for significant funding reductions in future years. The Government's intended spending review may help give more certainty over that outlook.

9. Partnership working- NHS Highland and High Life Highland

9.1 As outlined in section 8 of this report the Scottish Government has made significant additional funding available in 2022/23 for investment in social care. That additional funding is intended to support a variety of policy initiatives including supporting pay levels in the adult social care sector including the delivery of a £10.50 minimum wage, recurring investment in care at home, an uplift in free personal nursing care rates and an overall investment in capacity and services.

9.2 Highland Council continues to work in partnership with NHS Highland and officers have identified that the additional funding provided by the Scottish Government will be more than sufficient to meet the uplifted cost of all existing commitments. It is intended that collaborative working will identify joint expenditure priorities for the surplus funding in order to ensure the delivery of the best possible outcomes for all people across the Highlands.

9.3 Detail of the delivery of adult and children's services will continue to be monitored through the Joint Monitoring Committee (JMC) and it is expected that that forum will ratify the investment plans for the surplus funds.

9.4 As detailed in section 6.4 of this report the Council is currently forecasting a £2.5m above-budget contribution to High Life Highland (HLH) in 2022/23 to support that organisation through the financial impact of the pandemic. As part of the budget setting for 2021/22 a risk item to the value of £3.4m was identified in relation to HLH and so the current forecast reflects the efforts made by the organisation to mitigate the impact of the pandemic.

9.5 As part of their most recent financial forecasts HLH are anticipating that the ongoing impact of the pandemic will continue to affect their financial position during 2022/23 for which financial support from the Council is likely to be required. This support is requested solely to address the loss of income from pandemic restrictions.

9.6 HLH's latest projections for 2021/22 and 2022/23 reflect deficits of £3.5m and £1.6m respectively. The deficit figure projected for 2022/23 reflects the position after significant management action is undertaken- in particular relating to maintaining current leisure opening hours (reflecting reductions from pre-Covid levels), temporary reductions in spend on the library resource and other funds, some staffing realignments and increased income generation approaches.

9.7 HLH will further mitigate a significant part of these deficits through their reserves built up during 2020/21 and previous years however there will be a residual balance for which funding support from the Council has been requested. The table below gives the anticipated levels of funding requested from the Council in both years. At the end of financial year 2022/23 HLH's overall reserves would stand at approximately £0.3m if the approach below is followed.

Year	Forecast deficit	Deficit funded from HLH reserves	Deficit funded by Highland Council
2021/22	£3.5m	£2m	£1.5m
2022/23	£1.6m	£0.6m	£1.0m

9.8 Members are asked to approve the payment of £1.5m to High Life Highland in financial year 2021/22 and to approve the creation of a £1m earmarked reserve held for the purpose of providing financial support to HLH if they are not able to further mitigate their forecast deficit for 2022/23.

9.9 This proposed approach will have no impact on the Council's forecast non-earmarked reserves position for 2021/22 or 2022/23 as the overall £2.5m cost is already reflected in the Education and Learning service forecast outturn position for 2021/22.

9.10 The agreement between the Council and HLH states that the annual service fee payable to HLH will be adjusted annually to reflect the overall change in the Council's core funding settlement. As part of the budget savings agreed in October 2021 an assumed 1.5% reduction in the HLH service fee was approved that reflected the assumptions from that time about the change in the Council's funding. Given the Council's core funding settlement for 2022/23 will now be showing a slight overall increase, that budget saving will not be applied and instead an uplift of £0.044m will be applied to the HLH services fee in line with the service agreement.

10. Pay and pensions cost adjustments

10.1 The Scottish Government's budget announced on the 9th December included its public sector pay policy.
[Public sector pay policy 2022 to 2023 - gov.scot (www.gov.scot)]

This pay policy provides a highly differentiated approach to pay increases with lower earners receiving a much higher percentage increase than higher earners.

10.2 The public sector pay policy applies to devolved public bodies only and therefore does not apply to local government. The local government pay settlement is agreed in separate negotiations between COSLA and the trades unions which, as yet, have not progressed.

10.3 For the purposes of setting the Council's budget an overall pressure in respect of pay equal to slightly more than 2% of the overall salaries budget has been included. It is anticipated that this sum would be sufficient to allow a pay award equivalent to the public sector pay policy to be funded.

10.4 There is a significant risk that the cost of the pay award ultimately agreed exceeds the allowance noted above. The rising cost of living has seen the opening claim from the trades unions for the 2022/23 pay award to be a flat-rate £3,000 per staff member. A pay settlement of that order could cost the Council in excess of £30m.

10.5 A separate discussion on the pay award for teachers is held with the teaching unions. As it currently stands the 2021/22 award for teachers has not yet been agreed. This poses a risk for both the 2021/22 and 2022/23 budgets if an agreement is reached which is in excess of current budgetary provisions. The outcome of any discussions may also impact on the acceptability of any offer for 2022/23. Whilst in the past the Scottish Government has sometimes made additional funding available to meet the excess cost of a teacher pay award it is not incumbent on Government to do so-meaning this is a risk the Council ultimately bears.

10.6 For 2022/23 the Council has also included a budget pressure in relation to incremental progression along the salary scale for all eligible staff. This approach will help maintain the integrity of staffing budgets and prevent the creation of any additional negative 'budget holding codes'.

10.7 Another element of the pay pressure relates to the consolidation of the living wage into the Council's pay scales. This additional cost reflects that the grades in the bottom section of the Council's pay scale are paid at the same living wage rate. The Council has agreed with the trade unions an approach to dealing with this issue and adding differentiation into the pay scales but the resolution to this issue does come at a cost. This issue has the potential to recur in future at further cost depending on the nature of future pay awards, with differentiated pay awards (as opposed to flat rate increases across all grades) highly likely to cause this problem to recur.

10.8 Around £3.4m of the pay pressure results from changes to the employer National Insurance contribution rate effective from the 1st April 2022. The change, instigated by the UK Government to support investment in social care, sees a 1.25% increase in both the employer and employee contribution rates. Whilst the cost to the Council as an employer is estimated at £3.4m the change to the employee rate is one of the contributory factors to the significant pay claim made by the trades unions.

11. Budget pressures

11.1 The figures in the table at 7.4 described as 'budget pressures' contain a variety of items for which additional funding is required to be added to the budget. These figures can be categorised under a number of key headings, including the ongoing financial impact of Covid. The table below provides a summary of all items by service area and by type, with the full details seen in **Appendices 4** and **5.**

Service	Contract inflation	Existing cost pressures	Legislative change	New expenditure commitments	Undeliverable & unmitigated 21/22 savings	Ongoing Covid impacts	**Total £m**
Communities & Place		0.085	0.228	0.080	0.019		**0.412**
Education & Learning		1.502				0.250	**1.752**
Health & Social Care						1.900	**1.900**
Infrastructure, Environment & Economy	3.006				0.609	3.256	**6.871**
Performance & Governance		0.005					**0.005**
Property & Housing	1.895			0.706		0.200	**2.801**
Resources & Finance		0.280	0.145	0.250			**0.675**
Transformation	0.204			0.165		0.056	**0.425**
Corporate	3.091		0.510				**3.601**
Total	**8.196**	**1.872**	**0.883**	**1.201**	**0.628**	**5.662**	**18.442**

11.2 The nature of the budget pressures in the table above is that they generally reflect structural issues in the budget that need to be resolved on a long-term basis by the permanent adjustment of budgets.

11.3 As the table above clearly illustrates, inflationary factors of £8.196m are the most significant factor in the Council's elevated level of non-staffing budget pressures. To illustrate this increase, the comparative contract inflation pressure for the 2021/22 budget was £2.522m. The largest elements of this category relate to utility cost increases, school and public transport contract cost increases, and the annual contractual indexation of the PPP contracts.

11.4 Budget pressures in relation to Covid are highlighted separately from all other pressures as it is anticipated that the budget pressures caused by Covid will be temporary and not require long-term structural adjustments to budgets. It is anticipated that budget pressures of this nature will reverse out during 2023/24 and, as shown in the table at 12.2, it is felt appropriate that during 2022/23 these pressures are funded from the Council's reserves. The Council's reserves are sitting at a slightly elevated level as a result of additional funding received from the Scottish Government to address the impact of the pandemic and so this approach effectively draws down funding received to spend on its intended purpose.

11.5 The indicative figures for budget pressures for the years beyond 2022/23 included in the table at 7.4 are only high-level estimates at this stage. The tapering of the figures over the period is intended to reflect the current heightened inflationary environment eventually giving way to more normal levels of pressure. The figure of £7m in 2026/27 is based on a more typical historic level of budget pressure requirements. As part of the planned ongoing budget review these items will be fleshed out and amended as required.

12. Closing the budget gap

12.1 The Council has a number of means of closing the budget gap which can be grouped into two main categories- either increasing income or reducing expenditure. Income can be increased from changes to Council Tax or fee and charge income relating to services provided by the Council. Expenditure can be reduced by making changes to services, either by delivering efficiencies in spend or by changing service levels. Transformation activity may encompass both income and expenditure adjustments and reflects more substantial change.

12.2 The table below outlines the mix of items used to fully close the budget gap identified for financial year 2022/23. Given the challenge in closing the gap for 2022/23 no proposals relating to closing the budget gap for subsequent years are being sought for approval at this stage. Work to develop the Council's medium-term financial strategy including proposals for bridging future years' budget gaps will be reported quarterly to the Council.

	2022/23 £m
BUDGET GAP BEFORE MITIGATION (from table at 7.4)	**34.1**
Change in Council Tax base, collection rate, CTR and landbanking	-1.1
Council Tax rate increase- 3%	-3.9
Reversal of 21/22 one-off items and other roll forward changes	-6.4
Previously agreed savings assessed as deliverable	
- Approved March 2021	-3.9
- Approved October 2021	-1.3
New savings proposals (**Appendix 10)**	-11.8
Use of reserves to offset Covid budget pressures	-5.7
RESIDUAL GAP	**0.0**

12.3 Sections 13 to 16 of this report provide additional detail on each of the elements required to close the budget gap. Members are asked to agree on Council Tax levels for 2022/23, note the reversal of items from 2021/22, agree the rephased delivery profile of the previously agreed savings and approve the new package of savings proposals.

12.4 The Council will continue to explore and maximise all opportunities for closing future year budget challenges through income generation and all forms of approved commercialisation approaches. Examples of the areas being explored are contained in the ‘Sustainable Highland- Health and Prosperity Strategy 2022/23’ than can be seen at **Appendix 1**.

13. Council Tax

13.1 Council Tax income reflects the single largest source of income over which the Council has full local control. It is a legal requirement that Members agree the rates for Council Tax for the coming year before the 11th March of each year.

13.2 For 2022/23 the Scottish Government has placed no constraints on the level of increase that councils may choose to apply and as such councils can set Council Tax rates at levels that best suit their local circumstances.

13.3 As described elsewhere in this report Highland Council is facing a significant budget gap and the ability to increase the amount of income generated from Council Tax is an important method of closing that gap.

13.4 The Council is mindful of the wider economic factors impacting on household and family budgets; many of the same factors that contribute to the sizeable budget gap facing the Council. As such, whilst an increase in Council Tax rates is deemed necessary it is intended that the increase is tempered to a rate significantly below the current rate of inflation.

13.5 In line with many other authorities across Scotland including Glasgow, Edinburgh and West Lothian, it is proposed that Council Tax rates are increased by 3% from the 2021/22 levels. **Appendix 6** provides details of the current 2021/22 rates (noting that these were frozen at 2020/21 levels) and proposed rates for 2022/23.

13.6 For 2022/23 the Scottish Government has committed to providing a Cost of Living Award of £150 to anyone in receipt of Council Tax Reduction, anyone living in a Band A, B, C or D property, and certain households exempt from Council Tax. COSLA and the Scottish Government have asked local authorities to administer this payment with the guidance outlining that the payment may be made by applying a credit to the Council Tax Account of any eligible person. The guidance emphasises the overriding objective to make the award to eligible households before the end of April 2022. It is this approach that Highland will pursue and **Appendix 7** provides the detail of the net Council Tax charges that will apply after the application of this award.

14. Offsetting items- including reversal of items from previous years

14.1 A number of one-off items were included in the 2021/22 revenue budget and the reversal of these items has a positive impact on reducing the budget gap for 2022/23. These one-off items were effectively funded by savings made in previous years and the benefit of those savings, previously used for investment, can now be used to close the budget gap.

14.2 The areas of one-off investment made in 2021/22 are covered more fully in last year's budget report but the largest areas included investment in the Council's property estate, the rebuilding of the Council's insurance fund and funding to invest in new ways of working. The reversal of these items helps close the budget gap by £6.4m.

15. Budget savings previously agreed

15.1 When the Council set its budget in March 2021 a number of savings proposals were agreed which had elements of savings deliverable in 2022/23 and later. As part of the current budget process a review of all of those savings has taken place to ensure all the savings are fully deliverable as intended. That review has identified that a number of savings that had been planned to be delivered no longer can be.

15.2 The table below provides a summary of the previously agreed savings by delivery year as agreed in March 2021, along with a revised profile for delivery spanning 2022/23 and 2023/24. Overall £0.754m of savings are now no longer considered as sufficiently confident of delivery over that period, or have been superseded by new savings proposals as outlined in section 16 of this report, and have been removed from the budget gap workings at this time. Those plans for savings will not be completely discounted however and may be reintroduced into the medium-term financial plan if greater confidence of delivery is reached.

	2022/23 Savings £m	2023/24 Savings £m	Total Savings £m
Savings profile as approved March 2021	5.252	1.272	6.524
Revised profile March 2022	3.899	1.871	5.770
Overall change	**-1.353**	**0.599**	**-0.754**

15.3 **Appendix 8** provides the detail of the savings where either the delivery profile or total amount deliverable has changed and includes an explanation as to the reason for the change.

15.4 A further tranche of savings for 2022/23, totalling £1.610m, were approved at the Council meeting in October 2021. Again, these items have been reviewed and, with the exception of the saving in relation to HighLife Highland, where an adjustment of £0.262m has been made, all savings are assessed as deliverable. More information on the change in the HLH saving can be found in section 9.10 of this report.

15.5 Links to both the March 2021 and October 2021 budget and medium-term financial planning papers can be found in the background papers section of this report.

16. New budget savings proposals and use of reserves

16.1 In order to close the residual budget gap for 2022/23 a suite of new savings proposals have been developed and these are also included in **Appendix 1** 'Sustainable Highland- Health and Prosperity Strategy 2022/23'.

16.2 Overall £11.8m of new savings proposals are being brought to Council for approval. A summary of the individual savings elements can be seen at **Appendix 10**, with detailed savings templates for each item provided at **Appendix 11**.

16.3 The savings brought forward reflect activity in a variety of different areas, including increasing income and commercialisation, budget review and realignment, delivering efficiencies in service delivery and redesign. The table below provides a breakdown of the total savings value by service.

Service	**New proposals £m**
Communities and Place	0.056
Education and Learning	1.722
Health and Social Care	0.500
Infrastructure and Environment	0.191
Performance and Governance	0.000
Property and Housing	0.571
Resources and Finance	0.040
Transformation	0.000
Corporate/Service-wide	8.714
Total	**11.794**

16.4 As described in section 11.4, £5.662m of existing budget pressures relating to the Covid pandemic are persisting into 2022/23. It is anticipated that these pressures will be temporary and not require long-term structural adjustments to budgets. As it is anticipated that budget pressures of this nature will reverse out during 2023/24 it is felt appropriate that during 2022/23 these pressures are funded from the Council's reserves. The Council's reserves are sitting at a slightly elevated level as a result of additional funding received from the Scottish Government to address the impact of the pandemic and so this approach effectively draws down funding received to spend on its intended purpose.

17. Investment and Transformation

17.1 As described in 'Sustainable Highland- Health and Prosperity Strategy 2022/23' the Council has continued to invest in its services, assets and communities throughout the pandemic. Phases 1, 2 and 3 investment have allocated over £25m of investment to a wide variety of projects as summarised in the table below:

Phase 1 March 2021	Visitor Management Strategy Economic Prosperity Fund Place Based Investment	£1.5M £6M £2.31M
Phase 2 June 2021	Roads Corran Ferry Salix (Energy Efficiency) Renewables Burials and Cremation Improvements Poverty Strategy Safe and Effective Working	£5.5M £1.6M £1.25M £0.1M £0.4M £0.3M £0.8M
Phase 3 September 2021	Green Energy Hub Visitor Management Strategy Community Loans Fund	£2.8M £1.5M £1M

17.2 The Council recognises the importance of investment as a means of delivering a return to support future financial sustainability, whether by generating income/profit or reducing expenditure. The guiding principles for sustainable expenditure set out in the Council's budget strategy for the last two years still hold true:

- Investment in change must deliver improvement;
- Performance improvement and financial sustainability are inextricably linked;
- Sustainable change takes time, and a strategic approach must be taken to plan over the short, medium and long-term;
- Most resource should be focused on where improvement is the greatest priority;
- The whole organisation needs to be supported to deliver high-performing services;
- Investment in staff welfare and development is central to success;
- Organisations require the right systems to underpin and support their operation;
- Investment must reflect the priorities established through the Council's Programme;
- Prevention is key to managing scarce resource and future demand;
- The status quo is not an option.

17.3 As part of the budget for 2022/23 the Council has identified further investment priorities intended to help support future financial sustainability. Member approval is sought for a total of £10m of investment as outlined below and with more detail provided in 'Sustainable Highland':

Service area	Amount	Description
Roads	£2m	Recurring investment in core roads budget-increasing capacity for staff and materials (factored into budget gap workings as per table at 7.4)
Roads	£3.5m	One-off investment in specific schemes, projects and plant
Climate Action, Green Energy and Jobs	£2m	One-off investment in the hydrogen economy and nature restoration
Families First	£1m	One-off investment in promoting the health and wellbeing of children and families in the Highlands
Innovation in Education	£1m	One-off investment in the transformation of culture, collaboration, and teaching through professional learning and network opportunities which will inspire new and innovative approaches
Rural Transport	£0.5m	One-off investment in sustainable transport solutions across the Highlands

17.4 It is intended that the Council's non-earmarked general fund provides the funding for all of the planned one-off investment. Earmarked funds will be created for each investment concept, with funding to be drawn down as and when required, supported by a detailed business case clearly demonstrating the return that will be delivered from each investment and its contribution to the Council's long-term financial sustainability.

17.5 The funding for the recurring £2m of roads investment has been factored into the budget gap described in section 7 and closing the 2022/23 revenue budget gap will allow for this investment.

17.6 As articulated in sections 18 and 19 of this report the Council faces substantial risks and the use of non-earmarked reserves to fund this investment will reduce those reserves to slightly below the minimum recommended level. If certain unforeseen events occur it may be necessary to reprioritise any of these planned investments.

18. Risk

18.1 When considering risk it is important that Members think about the two different types of financial impact that may occur if risks crystallise. Some risks relate to one-off events that have an immediate financial impact that requires to be addressed. Once that risk is addressed there may be no further financial impact.

18.2 Other risks may have longer term financial impacts- i.e. they may have a recurring impact on the budget. Items of this nature can be mitigated through reserves in the year they occur, but recurring and lasting impacts will need to be factored into future years' budget processes as a budget pressure.

18.3 The holding of reserves to mitigate any risks therefore can only really offset the initial impact of a risk crystallising with long-term impacts needing to be managed through making equivalent savings elsewhere in the budget. Once reserves are depleted they too may need to be recovered, depending on residual risk levels.

18.4 From a financial perspective the single biggest risk that the Council faces is that of long-term financial sustainability. The holding of reserves can have only a minimal impact on this risk- reserves can mitigate a budget gap on a one-off basis only but cannot keep bridging a budget gap on a recurring basis. As such it is important that when reserves are used, they are used for investment to support sustainable, balanced budgets.

18.5 For 2022/23 a review of the Council's corporate risk register has taken place with the key risks with a potential financial impact including the following items (the corporate risk register does include further risks not included in the list below):

- Financial sustainability;
- Security and Resilience (Cyber security);
- Climate change;
- Demographic change;
- Safe and Effective Property;
- Roads Condition;
- Residual Waste Project;
- Covid

18.6 Many of the potential financial risks from the items detailed above may be considered as longer-term risks to the Council's financial sustainability but some may represent risks that crystallise in the near term. Those with the more immediate short-term impact need to be better provided for in the Council's reserves. As can be seen from the previous section of this report the Council has set aside funds to provide for investment in many of the long-term risk areas which will help remove or reduce the risk.

18.7 A number of other risks, specific to the budget setting process and the financial situation more generally, also need to be considered. Chief amongst these risks is the high level of assumptions about the future that need to be made in order to set the budget. Should any of the assumptions be wrong they may impact positively or negatively on the overall budget gap. Whilst there is certainty over the government funding settlement for 2022/23 there does remain great uncertainty over the staff pay award. An award significantly in excess of that for which budget provision has been made could have a substantial impact on the Council's reserves, with every 1% increase in pay amounting to a cost of around £3.5m.

18.8 Section 4 of this report sets out wider macroeconomic uncertainties which will continue to impact on the Council's budget. Most relevant is the risk of inflation with the potential for significant cost increases in the very short term. Whilst allowances for inflation have been made in certain parts of the budget we may see impacts coming through that have not been anticipated.

18.9 Whilst this report provides a balanced budget it is predicated on the delivery of over £18m of savings. The delivery of all approved savings will be essential to balance the budget and the monitoring of savings delivery will continue to be reported to the relevant strategic committees in line with the current process. Non-delivery of any saving will require mitigating action by a budget holder to ensure an alternative solution is found to avoid any budget overspends.

19. Reserves Strategy

19.1 As part of the budget paper it is appropriate to articulate the Council's strategy for its reserves in order to ensure that they sit at an appropriate level for the current circumstances. Historically authorities have been advised by Audit Scotland that a non-earmarked general fund reserve (i.e. funds held for general rather than specific purposes) should sit within the range of 2-4% of a council's annual revenue budget.

19.2 The table below pulls together the various factors outlined in other sections of this report to illustrate the anticipated changes in non-earmarked reserves over 2022/23 if the proposed budget is approved:

NON EARMARKED RESERVES 2022-23	£m
Estimated year end reserves 21/22 (section 6.2)	26.167
Less: funds required to address continuing Covid pressures (section 16.4)	-5.662
Less: One-off Revenue investment 2022/23 (sections 17.3 and 17.4)	-8.000
2022/23 non-earmarked reserves after investment	**12.505**

19.3 A reserve of £12.505m would sit just outside Audit Scotland's recommended range for reserves at marginally under the 2% figure. With certain caveats however, it is considered appropriate that the planned use of reserves in 2022/23, as shown in the table above, progresses.

19.4 The holding of general reserves has two main purposes, they allow firstly for transformational investment and secondly for the management of risk. As is demonstrated in this report the planned use of reserves is part of an investment strategy that will help to deliver long-term financial sustainability and so moving slightly below Audit Scotland's target range as a result of this investment is deemed reasonable.

19.5 It is suggested that over the remainder of financial year 2021/22 and throughout 2022/23 it is the Council's aim to restore this reserve to 3% of the annual revenue budget (around £19m) if the opportunity to do so arises. A non-earmarked general reserve of 3% was the Council's pre-Covid target and increasing reserves to that level will help provide the funding for future rounds of investment or the mitigation of future risks.

19.6 Section 18 of this report covers risk, and in light of the nature of the risks articulated it is considered appropriate that the Council begins the year with a non-earmarked reserve of £12.5m as shown in the table above. A reserve of this level would allow significant capacity for meeting the three most significant short-term risks in 2022/23- an above budget staff pay award; increasing cost inflation; and the non-delivery of approved budget savings should any of those risks crystallise.

19.7 The Council also holds a number of earmarked reserves- i.e. funds held for a specific purpose. Whilst these funds will not for the most part be available for general use it is important that Members are aware of these funds as they form part of the Council's overall financial position. **Appendix 9** provides details of the Council's earmarked funds including the forecast level of the reserves at 2021/22 year end and anticipated future drawdowns.

19.8 Should a situation transpire where the Council's non-earmarked reserve is exhausted, or significantly depleted, it will become necessary to review and potentially remove earmarked funds where possible to do so. This may mean reducing the level of funding for certain investment priorities.

20. Budget review

20.1 As suggested by the CIPFA Financial Management Code work on the budget should be an ongoing year-round activity, focussed on the medium-term financial outlook. Aligned to this the planned budget for 2022/23 will need regular review and refinement to ensure any changes in the wider context can be responded to. In addition, the affordability of planned investment will need to be considered as time progresses.

20.2 Normal budget monitoring, focussing on spend and income against the 2022/23 budget, will continue through the Corporate Resources committee throughout the financial year. Individual service positions will continue to be reported through the relevant strategic committee.

20.3 As has happened throughout 2021/22 it is intended that a quarterly medium-term financial plan report is brought to full Council, updating any assumptions on future years' budget gaps and describing activity undertaken to help meet those gaps.

21. Statement by the Chief Financial Officer

21.1 A requirement of the CIPFA Financial Management Code is that the budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. That statement by the Council's Section 95 Officer, the Executive Chief Officer- Resources and Finance, is provided below.

Statement on 22/23 budget and sufficiency of reserves.

21.2 It is my opinion that the estimates are robust, and that whilst delivery of the planned savings of this magnitude will be challenging they are deliverable. With the delivery of the planned investment described in this report the value of the Council's non-earmarked general fund reserve will sit just below 2% of the Council's annual revenue budget. A reserve at that level is deemed to be the minimum level required to enable sufficient provision to deal with unexpected pressures and it is recommended that a medium-term target level for this reserve to sit at 3% of the annual revenue budget is agreed by Members.

Statement on medium to long-term financial sustainability

21.3 This paper presents a balanced budget for one year only. It is anticipated that high level indicative funding levels will be provided by Government in the spring that will assist us in understanding the parameters for preparing a Medium-Term Financial Plan. A mid-year review of this year's budget will take place following the formation of the new administration.

Over the course of the coming year the Council's incoming Administration will need to identify their strategic priorities for the Council from which a sustainable and affordable Corporate Plan and associated service plans will need to be developed. As articulated in this report Highland Council faces significant financial challenges over the medium to long-term to ensure its sustainability. The investment funds agreed today should assist in mitigating future years' budget gaps by supporting transformation and underpinning the delivery of budget savings in future years.

Designation: Executive Chief Officer- Resources and Finance

Date: 21st February 2022

Authors: Edward Foster, Head of Finance; Liz Denovan, Executive Chief Officer-Resources and Finance

Background Papers:

https://www.highland.gov.uk/meetings/meeting/4556/corporate_resources_committee

https://www.highland.gov.uk/download/meetings/id/77862/item_4_revenue_budget_202122_to_202324

https://www.highland.gov.uk/download/meetings/id/78893/9_medium_term_financial_plan_-_update_revised

https://www.highland.gov.uk/download/meetings/id/79667/item_5_-_review_of_corporate_risks

The Highland Council
Comhairle na Gàidhealtachd

Sustainable Highland
Gàidhealtachd Sheasmhach

Ambitious | Sustainable | Connected

Health and Prosperity Strategy for Highland
Ro-innleachd Slàinte is Soirbheis airson na Gàidhealtachd

2022-23

Contents / Clàr-innse

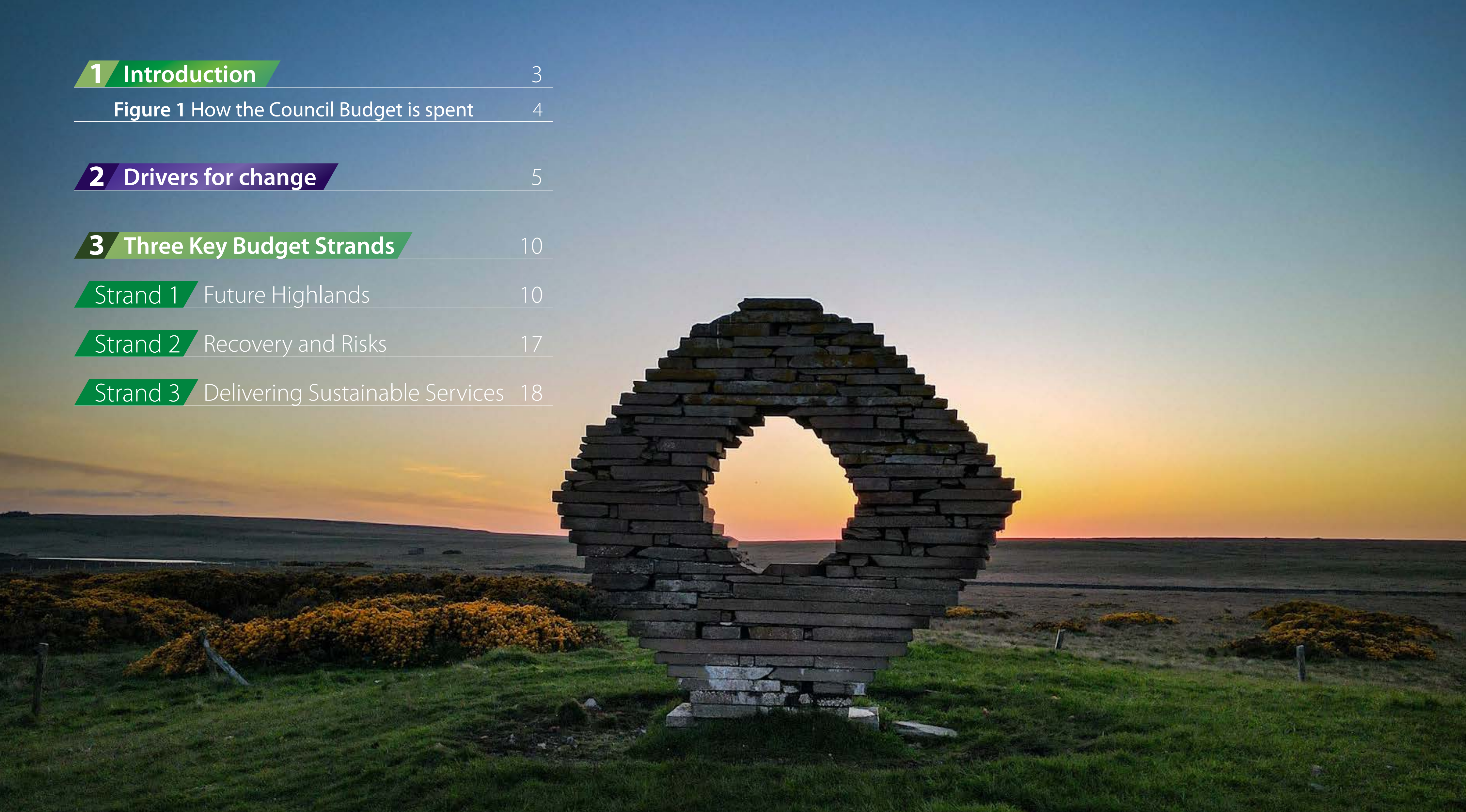


Photo of Scrabster, Thurso by Emma Gunn
All photos by The Highland Council unless otherwise stated.
CC2122-64 Cover photo: Old Man of Storr by Mendhak - Flickr Creative Commons - No changes were made to the photo. www.flickr.com/photos/mendhak/31863804121

1 Introduction / Ro-ràdh

Our Highland Council

The Highland Council has demonstrated over the last 2 years during the COVID-19 crisis, that it is a responsive, agile and highly effective organisation, able to adjust quickly to challenges, manage resources in a fast changing environment, and deliver wide ranging services to the benefit of the Highland population.
The first iteration of the Health and Prosperity Strategy, launched in April 2021, provided a solid approach to medium term financial planning, whilst freeing up considerable short term investment to aid recovery and deliver an ambitious programme focused on visitor management, economic prosperity and place based investment.

Through "Sustainable Highland – Health and Prosperity Strategy 2022-2023", the Council is once again providing additional funding for targeted initiatives. The focus is moving away from fire fighting towards investing in prevention and long term sustainability.

The Highland Council has many advantages – a dedicated, hard working and compassionate workforce; committed and invested elected Members; engaged and active communities; collaborative relationships with public, private and third sector partners; and access to extensive natural resources. There are very real challenges, not least the significant financial uncertainty and risk facing the whole of the public sector, however the approach presented in the budget strategy seeks to mitigate these, whilst capitalising on our advantages for a strong sustainable future.

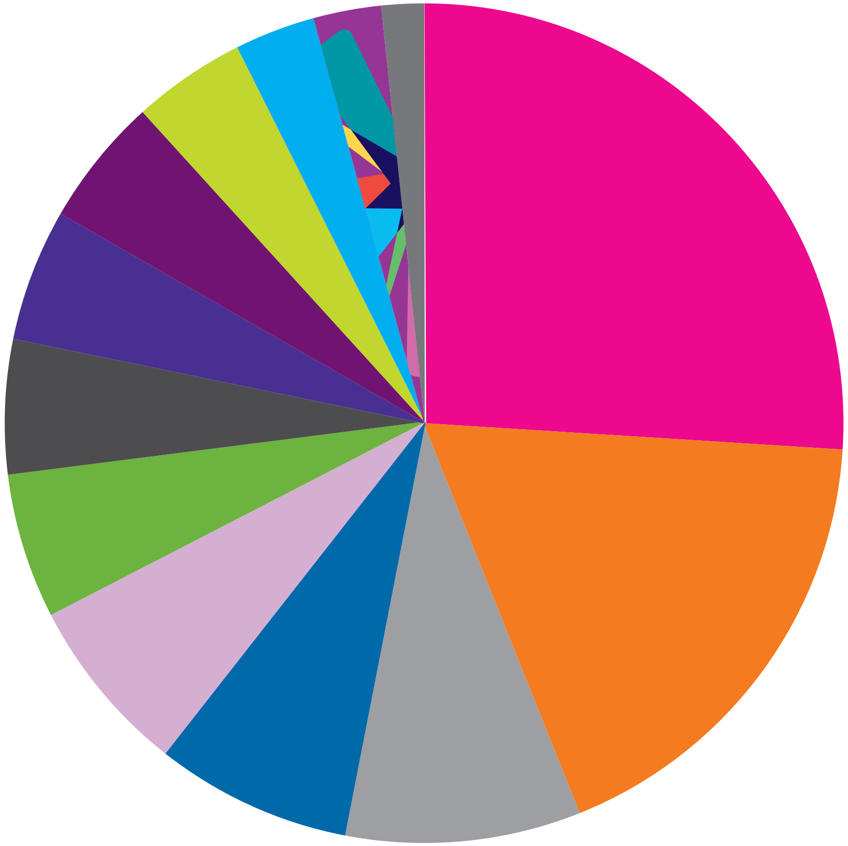
Investing for the future

The Health and Prosperity Strategy for 2022/23 covers 3 inter-related strands:

- **Strand 1** Future Highlands – Ambitious, Sustainable, Connected
- **Strand 2** Recovery and Risks
- **Strand 3** Delivering Sustainable Services

Despite significant budgetary challenges, in 2022/23 the Council will have £642m revenue to invest in the Highlands. It is essential that this is directed to the right places and used to get best value for the public. These three strands set out where the priorities are for Council spend to deliver ambitious, sustainable and connected services, that will ensure the Highlands not only recovers from the pandemic, but thrives into the future.

Figure 1 How the Council Revenue Budget is spent



Schools (nursery, primary and secondary)	£166.4m
Adult Social Care	£114.8m
Loans charges	£58.1m
Property	£48.3m
Children's Services	£44.0m
Roads and Transport	£35.7m
Other frontline service spend	£33.3m
Corporate & Support Functions	£32.5m
Additional Support Needs	£31.8m
Waste & Environmental Services	£27.9m
Catering, Cleaning and Facilities Management	£20.0m
High Life Highland	£16.8m
Cost contingency budgets incl. pay increases	£10.6m

Note: Loans charges are repayment for capital money borrowed to invest in our infrastructure.

Based on the Council's 2021/22 figures

Jabbernaught Mobile Vaccination Clinic by Ewen Weatherspoon

Food deliveries by staff during Lockdown by Molly Fearne

A Responsive Council

Over the past two years the Council has adjusted from responding to an emergency situation to managing an ongoing crisis. Many new services have been put in place or sustained in response to the pandemic including: Humanitarian and welfare assistance; the delivery of over 40,000 business support payments worth £199m to 5,000 businesses; vaccination centres; mobile testing; fuel poverty payments and virtual learning.

A Recovery Programme was established to support and protect Highland communities and businesses. The Council has worked hard to assist with the management of the staycation boom, putting in place a £1.5m Visitor Management Plan, which included the employment of 18 Seasonal Access Rangers to work with partners and communities. Throughout the period, resources have been moved to where they have been needed most, whilst many of the Council's core "business as usual" functions have continued to be delivered. Staff and Members have shown they are flexible, responsive and care deeply about the communities they serve. Effective relationships have been strengthened with our key resilience partners, particularly NHS Highland. The Council has also ensured a focus on the future with a strong emphasis on redesign, transformation and future services in key priority areas such as asset rationalisation, roads redesign, children's and adult services, climate change and transition to net zero.

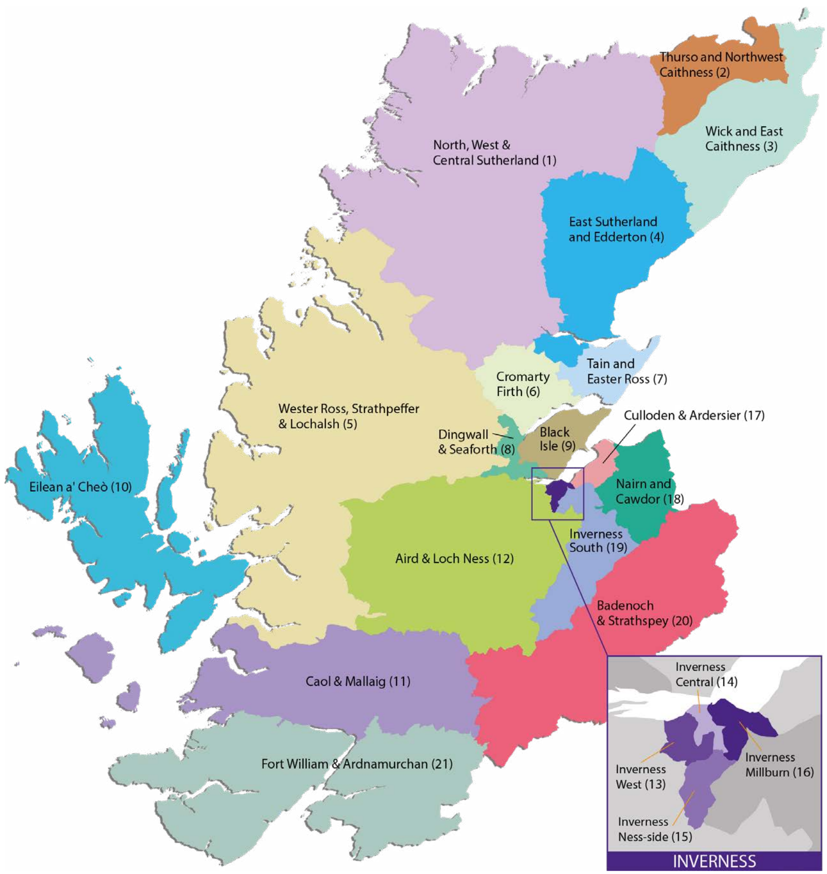

The Highland Council
Comhairle na Gàidhealtachd

Visitor Management Plan 2022
Plana Stiùireadh Luchd-tadhail 2022

December 2021
An Dùbhlachd 2021


Access Rangers

Health and Prosperity Strategy - Investing across our region



Highland Council Ward Map

Phase 1 Agreed £9.81M March 2021	Economic Prosperity Fund	£6,000,000
	Place Based Investment	£2,310,000
	Visitor Management Strategy	£1,500,000
Phase 2 Agreed £9.95M June 2021	Roads	£5,500,000
	Corran Ferry	£1,600,000
	Salix	£1,250,000
	Safe and Effective Working	£800,000
	Burial and Cremation Improvements	£400,000
	Poverty Strategy	£300,000
	Renewables	£100,000
Phase 3 Agreed £5.3M September 2021	Green Energy Hub	£2,800,000
	Visitor Management Strategy	£1,500,000
	Community Loans Fund	£1,000,000
	Total	£25,060,000

Neist

Ambition

As we move out of the pandemic, the Council must continue to invest, innovate and evolve to enhance the long term future of the Highlands. There are also many opportunities for the Highlands, including huge global investment in renewables, a revival of tourism and the potential for a Green Freeport, with the economic development and employment such an initiative would bring. Consequently, despite a challenging financial settlement and significant inflationary pressures, prudent financial management has enabled a new investment programme of £10m. This is made up of £8m one-off investment and £2m recurring, to develop some existing workstreams and introduce new initiatives to maximise the impact of Council expenditure and maintain financial sustainability. Priorities for investment are detailed in the first strand of the budget strategy for 2022/23 and are focused on the following 5 areas:

1. £5,500,000 Extra Roads Investment
2. £2,000,000 Climate Action, Green Energy and Jobs
3. £1,000,000 Innovation in Education
4. £1,000,000 Families First
5. £500,000 Rural Transport

Pothole Pro machine

Sustainability

Alongside this ambitious investment programme, the 2022/23 budget strategy will enable the Council to emerge from the crisis of the past 2 years on a stable financial footing to deliver sustainable core services to Highland communities. This is all the more important in the context of rapidly increasing inflation, fuel poverty and the societal harms of the pandemic and the Council must assist communities to develop resilience against future risks.
The guiding principles for sustainable expenditure set out in the Council's budget strategy for the last two years still hold true:

i. Investment in change must deliver improvement.
ii. Performance improvement and financial sustainability are inextricably linked.
iii. Sustainable change takes time and a strategic approach must be taken to plan over the short, medium and long term.
iv. Resource should be focused on where improvement is the greatest priority.
v. The whole organisation needs to be supported to deliver high performing services.
vi. Investment in staff wellbeing and development is central to success.
vii. Organisations require the right systems to underpin and support their operation.
viii. Investment must reflect the priorities established through the Council Programme.
ix. Prevention is key to managing scarce resource and future demand.
x. The status quo is not an option.

Fyrish Monument by Emma Gunn
Isle of Skye by Iain Smith, Skye Photo Centre

Connecting with Communities and partners

Improving participation in public decision making

The Council has committed to working with communities and partners to identify shared priorities within an area to ensure resources, funding and action are targeted to address the needs of people and place. Participatory resourcing builds on the previous model of participatory budgeting which involved communities directing discretionary grant spend. This approach will involve communities in developing local priorities and service design across a range of budget areas.

The Council has already shown a commitment to devolving expenditure decisions to local committees. Since 2021/22 3 local committees have made decisions on key external funding streams totalling £4,764,405, enabling far more funds to be decided and distributed locally. In addition, place-based funding totalling £2.777m has also been delegated from the Council, with £2.31m for place-based investment and carry forward of unspent Ward Covid funds of £0.467m.

Public engagement will identify priorities for targeting funds to inform area committee decisions on allocations, including Coastal Communities Funds, Place Based Investment Funds, and Area Play Funds. As this approach evolves, the aim will be to include other mainstream budgets delegated to local level. Where Area Place Plans have been developed, e.g. Skye and Raasay Futures, the priorities are already directing the allocation and direction of spend of local funds. The roll out of Area Place Plans across Highland will further support greater local participation and involvement in service design, priority setting and delivery.

Working in Partnership

The budget strategy is aligned to the direction of travel approved in The Council's "Future Highlands – Health and Prosperity Strategic Partnership Plan" adopted in September last year which set out 5 Strategic Partnership Priorities (SPPs) around the interconnected themes of green energy; social care reform; people; place and financial investment. All five priorities are supported through the Investment strategy outlined in Strand One.

3 Three Key Budget Strands / Trì Prìomh Mheuran Buidseit

Strand 1 Future Highlands - Ambitious, Sustainable, Connected

The Council is committed to investing in the sustainable future of the Highlands, building on the success of the Health and Prosperity Investment Strategy, and recognising the strengths and capacities of the Council, our partners and communities. This budget proposal highlights the areas where increased expenditure will be targeted to deliver the Council's ambition to be a high performing organisation. It has a focus on key improvement areas including maximising roads investment; enhancing services for children and families; action to tackle climate change; improving rural transport; and supporting and developing our staff.

In order to deliver financial sustainability into the medium term, the change and transformation strategy has been evolved into an annual business case-based investment approach, with clear expectations in relation to spend to save and delivering a return on the Council's investment.

Highland Wind Farm


Road to White Bridge

1. Extra Roads Investment £5.5 Million

Increasing investment in roads infrastructure has been a high priority for the Council in recent years and this remains at the forefront of the commitments being made in the budget for next year and beyond.

Significant additional capital investment over the course of 2021/22 and 2022/23 has ensured that many more schemes have been completed during the year, leading to long term improvements to the roads network. This will continue into 2022/23 with the delivery of priority schemes identified locally through Area Committees, investment in plant and machinery and active travel improvements.

To maintain the further improvements in the condition of Highland roads, the Council will commit a further £2m in ongoing revenue support for roads and an additional £3.5m one-off funding for 2022/23. This will deliver sustainable improvements by providing more people, plant and materials to maintain the 6,754kms of road network, 337 bridges, retaining walls and culverts and over 230,000 items of street furniture that the Council has responsibility to maintain.

Most notably, the additional revenue investment will ensure:

a. **Improvement:** additional capacity for routine cyclical maintenance activity, including verge maintenance, gully emptying and drainage repairs and pothole repairs;

b. **Plant:** the ability to invest in plant and machinery to support the good progress already made through recent investment including the delivery of 5 pothole pro machines throughout the area; and

c. **People:** a more flexible approach to year-round employment, by identifying opportunities for seasonal staff involved in amenities activity, during the summer months, to be provided with year-round employment to assist in winter maintenance activities.

Further investment in capital projects over the course of 2022/23 will also allow the number of schemes to be increased from that already agreed through Area Committees, ensuring that a greater number of structural improvements can be carried out to the road network.

	Core	One-off funded by Council Tax increase	One-off funded by reserves	Total
2019/20	£7.2m			£7.2m
2020/21	£7.2m			£7.2m
2021/22	£7.2m	£10.0m	£5.5m	£22.7m
2022/23	£9.2m	£10.0m	£3.5m	£22.7m

River Ness Hydro Scheme under construction

2. Climate Action, Green Energy and Jobs £2 Million

The Highlands has the potential to become the exemplar for green energy generation in the UK. It has access to unparalleled natural resources with existing and potential opportunities for green energy schemes, low carbon initiatives including carbon sequestration, and renewables. The Council needs to capitalise on these for the benefit of the Highlands for generations to come. It is now time to seize the initiative and invest in making it happen, to secure a fair share of the income derived from the development of the region's natural resources.

Fundamentally, access to this funding will enable the Council to take an outward looking, pro-active approach to developing our own green energy that we can use to power key strategic sites and networks, attracting private investment and opportunities for joint ventures in new technologies - particularly green hydrogen production and distribution - alongside the generation of renewable energy from more traditional sources. The hydrogen economy is estimated to be worth £25billion to the Scottish economy, and it is expected that the Highlands is likely to be the major producer of hydrogen nationally given the significant renewable energy potential of the region.

A range of opportunities to both support and benefit from the emerging hydrogen economy are likely to come forward over the coming weeks and months. If the Council is to be a major player and no longer a bystander on new energy provision, it will be important that the Council has access to financial resources to provide match funding for potential investment, subject to development and approval of business cases relevant to individual proposals, in order for these opportunities to be maximised. This investment could provide the Council with income streams of a scale that could provide substantial mitigation against future public sector financial challenges.

The funding will also enable the Council to invest in nature restoration initiatives to safeguard wildlife and tackle the causes of biodiversity loss due to climate change. It will provide benefits to people and nature, helping to mitigate and adapt to climate change, whilst also delivering against our net zero target by scaling up and accelerating existing initiatives such as tree and woodland planting; peatland restoration; marine and coastal protection; flood management and maximising carbon credits for the benefit of Highland communities.

All of this activity will benefit long term employment, skills development and career opportunities for people to remain within the region. In support of this, the Council will work with Further and Higher education providers, Skills Development Scotland and industry experts to ensure the region can provide the workforce to support these major new developments, positioning the Highlands as the centre of expertise for the renewables industry.

Tree planting at Kinmylies School by Chris Humphries

3. Innovation in Education £1m

This investment will focus on the transformation of culture, collaboration, and teaching through professional learning and network opportunities which inspire new and innovative approaches. It is a community connected approach to develop learning and teaching methods focused on ensuring young people's education experiences are preparing them to thrive in life beyond school, supported by the provision of professional learning opportunities and support models for education staff.

This approach has the following goals:

- Engaged, informed, motivated, and empowered young people
- Upskilled and confident teachers
- Deeper relationships and activities between schools, employers, and the wider community
- More high-quality and diverse learning pathways
- Community-connected learning so all students benefit from a school career that prepares them for their chosen education or career pathway.

A report setting out the details of the approach and expected outcomes will be taken to the next meeting of the Education and Learning Committee.

Merkinch Primary School by Robertson Construction


CHAMPS day out

4. Families First - £1 Million

Families First is about taking a tailored approach and investing more in wrap around help to families and young people when and where they need it. The importance of family and community are at the heart of the strategy which follows a 5-level intervention approach, recognising that needs change through the life course of the family. It will provide the foundation for Highland to transform Children's Services with an additional £1m investment primarily targeted at early intervention levels, including kinship and foster care, to achieve the ambition to safely reduce the need for children to move deeper into higher levels of staged interventions; ensuring support is at the most appropriate level at the time it is needed.

Key Principles

- **Think Families First.**
- Keep it **local**.
- One Door **Access**.
- Help me by **helping my family**.
- Be **kind** to me and my family.
- Keep me - the child in your **heart and mind** – no matter what service you represent.
- Its **everyone's responsibility** to help Highlands' children.
- Think about how you **talk to and talk about me** and my family – no shaming no stigma.

A report setting out the detail of the Strategy and associated delivery plan will be taken to the next meeting of the Health and Social Care Committee.

Given the rurality and size of Highland area, there are vast challenges facing the provision of reliable and sustainable public transport provision. The need to address a dearth of transport options throughout the Highland area is recognised, as well as an awareness that there is enthusiasm and engagement on this issue within all Highland communities. Community Transport addresses some of these gaps effectively on a small, relatively inexpensive scale. The Council has shown, with projects and partnerships in Gairloch, Nairnshire and Ferintosh, that community transport solutions are sustainable, cost-effective and innovative, in a way that resonates nationally. This funding can provide a spark for struggling communities and serve as a springboard for success stories. There is also an opportunity to support the development of local private sector operators, who can also provide flexible, tailored services in their communities.

Newly installed bus stop on Skye

5. Rural Transport £0.5 Million

One major area that we hope to address with this funding, benefitting both sectors, is driver training. Not only will this address the prevailing nationwide trend of driver shortages, but also go some way to halting the loss of young people from rural areas, by the availability of training which would secure local employment and provide a necessary service to rural communities.

Projects which have been discussed with providers as ideal opportunities to address through this funding include:

- Delivery of a demand-responsive minibus-enabled transport service around the area of Contin, to address minimal availability of scheduled local bus services in the area.
- Support for a demand-responsive, car-based service in the area around Farr/Bettyhill.
- Support for demand-responsive service in the Dornoch area.
- Building on the positive and well established work of the Badenoch & Strathspey Transport Company in providing effective demand-responsive transport for people in the area with the possibility of a new community transport group being established to explore other opportunities.

The funding will provide a catalyst for improvement of the sector as a whole including:

- Analysis of mobility deprivation on a geographical basis.
- Understanding community needs to inform innovative approaches to tendering.
- Match funding against other sources (lottery, wind farm money, developer contributions, NHS funding for patient transport, etc).
- A change to improve the quality and distribution of information, such as timetables, promoting transport use with a Transport Information Strategy.

All of the above can be achieved with a focus on low carbon transport opportunities, linking with investment in the Council's fleet decarbonisation ambitions and the wider climate actions set out elsewhere in this budget paper.

Staff sponsored walk

Service improvement through ongoing staff development and business change

Investment and improvement activity must be underpinned by a sustained investment in the Council's workforce, identifying and developing talent and valuing the benefits that will be delivered by well trained and highly motivated teams. The staff development will be aimed at creating a more flexible and multi-skilled workforce, responsive to the changing needs of the organisation and focused on better services and happier communities. This will require a culture that embraces change and building on the attributes demonstrated by staff during the COVID-19 pandemic which showed a willingness and an aptitude to manage change, whilst also delivering high quality and valued services.

In addition to training and leadership development, we will continue to develop services which support the wellbeing and mental health of all our staff.

To meet the budget challenges ahead, we need to reduce the Council's establishment costs to remain a sustainable organisation for the future and this forms one of the savings proposals being presented to ensure the Council moves forward on a sound financial footing. The Council has a long standing commitment and track record of avoiding redundancies, wherever possible. We are confident we can continue to achieve this commitment by working in collaboration with our trade union partners, employees and managers to reduce the number of vacant posts in a controlled way to protect jobs in the long term. This approach to reviewing vacancies and transitioning staff within and across services will be accompanied by investment in training and support to assist staff to develop skills, undertake structured secondments and work shadowing to develop a flexible, multiskilled and adaptable workforce, reducing the need to recruit externally. Job role and job design will also support the agility to deliver future savings along with embracing and developing a digital skilled workforce for the future.

The Council's Workforce Strategy is a key strand of our People Strategy currently being developed with training and development underpinning the cultural change for the organisation. Talent attraction, retention, competence-based recruitment and developing core skills throughout the workforce all form part of the People Strategy.

The New Ways of Working hybrid work model will enhance the environment for staff to grow and thrive. It will support high performance, improved productivity, work-life balance and job satisfaction, while at the same time realising financial savings through asset rationalisation and lowering our carbon footprint. Listening and responding to our staff will improve engagement and create a more inclusive workforce to build a strong sustainable organisation for the future.

Strand 2 Recovery and Risks


Dingwall flooding, 2019

Recovery from the pandemic

Some of the Council's General Reserves are needed to manage a number of short term costs and reduced income relating to the pandemic that are anticipated to result in end of year pressures and continuing COVID-19 pressures against a number of service budgets. These relate to a wide range of service delivery areas and include welfare support, environmental health, increased demand for social care services and foster placements; inflationary increases for school and public transport contracts; and reduced income relating to car parking and harbour dues. Appendix 5 sets these out in detail.

The total costs are estimated to be in the region of £6.331m at the end of 2021/22 and £5.662m continuing into 2022/23 although it does need to be highlighted that there may be ongoing issues in relation to some of these pressures, particularly in relation to reduced income levels which are much harder to predict in the medium to longer term.

Pressures and Risks

There are also significant wider pressures on the Council's budget relating to inflation including energy bills, materials and contracts, salaries and superannuation, and National Insurance employer contributions. Similar inflationary pressures will be experienced by people and businesses across Highland and it is anticipated this will result in increased demand for our welfare and poverty reduction services. There are also risks relating to severe weather events.

Future years' budget settlements also have the potential to become increasingly challenging. Like the Council, the UK and Scottish Government finances will need time to recover from the pandemic and all forecasts are pointing towards difficult finance settlements ahead, with little confidence that core base budgets can be sustained at current levels. This is why it is essential to identify proposals that will deliver savings or increase income on a recurring basis so that pressures are not stored up for the future. It is also why one off investments need to play a role in either reducing costs or increasing income for the Council. It does need to be recognised that the return on these investments will not be immediate and so this has to be included in forecasts.

A prudent approach to maintaining an adequate level of General Reserves will be essential if these pressures and risks are to be mitigated, thereby reducing the amount of budget cuts required in future years. The Council aims to retain balances at least at the minimum level of 2%, as recommended by Audit Scotland, to manage the risks outlined above, as well as unknown risks which may yet emerge.

Strand 3 Delivering Sustainable Services

Refuse collection

The third strand of the budget strategy focuses on savings, income and redesign to deliver a sustainable budget.

All Local Authorities are having to operate within reduced budgets whilst facing significant additional pressures, particularly as a result of rapid inflationary increases and any ongoing response to the pandemic. The Highland Council is no different and so income and expenditure need to be adjusted accordingly.
In some cases, this will mean changes to service delivery, but measures are also being presented which will help to close the budget gap through income generation; redesign; efficiencies; financial scrutiny; and budget realignment, to minimise the impact on service users and protect jobs.

The savings are presented in tabular form on the following pages – split between Directorate and corporate savings. All of the measures fall into one of three categories:

1) management savings;

2) Redesign; or

3) savings that require a change of policy or service delivery standards.

The management savings will require no reduction in service or departure from agreed policy, but instead involve operational action to realign and adjust how a budget is managed; or enhanced scrutiny with regard to payments and charges. These savings have been led by Services, informed by best practice and focusing data that indicates where improvement and business change best lead to achieving sustainable corporate savings and outcomes with socio-economic benefits for our communities.

All of the proposals have a detailed savings sheet setting out the proposal and including an implications assessment. These are included in Appendix 11.

In the case of Redesign, proposals relating to Asset Rationalisation and Roads have already been considered by the Redesign Board and reflect the Board's support.

Savings Proposals 2022 - 2023

Corporate

Theme Ref	Budget Area	Savings Description	2022/23 £m
Corp/2	Managed Print Service (MPS)	Reductions in printing Printing/Photocopying and reduce Multi-Function Devices (MFDs) in offices and schools	0.250
Corp/5	Cross -service- procurement	Procurement savings deliverable during 2022/23 principally in relation to utility audits which will deliver one-off returns as well as recurring savings during the year	0.450
Corp/7	Staff Benefits	Review of staff benefits in particular around relocation expenses and meals and refreshment expenditure across the Council	0.140
Corp/20	Realignment of staffing	Removing unspent budget associated with historic vacancies	0.223
Corp/21	Corporate- staffing	Staff alignment, agility and redesign	2.460
Corp/22	Corporate- staffing	Reduction in overtime	0.089
Corp/23	Corporate- staffing	Recruitment timelines- removal of budget to reflect recuitment process timelines	1.494
Corp/24	Corporate- non staffing	A review of non-staffing spend has identified opportunities for savings across services from improved contract management, stopping/reducing demand, alternative delivery, and actions relating to suppliers, specification, productivity, process, negotiation, contracts and analysis	0.500
Corp/25	Corporate- travel	Reductions to travel budgets to reflect savings already made across services as a result of new ways of working brought about by the pandemic along with a commitment to reducing carbon emissions	0.500
Corp/26	Corporate- full cost recovery	Full cost recovery and commercialisation	0.808
Corp/28	Transformation	Removal of recurring change fund budget- transformative investment to be funded from reserves supported by an appropriate business case	1.800
		Total	£8.714m

Savings Proposals 2022 - 2023
Communities and Place

Theme Ref	Budget Area	Savings Description	2022/23 £m
C&P/6	Household waste collections	Garden Waste Collection Service - below inflation increase in brown bin charges	0.036
C&P/10	Communication Support	Remove the surplus in the budget to take account of income generation. No reduction to service	0.020
		Total	£0.056m

Savings Proposals 2022 - 2023
Education and Learning

Theme Ref	Budget Area	Savings Description	2022/23 £m
E&L/3	Service Wide	Review of Service Level Agreement relating to management services provided to playgroups	0.037
E&L/6	Service Wide	Realigning non DSM budget to match spend	0.336
E&L/10	ELC	Re-alignment of early level class provision	0.095
E&L/12	DSM	Alignment of primary teacher band 16-19	0.104
E&L/15	Primary Education	Review of school provision – declining school rolls	0.150
E&L/16	ELC	Re-alignment of ELC budget to deliver efficiency savings and mitigate grant funding reduction	1.000
		Total	£1.722m

Savings Proposals 2022 - 2023

Health and Social Care

Theme Ref	Budget Area	Savings Description	2022/23 £m
HW&SC/4	Health and Social care- service wide	Through critical analysis of the HSC budget, savings have been identified. Overprovision within many budget lines have now been re-aligned with no impact on staffing numbers or service provision	0.500
		Total	£0.500m

Savings Proposals 2022 - 2023

Infrastructure, Environment and Economy

Theme Ref	Budget Area	Savings Description	2022/23 £m
I&E&E/7	Development & Regeneration	Improved Partnership Working in the delivery of Employability Services	0.070
I&E&E/9	Roads & Transport	Review of non-statutory Public Transport routes	0.121
		Total	£0.191m

Savings Proposals 2022 - 2023

Property and Housing

Theme Ref	Budget Area	Savings Description	2022/23 £m
P&H/2	CCFM Business Support	Reduction in support and administration budget for this function, managed within overall budget envelope	0.021
P&H/13	Cleaning & FM Services	Review of Lets	0.150
P&H/14	Asset rationalisation	Further asset rationalisation saving in additon to the £0.25m saving already agreed in March 2021	0.250
P&H/19	Non HRA	In sourcing of Emergency and temporary accommodation	0.100
P&H/20	Cleaning & FM Services	Reduction in material and sundry costs	0.050
		Total	£0.571m

Savings Proposals 2022 - 2023

Resources and Finance

Theme Ref	Budget Area	Savings Description	2022/23 £m
R&F/1	Occupational Health Contract	Reprocurement and use framework from 1.4.22	0.015
R&F/6	Revenues & Business Support	Through greater use of technologies, including the potential for digital mailing, reduce the number of locations handling outgoing mail thus reducing associated costs (resource effort, and franking machine and Royal Mail charges)	0.025
		Total	£0.04m

Sustainable Highland
Gàidhealtachd Sheasmhach

Health and Prosperity Strategy for Highland
Ro-innleachd Slàinte is Soirbheis airson na Gàidhealtachd

2022-23

The Highland Council
Comhairle na Gàidhealtachd

Rùnaire a' Chaibineit airson Ionmhas
Ceit Fhoirbheis BPA
Cabinet Secretary for Finance
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Councillor Alison Evison
COSLA President

Copy to: The Leaders of all Scottish local authorities

09 December 2021

Dear Councillor Evison,

Today I formally set out the Scottish Government's proposed Budget for 2022-23 to the Scottish Parliament. Alongside the Budget I also published the Scottish Public Sector Pay Policy, the Medium Term Financial Strategy and the Resource Spending Review Framework. Further to the budget statement I write now to confirm the details of the local government finance settlement for 2022-23.

The intention is that the indicative allocations to individual local authorities for 2022-23 will be published in a Local Government Finance Circular on Monday 20 December. These can only be calculated following the publication next week of education statistics that are key to the distribution formula. That circular will begin the statutory consultation period on the settlement.

This Budget comes at a crucial juncture for Scotland. Over the past year, thanks to the hard work and sacrifices of everyone across Scotland, including the critical role Local Authorities have played in continuing to support our communities and administer financial support to our businesses, we have started to look beyond the immediate impact of the pandemic.

As the emergence of new variants demonstrates, we must remain vigilant and ensure the necessary resources are available for the continued protection of people and public services, but we must also look to the future. This Budget seeks to balance immediate pressures with long term imperatives – shifting the dial on inequalities, carbon emissions and economic prosperity. It also delivers on the Programme for Government and our Shared Policy Programme with the Scottish Green Party.

The total revenue funding to be provided through the settlement for 2022-23 will increase to £11,794.8 million, which includes distributable non-domestic rates income of £2,766 million.

The capital settlement has been set at £679.5 million. In parallel I am mindful of the challenges in delivering capital investment in the current economic climate so I will also explore the potential to offer flexibility to councils on carry forward of unspent capital from 2021-22 in light of the operation of the Fiscal Framework. This is subject to consideration about the impact on the Scottish Government reserve and I would hope to be in a position to provide confirmation in the early part of 2022 following the UK Government's Supplementary Estimates.

The total funding which the Scottish Government will provide to local government in 2021-22 through the settlement is therefore £12,474.3 million, an increase of £853.9 million and includes;

- £145 million for additional teachers and support staff in addition to the £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- funding to maintain 100 day commitments including the removal of curriculum and music tuition charges and expanded School Clothing Grant;
- £68.2 million for Child Bridging Payments;
- maintaining the £292.6 million provided in 2021-22 and providing a further £353.9 million transfer from Health for investment in health and social care and mental health services – including £174.5 million to support ongoing adult social care pay, £20.4 million to continue implementing improved rights and support for carers, £15 million to uplift free personal nursing care rates, £124 million of recurring care at home investment, and £20 million for interim care;
- In addition, a further £200 million will be transferred to support pay and sustainability of social care services bringing (with further detail set out below);
- £5.3 million for Assessors for Barclay implementation costs;
- an extra £62.5 million of Capital including:
    - £30 million for Free School Meals;
    - £20 million for the Local Bridge Maintenance Fund;
    - £11 million for Flood Prevention; and
    - £1.6 million for Coastal Protection

In terms of the broader Local Government Finance package, I have listened to the Live Well Locally campaign and intend to offer a number of flexibilities in direct response to that campaign.

I can confirm that councils will have full flexibility to set the Council Tax rate that is appropriate for their local authority area. In setting Council Tax rates, we expect councils to take full account of the local needs and impacts on household budgets of the decisions they make.

I acknowledge the argument in Live Well Locally that reserves are one off in nature and do not represent a substitute for recurring funding. However, I would also highlight that across Scotland some councils have accrued additional reserves during the pandemic,. Since we are likely to continue to face economic and fiscal challenges during 2022-23, I would encourage all councils to consider whether current levels of General Fund Reserve balances are an efficient use of public funds at this time.

In addition to flexibility on Council Tax rate setting, I recognise that local government have repeatedly called for removal of ring-fencing in the settlement and a greater focus on trust and partnership working. On that basis I commit to reviewing all ring-fenced funding as part of the forthcoming Resource Spending Review and would welcome your constructive engagement in that process so that removal of ring-fencing goes hand in hand with agreement about shared priorities and outcomes whilst ensuring maximum value for money.

More immediately, as recognised in correspondence from Councillors Parry and MacGregor on 06 December 2021, Scottish Government and COSLA officials are currently working together to develop a combined employability grant offer letter for 2022-23 which removes ring-fencing for the various employability programmes and instead focusses on the characteristics and needs of service users with the view of continuing to work together to develop options for a refreshed and collective approach to employability funding for 2023-24 onwards.

I and my ministerial colleagues fully recognise and value the work of Local Employability Partnerships and the important role that they play in shaping the crucial services that individuals need across their journey towards and into employment and that Scottish Government officials will continue to work in partnership with Local Authority employability leads and COSLA to achieve our shared ambitions.

Alongside reducing ring-fenced funding, the Scottish Government remains committed to working with COSLA to develop a rules based fiscal framework to support future funding settlements for local government. The development of a fiscal framework will have direct relevance to the Scottish Government's Resource Spending Review and I am keen to see some substantive work being taken forward during the first part of 2022.

It will be important for local government to bring forward proposals that can then be explored in partnership. The development of a fiscal framework is also an important part of the ongoing work on the Local Governance Review, which considers how powers, responsibilities and resources are shared across national and local spheres of government, and with communities.

The correspondence of 06 December 2021 referenced above also included a request from Leaders to provide flexibility to enable all 2021-22 employability funding to Local Government to be spent across 2021-22 and 2022-23. This request has unfortunately come too late to be factored into the Budget position I outlined today but I will prioritise the request in the coming days to try and agree a position which ensures that services to those requiring support is provided as swiftly as possible whilst reducing the administrative burden on those delivering the services.

I am also content to agree your request of 08 October 2021 for an extension of the flexibilities to allow capital receipts to be used to fund the financial impact of COVID and to fund transformational projects in 2022-23. I had previously stated that the COVID capital receipts flexibility was limited to two financial years, in the light of ongoing COVID impacts I will agree this extension for one further financial year. The extension of these flexibilities is dependent on confirmation from the UK Government that this will not result in an adjustment to Scotland's block grant. I am currently seeking that confirmation.

Similarly, I also agree to extend the period for the loans fund principal repayment holiday for one further year. I will deliver this through an administrative arrangement rather than a further statutory instrument. Any council looking to use this flexibility in 2022-23 should take the loans fund holiday in 2021-22 and carry that saving to their General Fund reserve. To keep with the original intent of this flexibility the increase in General Fund reserves from taking this holiday are to be earmarked as being to fund the financial impact of COVID, and that earmarked reserve must be used in the course of 2022-23.

In terms of your request for a change in policy on capital accounting for service concessions, I remain committed to continuing to work with Directors of Finance and CIPFA/LASAAC on the capital accounting review.

Finally, in acknowledgment of the calls for greater fiscal empowerment across local government, the Transport (Scotland) Act 2019 introduced a discretionary power for local authorities to implement workplace parking licensing (WPL) schemes. I can confirm that regulations to implement those powers will be laid early next year to enable this to progress.

Prior to the COVID-19 pandemic, the Scottish Government was developing legislation to introduce the power for local authorities to create a visitor levy, or tourism tax but this was paused due to the pandemic. Given the overall impact of the pandemic on the tourism sector in Scotland it would be prudent to carefully review that work and undertake further stakeholder engagement before making a firm decision on the next steps, however I am committed to taking this forward in 2022.

Building on previous years' settlements, Local Authorities will again be expected to deliver further certain specific commitments and outcomes.

This year, we will again work with local government to help ensure Integration Authorities use total resources to focus on delivery of key areas for improvement, including: reducing delayed discharges; improving availability of, and access to, community-based health and social care services; and ensuring more people are supported to stay at home.

We will also wish to ensure that the social care workforce is supported and sustained during and following the challenges of the Covid pandemic. To support retention, and begin to embed improved pay and conditions for care workers, the additional £200 million funding transfer requires local government to deliver a £10.50 minimum pay settlement for adult social care workers in commissioned services, in line with the equivalent commitment being made in the public sector pay policy.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2021-22 recurring budgets for adult social care services that are delegated. We will provide support and challenge by working with local government to agree a shared national and local approach to accountability for delivery, building upon existing shared mechanisms for routine reporting of expenditure, activity and outcomes across Scotland.

This Budget cannot deliver the resources all our partners will want. It addresses key priorities, targets resources on low income households, and paves the way for future investment in this Parliament. Where possible, it seeks to cushion all sectors against the headwinds that COVID-19, Brexit and UK Government's settlement have created and it treats Local Authorities fairly and consistently with other portfolios.

The 2022-23 Local Government Settlement of almost £12.5 billion offers a like with like increase of 7.5 per cent in real terms and continues to provide local government with a funding settlement that is both fair and affordable, under the most challenging of circumstances. I look forward to working with COSLA in the year ahead to deliver the broader commitments set out in this letter.

Yours sincerely,

KATE FORBES

Appendix 3

Rùnaire a’ Chaibineit airson Ionmhas agus na h-Eaconamaidh
Cabinet Secretary for Finance and Economy
Ceit Fhoirbheis BPA
Kate Forbes MSP

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Councillor Gail MacGregor
COSLA Resources Spokesperson

By email

27 January 2022

Dear Gail,

Thank you for the continued constructive engagement between us following the Budget announcement on 9 December. I welcomed the candid and thoughtful discussion we had at the Strategic Review Group meeting on the 20 January, and the First Minister found her discussion with Council Leaders to be similarly productive. As we move forward and look to improve our partnership working I hope that this frank and honest dialogue continues.

The First Minister yesterday assured you that I continued to seek what flexibility I could to improve the situation for local government and that we would look carefully at a request from the COSLA President to provide an additional £100 million to address a range of pressures being faced by local government.

The budgetary position for 2022-23 therefore remains very challenging, with all available funding having been fully allocated. However, in recent days I have received unexpected new information from the UK Government indicating the likelihood of further consequentials to be allocated to Scotland in 2021-22. Whilst this will require careful management of the Scotland Reserve, I believe there will be scope to carry forward funding into 2022-23, creating the opportunity to allocate additional resources to local government in the current Budget Bill, reflecting the pressures that Councils face.

I have therefore indicated to Parliament today my intention to amend the Budget Bill at Stage 2 to allocate a further £120 million of resource to Local Government in 2022-23. Councils may allocate this funding as they see fit.

I have noted that many councillors have expressed a view that the budgetary position could result in significant Council Tax rises. This additional funding is equivalent to the revenues that could be raised from an average four per cent rise across Scotland. So whilst councils have full flexibility in setting local council tax rates, I do not believe that there is a requirement for any inflation-busting increases next year.

This is a pragmatic solution, using the available flexibility that I have, to a challenging budgetary settlement for both Scottish and Local Government in 2022-23. This is of course one off funding, and the Resources Spending Review will need to address the long term sustainability of Local Government alongside the rest of the public sector. We will need to collectively consider commitments carefully alongside available funding, and options for savings and reform. I look forward to working with you in the coming months to progress this work.

Finally, I can confirm that following further useful dialogue between my officials and Directors of Finance, I have today written to the CIPFA LASAAC Board to seek their view on the request for further flexibility in the accounting treatment of service concessions. I have asked that they consider this issue as swiftly as possible.

Yours sincerely,

KATE FORBES

2022/23 Budget Pressures- Non-Covid **Appendix 4**

Service	Activity/Budget Area	Description of Pressure	2022/23 £m	Category
I&E	Winter salt supply	Salt is sourced through a national framework contract (Scotland Exvcel) there has been a very significant incresae in salt costs due to cost increases in production, such as fuel, explosives and anti caking ingrediant - coupled with a very significant price incresae through shipping charges. This has led to very significant cost of salt delivered to Highland ports. Note there is only one supplier.	0.500	Contractual Cost Increases
I&E	School and public transport	Renewed contracts: Lochaber	0.383	Contractual Cost Increases
I&E	School and public transport	Renewed contracts: Skye	1.116	Contractual Cost Increases
I&E	School and public transport	Renewed contracts: Wester Ross	0.092	Contractual Cost Increases
I&E	School and public transport	New contracts - growth in pupil numbers; Contract replacement where contracts couldn't be extended beyond Dec 2021	0.015	Contractual Cost Increases
I&E	School and public transport	Contract inflation 2022	0.900	Contractual Cost Increases
H&P	Property Maintenance	Inflationary uplifts relating to inspection/servicing contracts due to be reprocured including those for Kitchen Extract System Cleaning, Compliance, Fire Suppression Systems, Fixed Electrical - Catering, Sports & Gym Equipment, Fixed Electrical Inspection & Testing, Gas Safety Checks, Air Conditioning Split Systems, Automatic Controls, Fire Safety Systems, Solar PV Panels - Inspection and Testing	0.570	Contractual Cost Increases
H&P	PPP Schools and Wick Campus	22/23 Contractual Cost inflation- contractual clauses have annual inflation linked to RPI/RPIX	1.225	Contractual Cost Increases
H&P	Catering Services	Food Cost - Inflationary increases (Current contract increases based on the current number of meals being served, this could increase with the phased introduction of FSM's).	0.100	Contractual Cost Increases
Trans	ICT	Increased prices of Microsoft licences (wef Jan 22). Significant increase due to end of 3-year agreement. Prices are relatively static during the agreement but tend to go up significantly at start of new agreement	0.100	Contractual Cost Increases
Trans	ICT	Increased cost of ResourceLink contract. Although a significant increase, it does include the move to cloud hosting and introduction of new functionality.	0.104	Contractual Cost Increases
Corporate	Energy	Energy cost inflationary increases- unit cost of electricity expected to be 22% higher than unit rate in 21/22, unit cost of gas 100% higher	3.091	Contractual Cost Increases
C&P	Bereavement services	Historic unachievable income target for the sale of burial lairs. Following budget realignemnt and planned new income streams in 2022/23 the out-turn forecast across all bereavement income streams is an underachievement of £5k.	0.005	Existing Cost Pressures (excluding Covid19 Pressures)
C&P	Registration income	Unachievable income target from Passport Service as other bodies move to remote service delivery.	0.040	Existing Cost Pressures (excluding Covid19 Pressures)
C&P	Environmental Health	Export Health Certificate income not achievable against target.	0.040	Existing Cost Pressures (excluding Covid19 Pressures)
E&L	Cross service	Cross service education pressures- additional support needs, new school operating costs for Ness Castle	1.502	Existing Cost Pressures (excluding Covid19 Pressures)
P&G	Resilience	Loss of income due to decommissioning of a COMAH site	0.005	Existing Cost Pressures (excluding Covid19 Pressures)
R&F	Service-wide	Budget holding code balance which cannot be addressed within the service	0.280	Existing Cost Pressures (excluding Covid19 Pressures)
C&P	Waste transfer and disposal	Inflationary Increase on Landfill tax per tonne by £2.60, the current rate is £96.70 in 2021/22. 80,000 tonnes of waste is sent to landfill per annum.	0.208	Legislative Change
C&P	Corporate and Community support and engagement.	Resourcing dedicated staffing for statutory community planning - Council contribution. Outstanding action in BV audit action plan. The Council's share would be to resource a 0.5 CPP Manager and 1 partnership officer. 4 further partnership officers and 0.5 CPP Manager would be resourced by partners through secondment or funding (as agreed by CPP Board December 2021). One CPP and 9 community partnerships require resourcing.	0.020	Legislative Change
Corporate	Fleet fuel	Fuel cost pressures as the subsidy on red diesel is removed for most vehicles from April 2022. Current subsidy is 57.95p per litre.Sum allows for pressures across roads fleet, waste fleet, other transport, depots and schools.	0.327	Legislative Change
R&F	Finance	New software required to support implementation of IFRS16 (accounting for leases)	0.016	Legislative Change
R&F	Revenues & Business Support	Non-recurring estimated implementation costs for Council Tax Reform (Council Tax Reduction Regulation 22)	0.051	Legislative Change
R&F	Revenues & Business Support	Anticipated increased administration costs (recurring) arising from Council Tax Reform (Council Tax Reduction Regulation 22)	0.078	Legislative Change
Corporate	Non-Domestic Rates	Increase in NDR poundage rate from 49p to 49.8p	0.183	Legislative Change
C&P	Customer services and corporate pressure	Petition to remove blue badge charges - petition to be heard 23.2.21 and links with corporate budget process.	0.053	New Expenditure Commitments
C&P	Waste operations	Platinum Jubilee public holiday pay pressure for essential services (non-recurring pressure).	0.027	New Expenditure Commitments
H&P	New School Provision	New Early Years facilities property running costs- rates, heat pump servicing, fire alarms	0.495	New Expenditure Commitments
H&P	New School Provision	New Ness Castle Primary School (Opens August 2022) - CCFM costs	0.060	New Expenditure Commitments
H&P	New School Provision	Merkinch Primary School and Family Centre - Non Domestic Rates Payments (Incremental change from old school).	0.140	New Expenditure Commitments
H&P	Catering Services	Ongoing IT service costs as a result of the roll out of laptops to Catering Supervisors for remote/home working.	0.011	New Expenditure Commitments
R&F	Service-wide	R&F service restructure (to bolster core corporate support staffing in HR and Finance)	0.250	New Expenditure Commitments
Trans	ICT	Additional Microsoft user licences following annual true-up. This increased use is part of the digital transformation journey. Activity is underway to check the number of licences matches the current requirement. Pressure will go down if surplus is found.	0.165	New Expenditure Commitments
C&P	Waste income	The income target for the sale of wheelie bins has increased each year- actual income levels are not meeting the budget level	0.019	Undeliverable 2021/22 Budget Savings
I&E	School and public transport	Savings target not deliverable	0.609	Undeliverable 2021/22 Budget Savings
Total			**12.780**	

Budget Pressures: Continuing Covid Pressures **Appendix 5**

Service	Activity/Budget Area	Description	2021/22 One-off Funding for Covid Pressure £m	2022/23 Continuing Covid Pressure £m	Category
E&L	Schools	Increased costs Heating/Ventilation	0.250	0.250	Covid19 - Expenditure Impact
H&SC	Placements and out of authority	Increased numbers of out of authority placements as increasing numbers of children go into these placements and delays in returning children to alternative local settings	2.200	1.500	Covid19 - Expenditure Impact
H&SC	Fostering and adoption	Increased demand for foster placements	0.400	0.400	Covid19 - Expenditure Impact
I&E&E	School and public transport	School and Passenger transport contractual price increases arising as a direct result of Covid	1.802	1.802	Covid19 - Expenditure Impact
I&E&E	Harbours	Reduced Income from Harbour dues	1.000	1.000	Covid19 - Income Impact
I&E&E	Car Parking	Loss of Parking Related Income, car parks, permits, rentals, contract parking etc	0.454	0.454	Covid19 - Income Impact
P&H	Catering	Reduced Snack Bar Sales in HQ and no income from Catering Units on construction sites	0.100	0.100	Covid19 - Income Impact
P&H	Catering	Loss in Private Function Catering, Training Course Catering and Members Catering	0.100	0.100	Covid19 - Income Impact
Trans	ICT	Revenue costs of MiFi devices and mobile phones	0.025	0.056	Covid19 - Expenditure Impact
Total	**Total**		**6.331**	**5.662**	

2022/23 Council Tax Rates Proposals

Appendix 6

Band	Multiplier Factor	2021/22 Council Tax £	2022/23 Proposed change £	2022/23 proposed Council Tax £
DBR	5/9	740.18	22.21	762.39
A	6/9	888.22	26.65	914.87
B	7/9	1,036.26	31.08	1,067.34
C	8/9	1,184.29	35.53	1,219.82
D	9/9	1,332.33	39.97	1,372.30
E	473/360	1,750.53	52.52	1,803.05
F	585/360	2,165.04	64.95	2,229.99
G	705/360	2,609.15	78.27	2,687.42
H	882/360	3,264.21	97.93	3,362.14

2022/23 Council Tax- Illustrative Rates after impact of rebates **Appendix 7**

Band	2021/22 Council Tax £	2022/23 proposed Council Tax £	2022/23 rebate from Scottish Government £	Net cost of Council Tax 2022/23	Net change from 21/22 after rebate £	Effective change from 21/22 levels after SG rebate %
DBR*	740.18	762.39	150.00	612.39	-127.79	-17.27%
A*	888.22	914.87	150.00	764.87	-123.35	-13.89%
B*	1,036.26	1,067.34	150.00	917.34	-118.92	-11.48%
C*	1,184.29	1,219.82	150.00	1,069.82	-114.47	-9.67%
D*	1,332.33	1,372.30	150.00	1,222.30	-110.03	-8.26%
E**	1,750.53	1,803.05	0.00	1,803.05	52.52	3.00%
F**	2,165.04	2,229.99	0.00	2,229.99	64.95	3.00%
G**	2,609.15	2,687.42	0.00	2,687.42	78.27	3.00%
H**	3,264.21	3,362.14	0.00	3,362.14	97.93	3.00%

*All households in Bands A to D will receive the £150 rebate

** Any household in Bands E to H in receipt of Council Tax Reduction will also receive the £150 rebate. The effect of this is not shown in the table above

Savings Proposals 2022/23 - 2024/25 **Appendix 8**
Previously Agreed Savings- where there is a change in delivery profile or ability to deliver

Original Savings Agreement	Service Ref	Theme Ref	Budget Area	Savings Description	Agreed as at HC 04/03/21 2022/23 £m	Agreed as at HC 04/03/21 2023/24 £m	Agreed as at HC 04/03/21 Total £m	Revised 2022/23 £m	Revised 2023/24 £m	Revised Total £m	Comments
HC 14/02/19	CS/14	3.15	Transport - Home/ School Provision	Review provision - better route planning; introduce collections hubs for children and renegotiate with individual operators for revised pricing	0.060		0.060		0.060	0.060	Cost reductions have been achieved in some service routes and through the introduction of community transport schemes. However, overall the budget for school transport remains in deficit due to contract price increases as a result of Covid. This requires a budget feed for 22/23 and the saving has been moved to 23/24.
HC 14/02/19	CS/15	1.01	Transport - Review Subsidies	Reduce the cost of the public bus services tender per annum	0.114		0.114		0.114	0.114	Development of community transport opportunities to achieve this saving will take time and the current level of subsidy required remains challenging due to the reduction in fare paying customers. The saving has been moved to 23/24.
HC 05/03/20	CS/19a	1.14	Transport Section	Review of school transport contracts and arrangements - nursery, primary, secondary and special schools	0.175		0.175		0.175	0.175	This is currently the subject of a transformation project and a subject expert consultant has reviewed our school transport policies and processes to identify where savings may be achieved. All school contracts are being reviewed in this context. The timescales involved in the agreement and implementation of recommendations and scheduled re-tendering of contracts mean this saving is unlikely to be achieved in 22/23. This requires a budget feed for 22/23 and the saving has been moved to 23/24.
HC 05/03/20	D&I/2	2.15	Planning & Environment	Planning & Building Warrant Fee Income - Increase income target	0.300		0.300	0.050	0.250	0.300	Initial impact of Covid is now wearing off with return to pre-Covid levels anticipated for 2022/23. Limited further growth anticipated
HC 14/02/19	D&I/10	2.20	Property	Catering Service - Redesign School Meals	0.075		0.075	0.000		0.000	A reduction in school meal income due to Free School Meals being introduced for P4 and further rolled out from P4 to P7 will result in the year end income targets not being met.
HC 14/02/19	Corp/1	3.14	Council wide	Review of business support to create an integrated service, reduce duplication and achieve efficiencies.	0.025		0.025	0.000		0.000	Requires corporate behavioural change to deliver savings in business support budget
HC 05/03/20	P&H (Originally C&L/7b)	1.16	Resources	HLH - Reduce energy costs	0.279		0.279	0.000		0.000	Delivery of any energy cost savings will be challenging in light of expectations of significant unit cost increases. Corporate behavioural change and capital investment in energy efficiency required to reduce consumption. Where possible budget holder responsibility for energy budgets will be shifted to property RPO.
HC 05/03/20	Corp/1	1.15	Energy	Increased focus on reducing energy consumption- saving split between HLH (£200k) and HC (£100k). Further developing winter break office closures.	0.225		0.225	0.000		0.000	Delivery of any energy cost savings will be challenging in light of expectations of significant unit cost increases. Corporate behavioural change and capital investment in energy efficiency required to reduce consumption. Where possible budget holder responsibility for energy budgets will be shifted to property RPO.
HC 05/03/20	Corp/2	1.15	Energy	Becoming more energy efficient by meeting ISO5001 energy standard across entire property estate	0.150		0.150	0.000		0.000	Delivery of any energy cost savings will be challenging in light of expectations of significant unit cost increases. Corporate behavioural change and capital investment in energy efficiency required to reduce consumption. Where possible budget holder responsibility for energy budgets will be shifted to property RPO.
Total					**1.403**	**0.000**	**1.403**	**0.050**	**0.599**	**0.649**	

All undeliverables

Earmarked Balances- 21//22 forecast outturns and planned spend in future years **Appendix 9**

Description	FORECAST 2021/22 Closing Balance £	Anticipated spend 2022/23	Anticipated spend 2023/24	Anticipated spend 2024/25 and later years	Revolving funds	Service
Covid19 Funding						
Business Grants (B-14)	3,536,620	3,536,620				I&E&E
Schools & Learning						
Additional Education - Teachers (R-35)	0					E&L
Additional Education - Digital inclusion (R-36)	412,000	412,000				E&L
Additional Education - Home Learning Support Fund (R-37)	400,000	400,000				E&L
Support for Schools - Additional Staff (funding for 2021/22) (R-38)	0					E&L
Welfare						
Additional Funding for Free School Meals to 26 Feb 2021 (R-40)	0					Welfare
Additional Free School Meals Easter (R-19)	0					Welfare
Spring Hardship £100 payments - admin (R-44b)	0					Welfare
Test and Protect Funds - Support for People (R-23)	0					C&P
Test and Protect Funds - Local Self-Isolation Assistance (R-24)	0					C&P
Test & Protect Expansion (R-49)	0					C&P
Flexible Fund to Support People Impacted by Restrictions (R-31)	324,000	324,000				C&P
Other						
Environmental Health Officers (R-22)	56,629	56,629				C&P
Mental Health (R-26 & R-27)	534,000	534,000				E&L
PESF Boost (R-52)	191,000	191,000				I&E&E
Covid19 Funding - Overpaid Amount to be Repaid (R-18)	0					Corporate
NHS Highland Adult Services	0					HW&SC
Sub-total	**5,454,249**	**5,454,249**	**0**	**0**		
Phase 1 Investment Fund (HC 04/03/21)						
Economic Prosperity Fund	4,000,000	3,750,000	250,000			I&E&E
Visitor Management Strategy	54,521	54,521		0		C&P/I&E&E
Sub-total	**4,054,521**	**3,804,521**	**250,000**	**0**		
Phase 2 Investment Fund (HC 24/06/21)						
Corran Ferry	1,284,000	902,000	232,000	150,000		I&E&E
Environment/Climate Change - Renewables	100,000	100,000				P&G
Environment/Climate Change - Salix Match Funding	850,000	850,000				H&P
Roads Investment	2,397,000	2,397,000				I&E&E
Burials & Cremations	270,000	270,000	0	0		C&P
Supporting Safe & Effective working (ICT)	800,000	800,000				H&P
Sub-total	**5,701,000**	**5,319,000**	**232,000**	**150,000**		
Phase 3 Investment Fund (HC 09/09/21)						
Green Energy Hub	2,700,000	605,000	1,095,000	1,000,000		C&P
Visitor Management Strategy	1,500,000	1,500,000				C&P/I&E&E
Community Loans Fund	0					I&E&E
Sub-total	**4,200,000**	**2,105,000**	**1,095,000**	**1,000,000**		
Other Funds						
Developing the Young Workforce	35,000	35,000				E&L
Elections	840,000	840,000	0	0		P&G
Grants & Match Funding						
Brexit	0	0		0		P&G
Community Justice	5,613	5,613				HW&SC
Learning & Teaching (1+2 Languages)	100,662	75,000	25,662			E&L
Deprived Areas Projects	67,117	67,117				I&E&E
K2 System	209,857	209,857				P&H
RRTP Homelessness	658,032	658,032		no		P&H
IT Investment Fund (including Project Dochas)	819,462	676,140	143,322	0		Transformation
SALIX Recycling Fund	1,595,047				1,595,047	Corporate
Staffing Conditions and Development Fund						
Website & Service Centre Enhancement	0					C&P
Office Reviews / New Ways of Working	784,574	784,574				P&H
Business Change & Improvement	505,000	505,000	0	0		Corporate
Consolidation of Living Wage	0					Corporate
Scottish Crown Estate	2,448,067	2,448,067				I&E&E
Skye Airstrip	187,000	187,000				I&E&E
DSM Balances	1,987,860				1,987,860	E&L
Outdoor Centre provision (ex lottery)	459,692			459,692		E&L
Change Fund (committed projects)	653,218	653,218	0	0		Corporate
Commercial Investment Fund	74,000	74,000	0	0		Corporate
Welfare Issues						
Count Your Cash Days	14,250	14,250				H&P
Match funding for ESF Poverty & Social Inclusion	108,196	108,196	0	0		C&P
Developers' Contributions	6,728,587				6,728,587	Corporate
GRAND TOTAL	**37,691,004**	**24,023,834**	**1,745,984**	**1,609,692**	**10,311,494**	

Savings Proposals 2022/23 **Appendix 10**

Ref	Budget Area	Savings Description	Savings £m
C&P/10	Communication Support	Remove the surplus in the budget to take account of income generation. No reduction to service	0.020
C&P/6	Household waste collections	Garden Waste Collection Service- below inflation increase in brown bin charges	0.036
Corp/2	Managed Print Service (MPS)	Reductions in printing Printing/Photocopying and reduce Multi-Function Devices (MFDs) in offices and schools	0.250
Corp/20	Realignment of staffing	Removing unspent budget associated with historic vacancies	0.223
Corp/21	Corporate- staffing	Staff alignment, agility and redesign	2.460
Corp/22	Corporate- staffing	Reduction in overtime	0.089
Corp/23	Corporate- staffing	Recruitment timelines- removal of budget to reflect recuitment process timelines	1.494
Corp/24	Corporate- non staffing	A review of non-staffing spend has identified opportunities for savings across services from improved contract management, stopping/reducing demand, alternative delivery, and actions relating to suppliers, specification, productivity, process, negotiation, contracts and analysis	0.500
Corp/25	Corporate- travel	Reductions to travel budgets to reflect savings already made across services as a result of new ways of working brought about by the pandemic along with a commitment to reducing carbon emissions	0.500
Corp/26	Corporate- full cost recovery	Full cost recovery and commercialisation	0.808
Corp/28	Transformation	Removal of recurring change fund budget- transformative investment to be funded from reserves supported by an appropriate business case	1.800
Corp/5	Cross -service-procurement	Procurement savings deliverable during 2022/23 principally in relation to utility audits which will deliver one-off returns as well as recurring savings during the year	0.450
Corp/7	Staff Benefits	Review of staff benefits in particular around relocation expenses and meals and refreshment expenditure across the Council	0.140
E&L/10	ELC	Re-alignment of early level class provision	0.095
E&L/12	DSM	Alignment of primary teacher band 16-19	0.104
E&L/15	Primary Education	Review of school provision – declining school rolls	0.150
E&L/16	ELC	Re-alignment of ELC budget to deliver efficiency savings and mitigate grant funding reduction	1.000
E&L/3	Service Wide	Reduction in Service Level Agreement relating to management services provided to playgroups	0.037
E&L/6	Service Wide	Realigning non DSM budget to match spend	0.336
HW&SC/4	Health and Social care- service wide	Through critical analysis of the HSC budget, savings have been identified. Overprovision within many budget lines have now been re-aligned with no impact on staffing numbers or service provision	0.500
I&E&E/7	Development & Regeneration	Improved Partnership Working in the delivery of Employability Services	0.070
I&E&E/9	Roads & Transport	Review of non-statutory Public Transport routes	0.121
P&H/13	Cleaning & FM Services	Review of Lets	0.150
P&H/14	Asset rationalisation	Further asset rationalisation saving in additon to the £0.25m saving already agreed in March 2021	0.250
P&H/19	Non HRA	In sourcing of Emergency and temporary accommodation	0.100
P&H/2	CCFM Business Support	Reduction in support and administration budget for this function, managed withiin overall budget envelope	0.021
P&H/20	Cleaning & FM Services	Reduction in material and sundry costs	0.050
R&F/1	Occupational Health Contract	Reprocurement and use framework from 1.4.22	0.015
R&F/6	Revenues & Business Support	Through greater use of technologies, including the potential for digital mailing, reduce the number of locations handling outgoing mail thus reducing associated costs (resource effort, and franking machine and Royal Mail charges)	0.025
Total			**11.794**

Budget Template

Budget Heading	Managed Print Service (MPS)		
Savings Name	Corporate Print Contract price reduction		
Current Budget (£m)		Current Staffing (FTE)	0

Ref.	Corp/2

Financial Year	Savings £m	Staff Impact FTE
2022/23	0.250	0
2023/24		
2024/25		
Total	0.250	0

Detailed Description of Savings Proposal

The Council has a corporate Managed Print Contract for provision of Multi-Function Devices (MFDs) in offices and schools. The contract is with a local supplier – Xeretec – and the current contract ends 1 April 2024.

The MFDs are not owned by the Council and the contract pricing model is entirely one of paying on a price per page printed basis. There are no central core costs, and all printing budgets are held by Services reflecting that those who do the printing pay the costs based on the volume they print.

In 2019/20, printing costs excluding HLH, VJB and HRA were:

Education	£521k
Other THC Services	£152k
TOTAL	**£673k**

The impact of COVID was significant and costs for 2020/21 were:

Education	£277k
Other THC Services	£67k
TOTAL	**£344k**

Costs so far for 2021/22 (half year from April to Sept inclusive) are shown below with an estimated pro-rata annual figure, assuming no further change in behaviour to year end.

Education	£176k to date	£352k year estimate
Other THC Services	£35k	£70k
TOTAL	**£211k**	**£422k**

The saving proposed of £0.250m is based upon comparing 21/22 actuals extrapolated to year end, compared to 19/20 (preceding the material impact of COVID including lockdown). The highest proportion of this proposed saving would be seen in Education devolved school budgets (£0.169m).

Beyond 2022/23 there is scope for **further** savings by renegotiation of the Managed Print Contract. Xeretec overheads can be reduced by removal of MFDs in sites with multiple devices, thus resulting in a reduced price per page. This may be easier to achieve in corporate offices compared to schools, as it can be aligned very much to the objectives of the New Ways of Working (NWOW) project. Nonetheless further savings on Education devolved schools budget is possible too.

Discussions will continue with Xeretec and Services to understand the scale of savings that could be achieved in future years. At present those negotiations are commercially sensitive and updated savings targets for future years will be brought forward in due course.

Reducing printing and the number of MFDs will also contribute to the Council's net zero target as a consequence of some power savings and reduction in paper usage. The power savings can be difficult to measure and are not included in the £0.250m saving proposal. Notwithstanding materiality, the ongoing work looking to rationalise the MFDs will also endeavour to provide an indicative figure of likely power savings.

The tables above show the bulk of the printing carried out under the contract. There are some additional service areas which account for further modest amounts of printing as shown below. Although modest, reduced volumes were shown due to COVID. The separate review of HLH could include the possible £22k saving arising from their evidenced reduction in printing. Savings from the other areas may not be achievable.

In 2019/20, printing costs were:

Highlife Highland	£38k
NHS	£16k
VJB	£14k
HRA	£13k
TOTAL	**£81k**

The impact of COVID was significant and costs for 2020/21 were:

Highlife Highland	£8k
NHS	£6k
VJB	£2k
HRA	£4k
TOTAL	**£20k**

Costs so far for 2021/22 (half year from April to Sept inclusive) are shown below with an estimated pro-rata annual figure, assuming no further change in behaviour to year end.

Highlife Highland	£8k	£16k
NHS	£2k	£4k
VJB	£2k	£4k
HRA	£1k	£2k
TOTAL	**£13k**	**£26k**

Actions, Resource Implications and Timescale for Delivery

Actions required are:

- Continued engagement with Xeretec;
- Further examination of the detailed data available to identify low volume MFDs that could be removed;
- Engagement with the NWOW project team to ensure revised printing arrangements are included as a core design principle;
- Analysis of Service print budgets to identify budget vs spend;
- Discussion regarding devolved school budgets and whether it is possible to obtain savings there – especially given that most of the printing takes place in schools;
- Further work on embedding new ways of digital working with less reliance on printing.

These actions will require input from ICT Services, Procurement and Finance staff. Analysis of data and engagement with Xeretec should be able to take place quickly.

The last bullet point ties in with the objectives of the Digital Transformation Programme, which has a specific workstream around Digitising Records/Modernising our Workspaces. The new Digital Strategy, that is also an output from the DT Programme, will cover the vision of moving to a modern digital workforce and the DT project team will play a vital role in getting buy-in to that vision.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No

Are there any other risks associated with this savings proposal?

- Risk that Xeretec overheads cannot be reduced and therefore no reduction in price;
- Risk that savings cannot be realised from devolved school budgets;

- Risk that Service budgets have already been reduced and there are no further savings to be achieved;
- Risk that printing behaviours return to pre-COVID and print volumes increase.

What is the Anticipated Impact?
Staffing:
No impact
The Service:
Requirement for Services to maintain current behaviour of reduced printing and to reduce still further as far as possible. Although this may not have a direct impact on service delivery in most corporate areas, this may have more impact for teaching where there is still high reliance on use of printed materials.
Equality Groups:
Recognition that some staff, pupils and client groups may still require printed materials due to their individual requirements, lack of ICT or other factors.
Rural:
No impact
Socio-economic:
No impact
Island:
No impact

Budget Template

Budget Heading	Service-wide		
Savings Name	Procurement & Contracts Management		
Current Budget (£m)	n/a	Current Staffing (FTE)	n/a

Ref. **Corp/5**

Financial Year	Savings £m	Staff Impact FTE
2022/23	0.450	0
2023/24		
2024/25		
Total	0.450	0

Detailed Description of Savings Proposal

The procurement and contracts management transformation project continues to progress with a number of savings opportunities identified for financial year 2022/23. That project has also played a key role in underpinning saving Corp/24 relating to reducing non-staffing spend.

This particular saving proposal predominately reflects audits done on the Council's utilities to ensure appropriate metering and billing. The audits cover water and gas and have identified historic overpayments which will be reimbursed during 2022/23. Whilst much of this saving is therefore one-off in nature some recurring elements have been identified to reflect the correct metering and tariffs being applied.

A smaller proportion of this saving relates to anticipated rebates from certain contracts along with savings from the contract for energy efficiency contracts.

Actions, Resource Implications and Timescale for Delivery

The audits are underway and are expected to yield savings in 2022/23. The cost of the audits is netted off the anticipated saving figure. Work will be needed to ensure all refunds are appropriately received.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No

Are there any other risks associated with this savings proposal?

No

What is the Anticipated Impact?

Staffing:

None

The Service:

None

Equality Groups:

None

Rural:

None

Socio-economic:

None

Island:

None

Budget Template

Budget Heading	Multiple budgets		
Savings Name	Staff Benefits		
Current Budget (£m)		**Current Staffing (FTE)**	

Ref. **Corp/7**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.140	0
2023/24		
2024/25		
Total	0.140	0

Detailed Description of Savings Proposal

Relocation Expenses
It is proposed to reduce spend on relocation by utilising a more targeted approach to focus on difficult to recruit to posts. In addition, the payment of relocation expenses will be provided from the appropriate local budget rather than through central funds to keep a clearer link between expenditure and budget.

This will be applied to recruitment commenced from 1 April 2022.
The Scheme applies to a person appointed to a Council post (2 years or more), who in the view of the Council, must move home in order to take up appointment. Exceptions to this provision will be considered on a case by case basis. Relocation is also payable where an employee is required to move home due to a compulsory change in work location which requires a move of home eg redeployment of staff. The current relocation package offers up to a maximum of £6,500 which covers payment for legal fees relating to sale and purchase of accommodation, two home allowance, and relocation expenses involving moving home. It is not proposed to amend the £6.500 maximum which can be claimed however it will be targeted at difficult to fill posts.

Hospitality expenditure
Application of hospitality will be applied consistently so that staff meals and refreshments are provided from the appropriate local budget rather than through central funds. The cost to individual budgets will be minimal and will enable the central budget allowance to be taken as a saving.

Actions, Resource Implications and Timescale for Delivery
A review of other Councils' Relocation and Removal Policies has taken place which is limited to 8 Council with two councils confirmed they do not pay relocation expenses, however one of the Council's indicated they would pay in exceptional circumstances. The table below shows rates currently paid by other Councils.

Maximum payment	Number of councils
£7,000	1
£6,500	**Highland**
£6,000	3
£5,000	1
£0	2

The Relocation Policy will be amended to reflect change in the provision to apply to difficult to recruit posts which will be determined at the time of recruitment. Promotional information on the recruitment package will also be amended to reflect the change in the application of the policy. This change will be communicated to all staff for posts recruited to effective from 1 April 2022.

Hospitality - Provision for staff working through meal times will still be available, so staff conditions will be unaffected. However, the costs will be applied consistently against local service specific budgets – as happens in most instances already – rather than some being charged against a central catering budget as is currently the case. The impact on local budgets will be minimal as the costs will be spread across many areas rather than captured centrally.

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
n/a
Are there any other risks associated with this savings proposal?
n/a

What is the Anticipated Impact?
Staffing:
This will have no direct impact on staff, it is a cost alignment exercise
The Service:
No direct impact
Equality Groups:
Nil
Rural:
Nil
Socio-economic:
Nil
Island:
Nil

Budget Template

Budget Heading	Corporate		
Savings Name	Realignment of unused staffing budgets		
Current Budget (£m)		**Current Staffing (FTE)**	N/A

Ref. **Corp/20**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.223	0
2023/24		
2024/25		
Total	0.223	0

Detailed Description of Savings Proposal

A saving of £223,000 is made possible through an accounting approach which has entailed a detailed line by line review of staffing budgets and expenditure to ensure budgets across a number of budget headings are aligned to actual spend. This has identified budget relating to historic vacant posts and parts of posts that are no longer required and captured this as a recurring saving.

Removing unspent budget associated with these historic vacancies will deliver a total of £0.223m savings without an impact on service delivery.

Actions, Resource Implications and Timescale for Delivery

The saving is already being made as the budgets associated with these historic vacancies are not being used to meet the cost of service delivery.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No

Are there any other risks associated with this savings proposal?

No

What is the Anticipated Impact?

Staffing:

There is no direct impact on staffing as the saving is made from budget that is no longer required.

The Service:

No impact

Equality Groups:

No impact

Rural:

No impact

Socio-economic:

No impact

Island:

No impact

Budget Template

Budget Heading	Council Wide		
Savings Name	Staff alignment, agility and redesign		
Current Budget (£m)	155	**Current Staffing (FTE)**	4,139

Ref. **Corp/21**

Financial Year	**Savings £m**	**FTE**
2022/23	2.460	72.8
2023/24		
2024/25		
Total	2.460	72.8

Detailed Description of Savings Proposal

This saving will not result in any redundancies; it will focus on identifying vacant posts that can be removed as they arise over the course of 2022/23.

The Council is well placed to create and support additional employment and a skills base within all areas of the Highlands through structures such local economic forums and focused investment priorities. Whilst the overall goal is to continue the well-established practice of managing vacancies, it is important to note the investment provided in the Health & Prosperity Strategy for Highland 2022-23 will also lead to new opportunities for staff through investment in roads and transport, childrens services, education, and the green economy.

A number of approaches to deliver this saving will include staff turnover & managing vacancies; ongoing efforts to review business processes, in part enabled by Digital Transformation wherever practicable; redeployment & career progression opportunities including secondments & work shadowing; training & development; attendance management; and moving to a new hybrid model of working. This approach, and in line with existing Council policy, will continue to avoid compulsory redundancies. The experience of COVID has also demonstrated how staff have been flexible in their approach to supporting the changing needs of the organisation.

Decisions on existing and future vacancies may be supported by different models of funding for staff, for example utilising external funding, and the overall approach to Workforce Planning. The Council has accelerated the Youth Trainee and Modern Apprentice Programme to address the ageing demographic profile of the Council. This effectively means that the Council has a pipe-line of newly trained staff to support redesign and different models of service delivery.

Annual salaries for all Services excluding Education DSM are £155m. The number of full-time equivalent (fte) staff (excluding Education DSM) is:

2018/19 – 4,526
2019/20 – 3,967
2020/21 – 3,959
2021/22 – 4,139

The number of leavers per Service is shown below. This does show varying Service turnover rates reflecting differing job roles. The pandemic also impacted 20/21 with 21/22 predicted to exceed 550.

SERVICE / YR	17/18	18/19	19/20	20/21	21/22
Comms & Place	131	118	128	69	144
E&L (ex. DSM)	112	139	139	108	161
Prop & Hsg	95	80	94	44	91
HSC	54	67	58	38	64
IEE	39	28	25	15	40
Perf & Gov	3	5	3	2	1
Res & Finance	55	49	33	14	48
Transf/ICT	5	7	3	4	2
TOTAL	**495**	**492**	**482**	**294**	**552**

Actions, Resource Implications and Timescale for Delivery

As part of the Council's financial strategy supporting the approach to medium term financial planning including returning balances to a level in line with recommended levels, the reduction of 500fte during 19/20 evidenced the benefits of increased governance around recruitment and sustainable and affordable workforce levels. Notwithstanding the impact of COVID, this proposal will still see the Council with an establishment in excess of 19/20 levels. With an average annual turnover in excess of 505fte (excluding 20/21, COVID), recruitment to more than 430fte posts (excluding DSM) is anticipated.

Recruiting and developing staff with core transferrable skills in generically designed job role enables a more agile workforce, adaptable and responsive to the business needs. Transition opportunities for staff to move across services to develop skills, structured secondments, and work shadowing contribute to a flexible, multi-skilled and adaptable workforce providing opportunities for existing staff and reducing the need to recruit externally. Job role and job design will also support the agility to deliver future savings along with embracing and developing a digital skilled workforce for the future.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No direct impact.

Are there any other risks associated with this savings proposal?

There is a risk a reduction in establishment will result in reduced performance and reduced service. However, work is continuous across all Services to redesign processes, make best use of technologies, and to equip our staff with transferrable skills and a range of transition opportunities, thus helping to mitigate this risk. Critical services are regularly impact assessed to ensure they continue to be delivered safely, timeously, and to agreed standards.

What is the Anticipated Impact?

Staffing:

There would be a reduction in posts across the authority of 73FTEs which equates to 1.6% of the establishment. However, this will be mitigated in part by the investment set out above. Based upon leavers from 2021/22, this would equate to 13% of the posts where there were leavers. It is proposed this is managed through a combination of deleting posts that are/become vacant and service and process redesign.

In line with existing Council policy, this saving will continue to avoid compulsory redundancies. There will be a focus on multi-skilling staff and developing a flexible workforce that can be redeployed in other roles.

The Service:

There is likely to be some impact on services as a result of the reduction in staffing. ECOs will minimise impacts through a combination of vacant posts and service and process redesign. Any removal of posts through the process of vacancy management will consider the impact on service and the remaining staff within the function.

Equality Groups:

Individual impact assessments will be required through any service and process redesign to consider and mitigate impacts on specific staff groups. In relation to establishment reduction, Modern Apprenticeships (circa 70fte annually) will be excluded from the potential posts considered for removal and thereby mitigating the impact on the young workforce.

Rural:

There are no anticipated rural impacts, however individual impact assessments will be required through any service and process redesign to consider any adverse impacts on staff groups in rural areas.

Socio-economic:
There is a potential impact on lower paid workers as a consequence of the balance of lower grades across the workforce. 65% of staffing are grades HC5 and below, with 75% of leavers from this staff grouping. Therefore, should reductions in staffing be taken solely from vacancies, this could have an adverse impact on this section of the workforce. To mitigate this impact, flexibility is being given to ECOs to consider the reductions during service and process redesign.
Island:
There are no anticipated island impacts however individual impact assessments will be required through any service and process redesign to consider any adverse impacts on specific staff groups.

Budget Template

Budget Heading	Council Wide		
Savings Name	Review of overtime		
Current Budget (£m)	3.5	**Current Staffing (FTE)**	

Ref.	**Corp/22**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.089	0
2023/24		
2024/25		
Total	0.089	0

Detailed Description of Savings Proposal

This saving follows a detailed analysis of overtime.

Overtime costs are £3.5m per annum with the significant majority of overtime in Communities and Place and Infrastructure, Environment & Economy Services.

The savings proposal is to reduce overtime by 2.5%. This small reduction in overtime proposed recognises that this is both a discretionary spend but also that overtime can be required to deliver essential services including outwith normal working hours.

Actions, Resource Implications and Timescale for Delivery

In addition to reviewing the areas of activity resulting in overtime and ensuring appropriate levels of governance are in place, the ongoing efforts to review business processes, in part enabled by Digitalisation wherever practicable, will support the proposed reductions in overtime.

Reporting to the Redesign Board, 2 projects - Amenities Review and Roads Improvement Design – will also seek to improve cross functional and service collaboration including Workforce Planning, and this can support a review of overtime across the 2 Services where the majority of overtime is undertaken.

Recruiting and developing staff with core transferrable skills in generically designed job roles supports the Council's ethos of an agile workforce which is adaptable and responsive to business needs.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No direct impact.

Are there any other risks associated with this savings proposal?

There is a risk that unanticipated events or new and additional requests to deliver services may require overtime working, particularly if this involved working out with contracted hours. Resourcing will be assessed and planned should such matters arise.

What is the Anticipated Impact?

Staffing:

There would be an impact on staff as a result of the proposed reduction in overtime – a reduction of 2.5% against budget. The proposed reduction is relatively low and therefore the intended impact on staff should be minimal. When considering where to make reductions in overtime, ECOs will consider existing contracted overtime, absence management, service needs and demands and ensure fairness and equity where this is applied.

The Service:
It is anticipated there would be minimal impact on service as a result of the reduction in overtime. 2.5% of the overall overtime budget is proposed for reduction.
Equality Groups:
Individual impact assessments would be required through any service and process redesign to consider and mitigate impacts on specific staff groups.
Rural:
There are no anticipated rural impacts however individual impact assessments will be required through any service and process redesign to consider any adverse impacts on staff groups in rural areas
Socio-economic:
There is a potential impact on lower paid workers as a consequence of the balance of lower grades across the workforce where 84% of overtime is undertaken by staff at grade HC6 and below. As noted however, the % reduction in overtime is minimal and therefore impact anticipated to be low.
Island:
There are no anticipated island impacts however individual impact assessments will be required through any service and process redesign to consider any adverse impacts on specific staff groups.

Budget Template

Budget Heading	Council Wide		
Savings Name	Removal of budget related to recruitment timelines		
Current Budget (£m)	155m	Current Staffing (FTE)	4,139

Ref. Corp/23

Financial Year	Savings £m	Staff Impact FTE
2022/23	1.494	0
2023/24		
2024/25		
Total	1.494	0

Detailed Description of Savings Proposal

This saving follows a detailed analysis of staffing spend related to recruitment timelines. Annual salaries for all Services excluding Education Devolved School Management (DSM) are £155m.

It currently takes on average 8 weeks to recruit and fill any post reflecting the essential steps required to undertake recruitment such as advertising, short-listing, interview, notice required and legislative disclosure checks.

This saving proposal formalises this corporately allowing for monitoring to be taken across the organisation and there is no impact on existing service delivery. The tables below provide the rationale for the saving.

The number of leavers per Service shown below shows varying Service turnover rates reflecting differing job roles. The impact of the pandemic also impacted 20/21 with 21/22 predicted to exceed 550.

SERVICE / YR LEAVERS	17/18	18/19	19/20	20/21	21/22
Comms & Place	131	118	128	69	144
E&L (ex. DSM)	112	139	139	108	161
Prop & Hsg	95	80	94	44	91
HSC	54	67	58	38	64
IEE	39	28	25	15	40
Perf & Gov	3	5	3	2	1
Res & Finance	55	49	33	14	48
Transf/ICT	5	7	3	4	2
TOTAL	**495**	**492**	**482**	**294**	**552**

The savings proposal is to remove budget from Services equivalent to the 8 weeks on average it takes to fill vacant posts. The savings per Service is shown below:

Service / Description	Vacancies (time taken to fill posts (£000))
Comm & Place	135.1
E&L (ex. DSM)	338.0
HSC	354.0
IEE	120.1
Perf & Gov	4.8
Prop & Hsg	271.3
Res & Finance	262.1
Transf/ICT	8.2
Total	**1,493.6**

Actions, Resource Implications and Timescale for Delivery
As it already takes an average of 8 weeks to fill posts, the removal of equivalent budget will not impact on existing service delivery.

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
No direct impact.
Are there any other risks associated with this savings proposal?
As Services are already seeing an average of 8 weeks to fill posts, this removal of budget will not impact on existing service delivery. However, it will reduce flexibility for the Service to meet unforeseen financial challenges.

What is the Anticipated Impact?
Staffing:
There is no anticipated staffing impact as a result of the savings from staff turnover as this represents existing processes.
The Service:
There is no anticipated service impact as a result of the savings from staff turnover as this represents existing processes. However, it will reduce flexibility for the Service to meet unforeseen financial challenges.
Equality Groups:
There is no anticipated impact as a result of this proposal.
Rural:
There is no anticipated impact as a result of this proposal.
Socio-economic:
There is no anticipated impact as a result of the proposal.
Island:
There is no anticipated island impact as a result of this proposal.

Budget Template

Budget Heading	Non-staffing spend			**Ref.**	**Corp/24**
Savings Name	Review of corporate non-staffing budgets				
Current Budget (£m)	n/a	**Current Staffing (FTE)**	n/a		

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.500	0
2023/24		
2024/25		
Total	0.500	0

Detailed Description of Savings Proposal

In the early part of calendar year 2022 a review of all non-staffing budgets across the Council was supported by the Commercial and Procurement Shared Service. This exercise began with a data analysis approach, followed by meetings with services to review and challenge the data with the outcome being a list of opportunities for savings. This work leant heavily on the ongoing work as part of the procurement and contracts management transformation project.

The actions considered for savings identification are as outlined below:

- Stop/reduce demand
- Alternative delivery
- Supplier action
- Specification action
- Productivity action
- Process action
- Negotiation action
- Contract action
- Analysis action

Areas identified for the delivery of savings include (but are not limited to) the following:
Property and Housing (target £166,000) – Extend expiring service contracts- seeking to freeze or reduce rates. Create one-year contracts with repair and maintenance suppliers - this will target the high spend off contract trades suppliers with an opportunity to put in place one-year agreements whilst tender is relaunched from June 2022.

Infrastructure and Environment (target £150,000)- A new tender for Marine Gas Oil and change in payment process where possible to purchase card. Create new contracts for off contract spend targeting suppliers who offer frozen/reduced rates which either reduces budget pressures or offers savings compared to previous rates.

Communities and Place (target £15,000)- Review of specific transport contracts. Create new contracts for off-contract spend and targeting suppliers who offer frozen/reduced rates which either reduces impact of budget pressures or offers savings compared to previous rates.

Transformation (target £27,000)- Negotiate extension for telephony contract at improved rates. Review print contract terms on volumes/prices.

Education and Learning (target £80,000)- Negotiate with key suppliers on commercial terms to reduce rates, consider options on contract duration to extend. Agree a new contract with referred rates with technology and other suppliers to reduce rates. Check any grants vs reserves, reduce/stop grants where this could be a low impact. Check for legacy grants that could be stopped/reduced.

Health and Social Care (target £40,000)- Implement Contract Ownership approach and challenge existing contracts for efficiencies. Extend expiring contracts for better terms and reductions.

Resources and Finance (target £22,000)- Review Training and the use of the L & D team to inhouse/ operate a DPS across Highland. Explore new rate under the employee assistance program.

Actions, Resource Implications and Timescale for Delivery
The proposal identifies a range of different opportunities that will require to be pursued up by services and contract holders who will be supported as appropriate by the CPSS. The total saving target will be disaggregated to services at the beginning of the year and monitored through their service management teams.

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
There are no corporate risks impacted or arising from this proposal.
Are there any other risks associated with this savings proposal?
There are no specific risks associated with this proposal.

What is the Anticipated Impact?
Staffing:
There are no negative staffing impacts arising from this savings proposal- the focus of this saving is on non-staffing spend.
The Service:
There are no service impacts arising from this savings proposal.
Equality Groups:
There are no impacts for equality groups arising from this savings proposal.
Rural:
There are no rural impacts arising from this savings proposal.
Socio-economic:
There are no socio-economic impacts arising from this savings proposal.
Island:
There are no island impacts arising from this savings proposal.

Budget Template

Budget Heading	Travel		
Savings Name	Travel budget reduction to reflect new ways of working		
Current Budget (£m)	1.664	**Current Staffing (FTE)**	n/a

Ref.	**Corp/25**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.500	0
2023/24		
2024/25		
Total	0.500	0

Detailed Description of Savings Proposal

Since the onset of the pandemic the way in which staff work across the Council has changed dramatically. A large part of this change relates to meetings, courses, seminars and training now happening remotely rather than in person.

Travel spend in financial year 2020/21 reduced to £0.970m but some upwards pressure in 2021/22 sees a forecast spend of around £1.216m.

This proposal looks to capture the savings delivered by those changed ways of working by looking to avoid a return to pre-Covid ways of working. Additionally the saving looks to support a further reduction in travel that will be beneficial to the Council's overall carbon footprint.

The residual budget that remains will allow for essential travel activities to continue for matters that require in-person attendance in areas such as social work, homelessness and welfare.

Actions, Resource Implications and Timescale for Delivery

In order to deliver this saving it is imperative that there is no regression to previous arrangements and this should be supported by the Council's New Ways of Working project. Where travel is still required it is important that services continue to travel in the most cost-effective manner, not least by the use of car club, rather than private vehicles.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

There are no corporate risks impacted or arising from this proposal.

Are there any other risks associated with this savings proposal?

There is a risk that behaviours may revert to the pre-pandemic position which would negatively impact this savings proposal.

What is the Anticipated Impact?

Staffing:

There are no negative staffing impacts arising from this savings proposal. Reduced time travelling may provide added health and time-management benefits for our staff.

The Service:

There are no service impacts arising from this savings proposal.

Equality Groups:

There are no impacts for equality groups arising from this savings proposal.

Rural:
There are no rural impacts arising from this savings proposal.
Socio-economic:
There are no socio-economic impacts arising from this savings proposal.
Island:
There are no island impacts arising from this savings proposal.

Budget Template

Budget Heading	Corporate Saving		
Savings Name	Full Cost Recovery and Commercialisation		
Current Budget (£m)	N/A	**Current Staffing (FTE)**	-

Ref. **Corp/26**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.808	0
2023/24		
2024/25		
Total	0.808	0

Detailed Description of Savings Proposal

Full Cost Recovery
Full cost recovery is to ensure that all direct costs, plus indirect costs and overheads are recovered, whether that be from external grant or other funding streams that fund activity, or through the recharge of costs. In relation to indirect costs and overheads, these would typically include costs such as; management costs and support services, and including corporate support functions such as Finance, HR, Legal, ICT and Property Services.

Full cost recovery is currently operating and is an established methodology within the Council. Income is already generated and recovered on established full cost recovery principles across a number of different service areas including, for example, the Council's Property team and Project Design Units. There are also already a number of examples of where full cost recovery is already in place regarding external grant and other funding streams.

This saving proposal, supported by extensive analysis, review and scrutiny across Council Services, is to ensure full cost recovery is applied consistently and fairly across the Council in order to ensure that income streams are no longer subsidised.

Commercialisation
There are 3 main strands to commercialisation:

i) ensuring there is an annual review of uplifts applied to established fees and charges
ii) cost avoidance in the delivery of our internal services and frontline service delivery, while ensuring that services are designed and delivered in line with available resources
iii) expanding charges and fees, where this appropriate.

The core principles under-pinning the Full Cost Recovery & Commercialisation approach are as follows:-

To ensure Full Cost Recovery and Commercialisation is applied routinely and consistently where possible to do so.

Inclusivity - the approach will apply across all funding streams where there is potential to apply Full Cost Recovery and Commercialisation, taking an inclusive and equitable approach.

Using intelligence led-forensic analysis - detailed analysis of funding streams, financial ledgers, funding terms and conditions and commercial opportunities has been undertaken to support the approach being taken, including reference to approaches taken elsewhere.

Using flexible solutions - while the approach will take a consistent approach and rationale, it will also allow for flexibility to recognise specific circumstances terms and conditions of funding that may apply and commercial opportunities and risks.

Being ambitious - The Council is and continues to be ambitious in sourcing and securing funding, and in doing so will recognise that Full Cost Recovery should apply to those funding streams to support delivery of outcomes. A risk-assessed and ambitious approach to commercialisation will be taken.

Ensuring deliverability - Officer led analysis supports Full Cost Recovery and Commercialisation as being already in place across many activities, but with scope to ensure a

Identifying sustainable solutions - Full Cost Recovery and Commercialisation will support self-sustaining of activities and outcomes met from discrete funding streams, and avoid subsidisation from core Council budgets. It will also provide opportunity to review and wider and more consistent application of the approach.

Service led, with corporate challenge - the approach will be embedded within Services, and with suitable corporate support and challenge, to ensure consistent application of the rationale now, and going forward.

challenge efficiency of our administrative, support and service design arrangements for these activities.

Ensuring governance / corporate oversight/ implementation - The Executive Leadership Team will provide governance and oversight of implementation.

Note
Pupil Equity Fund and Scottish Attainment Challenge funding streams are not included within this budget saving.

Actions, Resource Implications and Timescale for Delivery

A cross service officer group has already met and undertaken initial assessments of current arrangements and identified best practice, and opportunities that will allow this saving to be delivered. This preparatory work gives a high degree of assurance around the deliverability of full cost recovery and commercialisation and enables us to now move forward to implementation, once the proposal is considered. Full Cost Recovery will be applied in advance of funding being allocated to Directorates to ensure that resources are optimised. While there are risks with commercialisation, cross-Directorate collaborative actions will be taken to assess and mitigate risks and unintended consequences.

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
No direct impact.
Are there any other risks associated with this savings proposal?
Any change will require to be in line with any relevant funding terms and conditions, and potentially be subject to financial/auditor assessment. The work already undertaken for both Full Cost Recovery and Commercialisation acknowledges that risks and unintended consequences will require mitigating actions.

What is the Anticipated Impact?
Staffing:
This is not expected to directly impact on staffing although commercialisation may present opportunities to increase employment within communities.
The Service:
The impact will vary. In those situations where external funding is not at a fixed level, the implementation of full cost recovery may allow for a higher level of funding to be accessed i.e. by way of grant application/grant claim, higher cost recovery allows for a higher level of external funding secured. Full cost recovery underpins and promotes effective use of resources to support best outcomes. Applying the principles, the recovery rate applied will vary according to the nature of the income stream and any associated terms and conditions. Commercialisation provides new opportunities for the design and implementation of service delivery models.
Equality Groups:
To be assessed at Service level as part of specific full cost recovery implementation.
Rural:
To be assessed at Service level as part of specific full cost recovery implementation.
Socio-economic:
To be assessed at Service level as part of specific full cost recovery implementation.
Island:
To be assessed at Service level as part of specific full cost recovery implementation.

Budget Template

Budget Heading	Transformation		
Savings Name	Reduction of recurring change fund budget with transformative investment funded by reserves		
Current Budget (£m)	2.26	**Current Staffing (FTE)**	0

Ref.	**Corp/28**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	1.800	0
2023/24		
2024/25		
Total	1.800	0

Detailed Description of Savings Proposal

The Council approved an ambitious 2-year Improvement and Transformation Programme in March 21 as part of its Health & Prosperity Strategy. Projects continue to being taken forward by the Redesign Board and Strategic Committees with the Recovery, Improvement and Transformation providing monitoring and evaluation on behalf of the Council. The commitment to this Programme remains and is unaffected by this proposal as this proposal focuses on **new** approved projects from 2022.

The Council recognises the need for further change, reform and innovation. Looking ahead the change and transformation strategy needs to continue to evolve including projects that may require significant investment and an annual business case-based investment approach with clear expectations in relation to spend to save and making a return on the Council's investment.

This evolving approach has also informed the change to the Council's funding approach of its transformative investment for new projects from 2022 to be funded from reserves. It offers increased flexibility for greater levels of investment, including one-off, where the business cases demonstrate the benefit of such.

Actions, Resource Implications and Timescale for Delivery

As this proposal focusses on **new** approved projects, there is no impact existing service delivery.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No direct impact.

Are there any other risks associated with this savings proposal?

No direct impact.

What is the Anticipated Impact?

Staffing:

There is no anticipated impact as a result of this proposal.

The Service:

There is no anticipated impact as a result of this proposal and funding of future

Equality Groups:

There is no anticipated impact as a result of this proposal.

Rural:
There is no anticipated impact as a result of this proposal.
Socio-economic:
There is no anticipated impact as a result of this proposal.
Island:
There is no anticipated impact as a result of this proposal.

Budget Template

Budget Heading	Garden Waste Collections			
Savings Name	Garden Waste Collection Service			
Current Budget (£m)	1.195	**Current Staffing (FTE)**		

Ref. **C&P/6**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.036	0
2023/24		
2024/25		
Total	0.036	0

Detailed Description of Savings Proposal

The Council is facing significant inflationary pressure across the board from increased staffing and materials costs. Every effort is being made to absorb as much of these costs as possible and not pass them on in full to Highland citizens. As a consequence, it has been possible to introduce a below rate of inflation increase of 3% to the garden waste service whilst still maintaining existing service levels. When actual inflation pressure is taken into account, this represents a real terms reduction in the cost to customers and so delivers the service at better value.

A 3% increase equates to an additional £1.40 for the season. The cost of a permit for the current permit season (2021/22) is £46.35, which would therefore increase to £47.75 in 2022/23.

The permit season straddles two financial years (from September to August). Data for the last full permit season shows that in 2020/21, even with Covid disruption, the number of permits sold was 29,500 and the income target of £1.160m was fully achieved. In 2021/22, within the first month of the new permit season 25,000 permits were sold and the income target for 2021/22 has already been achieved.

Actions, Resource Implications and Timescale for Delivery

New prices would be advertised from June 2022 when the new permits are available to purchase.

An advertising campaign to promote the permit sales is carried out each year and includes all existing customers being sent a reminder email or letter, newspaper advertising, social media messages, news releases and website updates.

Garden waste is a key material to segregate from the waste stream to enable positive carbon benefits. Reducing organic waste going to Landfill helps to reduce green-house gas emissions. The planned promotion of the garden waste collections will include the wider environmental benefits the service provides.

Funding provided through the Scottish Governments Recycling Improvement Fund will provide the opportunity to expand the Garden waste service in time for the new permit season (Sep 2022).

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No

Are there any other risks associated with this savings proposal?

Increasing the cost of the permits potentially risks reducing the number of customers purchasing a permit for the collection of garden waste. The income target as it has increased over time has historically always been fully achieved. We will continue to monitor customer demand and income achievement to inform future budget planning.

The number of garden waste permit sales can also be affected by weather conditions with periods of dry weather reducing the growth of plants, therefore reducing the amount of garden waste which householders have to dispose of. While this may affect permit sales, there are consequential savings on treatment costs.

What is the Anticipated Impact?
Staffing:
None
The Service:
None
Equality Groups:
None
Rural:
None
Socio-economic:
The increase in charge is minimal and therefore any impact on customers is likely to be limited. In addition, this is a discretionary/optional service.

Budget Template

Budget Heading	Communication Support			**Ref.**	**C&P/10**
Savings Name	Removing surplus in the budget for communication support				
Current Budget (£m)	0.088	**Current Staffing (FTE)**	1		

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.020	0
2023/24		
2024/25		
Total	0.020	0

Detailed Description of Savings Proposal

This is an accounting change to align the current budget to actual expenditure, and so will have no impact on the services provided.

No changes to service delivery or partnership arrangements are required to make this saving. This saving comes from realigning the budget to take account of income already received annually from our partner and which meets the demand for the service.

The service is managed within the Communities and Place service and delivered through the Service Centre, an in-house BSL interpreter and, when required, a network of freelance interpreters. The Council also runs the service on behalf of NHS Highland and NHS Highland contribute to the running costs of the Service Centre for booking appointments and the in-house interpreter to provide the support to individuals.

Actions, Resource Implications and Timescale for Delivery

Can be actioned immediately. There is no impact on service delivery or on the partnership arrangements in place.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No

Are there any other risks associated with this savings proposal?

No

What is the Anticipated Impact?

Staffing:

No impact upon staffing

The Service:

No impact upon service delivery

Equality Groups:

The service will continue to be provided to support communication between Council and NHSH staff and BSL users in Highland. There will be no impact on service users and no negative impact.

Rural:

There are no rural impacts

Socio-economic:
There are no socio-economic impacts
Island:
There are no island impacts

Budget Template

Budget Heading	Service Wide		
Savings Name	Review of Service Level Agreement		
Current Budget (£m)	1.175	**Current Staffing (FTE)**	-

Ref.	**EL/03**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.037	0
2023/24		
2024/25		
Total	0.037	0

Detailed Description of Savings Proposal

A reduction will be applied to funding provided to external parties covered by Service Level Agreements.

Care and Learning Alliance CALA (saving £37500) will be made by removal of a specific element of funding which provides management services to 3 playgroups, at a cost to HC and no cost to the services.

Discussions have taken place with CEO of CALA and agreement that this funding is withdrawn.
The groups will be notified by CALA and supported to agree the way forward for their individual settings. There will be no impact on delivery of service in these settings, purely changes to the management structure.

Actions, Resource Implications and Timescale for Delivery

Communications to partners and implementation will be in-line with terms of the Service Level Agreements in place. Early decision by the Council will support implementation in the new financial year.

Implications for partner and the terms of the Service Level Agreement and outcomes to be delivered will be worked through with partners.

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
No direct impact.
Are there any other risks associated with this savings proposal?
Early engagement with partner and those impacted by the saving proposal will be required.

What is the Anticipated Impact?
Staffing:
No direct impact for Council staffing.
The Service:
The impact for the organisation will vary, and will be worked through with them including any variations to Service Level Agreements that may be appropriate. It is not expected there are significant implications for services delivered.
Equality Groups:
The Service Level Agreements include organisations who provide support to equality groups. However no direct impact on service users is expected.

Rural:
The Service Level Agreements include funding for organisations who operate in rural settings. However no direct impact is expected and facilities will continue to operate.
Socio-economic:
The Service Level Agreements include funding for organisations who provide support with some targeting relating to socio-economic factors. But no direct impact is expected.
Island:
The Service Level Agreements include organisations who provide support in Island communities. But no direct impact is expected.

Budget Template

Budget Heading	Education and Learning			
Savings Name	Review of centrally held budget			
Current Budget (£m)	0.336	**Current Staffing (FTE)**	0	

Ref. **EL/06**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.336	0
2023/24		
2024/25		
Total	0.336	0

Detailed Description of Savings Proposal

In recent years the level of additionality and ad hoc staffing have been reduced to provide a fair and transparent allocation to schools. Based upon the opportunity of additional investment received in teacher funding in the last 2 years, these additional temporary 6 posts and 2 management posts will be permanently removed from the central funding. Owing to this additional funding this will result in no reduction of teacher posts as the new enhanced allocation will accommodate the staff involved. It should be noted that the Education & Learning Directorate will continue to respond from time to time for any temporary need for additional resource required on a case-by-case basis, we will continue to respond but that any response on a temporary nature will be reviewed and monitored regularly.

Actions, Resource Implications and Timescale for Delivery

Reduction in centrally held budget

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No

Are there any other risks associated with this savings proposal?

No

What is the Anticipated Impact?

Staffing:

None, this does not directly relate to existing posts or postholders.

The Service:

None, this is a re-alignment of budget to reflect current need and staffing deployment.

Equality Groups:

None

Rural:

None

Socio-economic:

None

Island:

None

Budget Template

Budget Heading	Education & Learning		
Savings Name	Re-alignment of Early Level Class Provision		
Current Budget (£m)	0.150	**Current Staffing (FTE)**	3

Ref. **EL/10**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.095	3
2023/24		
2024/25		
Total	0.095	3

Detailed Description of Savings Proposal

<u>Review of Early Level Class Provision</u>

This proposal aligns the delivery of ELC class provision to national policy and represents a benchmarked approach to the allocation of resource across all Highland schools, as well as in comparison with other authorities in Scotland.

Any staff who may be affected by this change can be redeployed within the Service. All schools were informed last year of the likely outcome of the benchmarking exercise to ensure an equitable distribution of resource across Highland. Where required to ensure parity across all schools, an adjustment in teaching resource will be accompanied by a compensatory increase in EYP staffing, in a manner consistent with schools across Highland.

Actions, Resource Implications and Timescale for Delivery

- The saving will be delivered from the beginning of the summer term/new academic year
- Engage with Unions and staff to work through redeployment as per current policy

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
No
Are there any other risks associated with this savings proposal?

What is the Anticipated Impact?
Staffing:
There would be a reduction of 3 teacher posts who can be deployed to alternative posts.
The Service:
This review would create equity across Highland for settings with similar numbers of children
Equality Groups:
No impact. No ELC service will be removed, simply coming in line with other services across Highland.

Rural:
This change will apply across 2 areas of Highland as these arrangements no longer exist in other areas. Will create equity across Highland. We do not consider a rural impact insofar as the intent is to empower more localised decision making.
Socio-economic:
No impact.
Island:
No impact.

Budget Template

Budget Heading	Primary Teacher Staffing		
Savings Name	Alignment of Primary Teaching Staffing Banding 16-19 pupils		
Current Budget (£m)	0.166	**Current Staffing (FTE)**	3

Ref. **EL/12**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.104	3
2023/24	0.062	
2024/25		
Total	0.166	3

Detailed Description of Savings Proposal

The proposal is to realign the Highland schools' bandings (16-19) to the national class size maxima so that all schools with a roll of 1-19 will have a single teacher. The proposed PSA allocation to rural schools means that in addition to a full-time teacher, schools will also have a minimum number of PSA hours as well as 16 hours of clerical support. Staff rotas can be aligned to ensure that there is no lone working.

Actions, Resource Implications and Timescale for Delivery

There are currently 6 school primary schools which fall into this roll banding. A plan would be made in consultation with the Area Manager and Head Teacher to adjust the staffing based on the projected school roll from August 2022 as part of the annual teacher staffing exercise. Any member of teaching staff who was impacted would be transferred to another teaching post within the local area as per the LNCT agreement.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No

Are there any other risks associated with this savings proposal?

The staffing reduction could be difficult to achieve due to geographical challenges and there could also be some travel costs for a period of 4 years after.

What is the Anticipated Impact?

Staffing:

Reduction of 3 FTE (6 x 0.5 FTE) posts

The Service:

n/a

Equality Groups:

n/a

Rural:

The primary schools that would be affected by this change are all in rural locations.

Socio-economic:

n/a

Island:

n/a

Budget Template

Budget Heading	Primary Education		
Savings Name	Review of school provision – declining school rolls		
Current Budget (£m)	67.8	**Current Staffing (FTE)**	

Ref.	**E&L/15**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.150	0
2023/24		
2024/25		
Total	0.150	0

Detailed Description of Savings Proposal

School roll forecasts indicate that there are at present a small number of mainland schools where the roll is forecast to fall at August 2022, in some cases to only 1 or 2 children which could be an impediment to the quality of education and learning experience of the young people. In some locations parents have themselves expressed those concerns. In one Highland location, Badcaul, parents have made placing requests into another local school such that the school will now be mothballed as a result of parental choice and the roll falling to nil. As a result, there will be financial savings that arise from reduced school operational costs.

With a significant number of very small schools in Highland, there are inevitably fluctuations year on year in the school rolls, and for some schools, reflecting demographic changes and/or parental choices, there can be situations where the roll falls to such a low level (or to nil) that a review is appropriate. These reviews may either be triggered by the Council as education authority, or as in the case of Badcaul, by parents themselves engaging with the Council on this subject and local concerns about school roll size and implications for education and pupil learning.

Mothballing is the term used in legislation, and covered by Scottish Government Statutory Guidance, for a temporary solution that does not require a full Statutory Consultation. Per the Statutory Guidance mothballing can apply where the school rolls falls to zero, or where the roll is very low and in consultation with parents. Where parental support in not in place for mothballing, the Council cannot mothball and would instead have to consider full Statutory Consultation on closure.

Local discussions with parents, school, members and other stakeholders will continue, and as indicated above, mothballing would only be possible where agreement was reached with parents. On the basis that this may be possible in some cases, such as Badcaul, this saving proposal reflects the expected saving that may result in 2022/23.

Actions, Resource Implications and Timescale for Delivery

Informal discussions with schools and parents, and engagement with local members and other stakeholders as required. Some have commenced and others scheduled for December and into January 2022. With the intention of understanding parent expectations and plans, and options to be considered. Where agreement on mothballing is reached, this would be taken forward in time for the 2022/23 academic year. As noted above, one school, Badcaul is already now at mothballed status with the roll having fallen to NIL.

Once mothballed, the Council would then have to keep mothballed schools under regular review. With an expectation within Statutory Guidance that mothballing is temporary, no longer than 3 years, and the Council moves to Statutory Consultation if the intent is to move to closure.

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
No
Are there any other risks associated with this savings proposal?
While the Council can influence through discussion and engagement with parents, the decision to mothball does not sit with the Council alone. It requires parental support and there is therefore a risk that schools don't move to mothballed status. This risk has been mitigated as of the 5 schools in question, it is assumed only 1 or 2 may move to mothballing next year. There is also the risk that this saving is inferred as being a presumption of an outcome, but this mitigated by the text above and the relevant Statutory Guidance, and the Council being clear mothballing is a decision with parents not something that can be imposed.

What is the Anticipated Impact?
Staffing:
There is a potential for impact but this is mitigated as described. There would be staffing implications, with relocation or redeployment of staff to be considered. Typically the smaller schools in question will already have either Cluster Head Teachers, or Teaching HTs. The staffing implications would be considered as part of the Council's relevant processes.
The Service:
Mothballing would be taken forward on the basis of the Education Authority considering the outcome would improve the education and learning experience for young people, and with parent support. The proposal could therefore be viewed as having a positive impact in relation to education and learning.
Equality Groups:
There is a potential for impact but this is mitigated as described. This would be considered as part of discussion of and implementation of any change, again with an emphasis that mothballing can only be progressed with parental support.
Rural:
There is a potential for impact but this is mitigated as described. This does relate to rural locations. As stated above, mothballing can only be progressed with parental support.
Socio-economic:
There is a potential for impact but this is mitigated as described. This would mothball school provision in specific localities. As stated above, mothballing can only be progressed with parental support.
Island:
No island schools are expected to be in scope.

Budget Template

Budget Heading	Early Learning and Childcare (ELC)		
Savings Name	Re-alignment of ELC budget to deliver efficiency savings and mitigate grant funding reduction		
Current Budget (£m)	£6.6m	**Current Staffing (FTE)**	

Ref.	**EL/16**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	1.000	0
2023/24		
2024/25		
Total	1.000	0

Detailed Description of Savings Proposal

A review of the ELC budget has been undertaken to assess the true cost of the provision versus the budget allocated. It is proposed that £1m can be taken out of the ELC budget as a result.

There are a number of factors which will allow and support this to be done:-

- 2021/22 has seen the successful rollout across the Highlands of 1140 hours of funded ELC.
- That year has been a transitionary year, as settings move to 1140 hours, and to an extent the pandemic has had some impact on demand, uptake and cost relative to what had been forecast as part of 1140 planning.
- There are opportunities to re-align budget which take account of:-
    - The Council has 15 ELC settings in-active at present where there is not sufficient local demand.
    - The level of uptake, of ELC meals in LA settings in particular, is below planned levels.
    - Review of ELC provision to deliver previous budget savings, has identified some budget re-alignment opportunities.

For context, the Council will have a reduction in the level of ring-fenced ELC grant from Scottish Government for 2022/23, The grant, which was £25.6m for 2021/22, is reducing in total by £2.208m for 2022/23 (a 9% reduction).

Of this reduction, circa 50% is a reduction in the quantum of ELC funding across Scotland, with the other 50% being an impact of the settlement distribution formula. the former is due to the Scottish Government calculating that all local authorities will have over-provision in the budgets

While the grant funding impact has been taken account of in the Council's overall budget and funding position, and reflected in the gap and savings to be achieved, it has also led to a renewed focus on the ELC budget and what further scope there is to deliver further efficiency and savings, and re-align spending levels to consider available funding.

The principles underlying this proposal are (1) to continue to support and sustain current levels of ELC delivery, and the successful rollout of 1140 hours funded childcare, (2) to maximise efficiency of service delivery and align spending to funding levels, (3) to mitigate the impact of the reduction in ELC grant funding as described above, (4) to ensure there remains some capacity within the ELC budget to consider risks and pressures including future increase in demand and the review of partner funding rates.

Agreement of this saving would continue to allow for current levels of provision, and the full year cost of new 1140 settings next year, to continue to be provided for. Therefore supporting and sustaining current levels of service delivery without detriment.

In terms of risks and implications, these are detailed further below, and have been mitigated to some extent by the budget still providing for some capacity to mitigate against pressures in the next financial year. It is assumed that ongoing service provision reflects the Council's ability to align spending to funded service levels.

Actions, Resource Implications and Timescale for Delivery

Re-alignment of ELC budget to reflect current and planned provision effective 1 April.

Adjustment to grant income assumptions to reflect changes to the grant settlement.

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
No
Are there any other risks associated with this savings proposal?
It is assumed that the provision of service, and any new demands or pressures that may arise, would be predicated on full funding being made available ie Scottish Government would fully fund any new initiatives or requirements relating to ELC. And as such the ELC budget is planning on the basis of sustaining current service delivery with some limited provision to mitigate only anticipated service demands and pressures into the new financial year.

What is the Anticipated Impact?
Staffing:
There is no impact on staffing numbers. This would allow for current settings and staff numbers, and ongoing levels of provision.
The Service:
As noted above, the saving allows current service levels to be sustained and some mitigation for pressures and demand into the new year.
Equality Groups:
None.
Rural:
None
Socio-economic:
None
Island:
None

Budget Template

Budget Heading	Management Savings			**Ref.**	**HW&SC/4**
Savings Name	Budget overprovision and re-alignment				
Current Budget (£m)	4.749	**Current Staffing (FTE)**			

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.500	0
2023/24		
2024/25		
Total	0.500	0

Detailed Description of Savings Proposal

Through critical analysis of the HSC budget, savings of £500k have been identified. Overprovision within many budget lines have now been re-aligned with no impact on staffing numbers or any reduction to service.

a) The residential budget has been overprovisioned for many years. A review of this service is nearing conclusion with the subsequent findings being fully considered to help inform proposals for service redesign. Work is focussing on early intervention and prevention, as well as wrap around services that will keep more children in their family home, or wider family network. Through budget lines, we have been able to identify both savings (of £300k), as well as funds for re-investing back into residential houses to bring them up to standard.

b) SDS currently have 2 budget lines – one with the Family Teams, the other held centrally. These arrangements were established to enable family teams to work to the agreed SDS guidance in providing support to clients – as and when required. Due to variations between areas, the central budget line was able to move money into any area of overspend, thus removing any impact on the family team.

   There has been investment in this area by recruiting to 2 new SDS officer posts (1.5 FTE) to administer SDS direct payments. This should help service delivery and bring added governance and assurance to the process. These posts are included in the year end figure stated below.

   Due to budget system described above, we have had a continual overprovisioning within the budget and now need to re-align this. The spend at year end is expected to be around £900k. As such, the proposal is to make a management saving of £200k from this budget. This will still allow flexibility within budget lines as well as resilience built into the system.

Actions, Resource Implications and Timescale for Delivery

Budget variation within children services is to be expected due to the nature of the service. However, flexibility is being built into the system to enable budget lines to adapt to changing need whilst also being able to articulate why and where spend is. As part of re-design, practice will continue to meet expected requirements whilst also offering value for money.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

An impact assessment will be undertaken as part of the service review.

Are there any other risks associated with this savings proposal?

See above

What is the Anticipated Impact?

Staffing:
See above
The Service:
See above
Equality Groups:
See above
Rural:
See above
Socio-economic:
See above
Island:
See above

Budget Template

Budget Heading	Economy and Regeneration			**Ref.** I&E&E/7
Savings Name	Partnership efficiencies for employability services			
Current Budget (£m)		**Current Staffing (FTE)**		

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.070	0
2023/24		
2024/25		
Total	0.070	0

Detailed Description of Savings Proposal

The current employability budget is primarily resourced from Scottish Government and ESF external grant with Council revenue funding supporting core staff team and a service provision budget which is used to match ESF activity (youth trainee work placements, job creation incentives, and contracted employability services (local / third sector providers delivering 1:1 services to vulnerable, unemployed clients). Whilst the proposed revenue budget reduction could reduce ESF match funding for Services (otherwise available until Dec 23) the mitigation that is place through replacement of this budget through external funding means that the reduction can be managed. The Service is working closely with a whole range of partners on employability services, and it is very much a partnership effort across the public sector.

Actions, Resource Implications and Timescale for Delivery

Budget reduction impact in short-term will be mitigated by using time-limited external funding but if this external funding is reduced/stopped in future years (Scot Govt only provide funding commitments for one year), Council revenue funded activity will be critical to sustain a minimum level of service provision to vulnerable clients, particularly those adversely affected by the pandemic. It is however regarded as an acceptable risk that funding will continue, given the wide ranging economic support available and likely to be in the future as COVID recovery continues.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

Ability to access and utilise EU funding which is currently available to the Council into 2023.

Are there any other risks associated with this savings proposal?

This Service is currently mainly externally funded, so there is a low risk to client service continuity and negative impact on wider local / third sector service delivery providers if the Council is unable to maintain minimum service levels. This will be managed as we move forward.

What is the Anticipated Impact?

Staffing:

n/a – impact experienced by external local / third sector contracted providers who operate within fragile margins.

The Service:

Post time limited external funding, risk that Employability Service would be unable to maintain minimum service levels if external funding levels are not maintained

Equality Groups:

In the period post external funds and current COVID related short-term labour market focus, research demonstrates that clients who face multiple barriers which stop them from working, will remain a cohort who need support. This cohort will be comprised of disadvantaged individuals and will include young people, older workers, disabled etc. and are likely to find themselves pushed further away from the labour market as newly unemployed people compete for limited job opportunities.

Rural:
While unemployment and poverty often most noticeable when concentrated and located in particular urban localities, in practice it is experienced across all communities across all parts of Highland and indeed, often due to job availability, is acutely felt in rural areas.
Socio-economic:
There is a strong correlation between addressing poverty and securing sustainable and fair paid work. The current COVID related labour market focus will pass and those facing multiple barriers will continue to need Council provided support to aid them prepare for and access the world of work and to avoid increasing economic inactivity/poverty. However the partnership working established through the covid period will only strengthen the multi-agency approach to delivering our employability services.
Island:
As per Rural above, if unemployed and living on an island, the challenges faced from an individual and work perspective are greater than more urban areas where a range of training and work opportunities exist.

Budget Template

Budget Heading	Subsidies – Buses			**Ref.**	**I&E&E/9**
Savings Name	Public transport routes				
Current Budget (£m)	7.938	**Current Staffing (FTE)**	5.5		

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.121	0
2023/24	0.040	0
2024/25		
Total	0.161	0

Detailed Description of Savings Proposal

This proposal describes a range of options for withdrawal of public transport contracts; impact for each route is described separately as each has its own characteristics.

Terminate the following contracts (contract number and price of each is shown):-

- 400: Inverness – Beauly – Dingwall (later evenings) - £18,965 (Ave passengers per operating day - 4)
- 410: Inverness – Cromarty and Inverness – Croy (evenings) - £67,976 (Ave passengers per operating day – 8)
- 513: Fort William – Inverness - £57,662 (Ave passengers per operating day – 23)
- 815: Ullapool – Lochinver (late afternoons) - £16,500 (Not currently running)

The evening service withdrawals would result in the bus services to these communities being restricted to daytime operation (or in the case of Inverness – Beauly – Dingwall, until mid-evening).

The majority of journeys on Fort William – Inverness are operated commercially; the contract provides an earlier morning journey (0730 from Fort William) and an evening journey (2015 from Inverness). Scottish Citylink have indicated that if the contract ceased they would be likely to continue the 0730 journey commercially, but would be likely to withdraw the 1530 Fort William – Inverness. This however is a provisional opinion, not a commitment. The 2015 journey would certainly cease if not supported.

The Ullapool – Lochinver contract is designed to connect with the afternoon bus from Inverness to Ullapool and to take Ullapool High School pupils home who have stayed on in Ullapool for after-school activities. It supplements the main contract on that route. The previous operator has recently retired and a tender invitation in January 2022 attracted no bids. Therefore the proposal is that no further effort be made to replace the service. The Council will continue to work with community groups and local partnerships to identify sustainable solutions.

As Members will be aware, there will be a large-scale re-procurement exercise taking place this year (2022). Whilst this savings proposal will involve an early termination of the named contracts, it is hoped that all can be reconsidered as part of that procurement process, when a full analysis of all the revised costs will be considered.

Actions, Resource Implications and Timescale for Delivery

The action for each route would be to serve a 3-month notice of termination to the contractor. The savings profile is based on this being done at the end of March, and therefore shows 9 months in 2022/23 and 3 months in 2023/24. The exception is Contract 815 for which the saving is fully in 2022/23 as there is no current contract.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

None

Are there any other risks associated with this savings proposal?

Adverse reaction from the public, especially in rural communities.

What is the Anticipated Impact?
Staffing:
No impact as the operation is by external contractors.
The Service:
Withdrawal of services. 400: this service has been historically well used but has suffered a marked decline since the pandemic. It provides for homeward journeys from leisure activities, possibly some shift work, and a connection with the late train from Edinburgh. 410: this contract covers services to both Cromarty and Croy. The purposes are similar to Contract 400, except that it covers a larger part of the evening. It has also suffered a marked decline in usage since the onset of the pandemic. 513: Five buses each way operate commercially on this route, with the contract providing a sixth. The 0730 bus from Fort William is popular and likely to continue commercially. The 2015 bus is lightly used. The expected loss of the 1530 ex Fort William bus if the proposal is approved would still leave passengers with the option of a bus at 1330 or 1740. School transport from Fort William to Invergarry would continue. 815: There would be no bus from Ullapool to Lochinver after the school bus, and on Mondays to Thursdays during school term the connection with the bus from Inverness would be lost. Level of use by pupils attending after school activities is not recorded but general public use is very low.
Equality Groups:
The proposal would reduce the travel options for older and disabled people, but other services remain on all of these routes. Usage by concessionary card holders on evening services tends to be relatively low, but the proportions vary between routes.
Rural:
All would slightly reduce the service to rural communities, including access to leisure activities and longer distance connections.
Socio-economic:
Withdrawal of other routes is not expected to have a significant socio-economic effect.
Island:
No impact.

Budget Template

Budget Heading	CCFM Business Support Team		
Savings Name	Reduction of Operational Support Budget		
Current Budget (£m)	0.467	**Current Staffing (FTE)**	5

Ref. **P&H/2**

Financial Year	Savings £m	Staff Impact FTE
2022/23	0.021	0
2023/24		
2024/25		
Total	0.021	0

Detailed Description of Savings Proposal

The annual operational CCFM Support Team Budget will be reduced by £21k. This will result in the reduction of one vacant Business Support Officer post. The service has been consulted in the drawing up of this proposal and have confirmed it is possible for the workload to be managed amongst the existing staff, as is currently the case.

Actions, Resource Implications and Timescale for Delivery

This can be delivered within the budget year.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

n/a

Are there any other risks associated with this savings proposal?

The workload will be managed amongst the existing staff, as is currently the case. To ensure workload is allocated appropriately across the team, it may mean some tasks may take longer to complete.

What is the Anticipated Impact?

Staffing:

Reduction of one post but will not result in redundancy as the post is vacant.

The Service:

The Catering service has reviewed its support requirement and is able to cover the removal of this post by continuing to deliver the tasks amongst existing staff.

Equality Groups:

None

Rural:

None

Socio-economic:

None

Island:

None

Budget Template

Budget Heading	Cleaning & FM Services		
Savings Name	School and Property Lets – Developing a Sustainable, Commercial Lets Service		
Current Budget (£m)	£0.262m	**Current Staffing (FTE)**	20.80

Ref. **P&H/13**

Financial Year	Budget Surplus after full cost of service delivery deducted £m	Staff Impact FTE
2022/23	0.150	0
2023/24	0.050	0
2024/25	0.000	0
Total	**0.200**	**0**

Detailed Description of Savings Proposal

This proposal takes a more commercial approach to school/property Lets in order to provide an improved service, deliver more lets and generate a cash surplus for the Council. These benefits can be achieved if the Council stops providing free and/or discounted lets to various groups and organisations. Parent Councils and Community Councils will be exempt.

There are several approaches which, when taken together, will deliver a balanced budget and also increased income/budget surplus.

It should be noted that as well as the additional income of £150k for 22/23 via this template, the previously agreed additional income of £50k (from 21/22) will need to be delivered as part of the proposals set out below.

Actions, Resource Implications and Timescale for Delivery

A full analysis of lets events and income is available for 2019-2020 (the most recent pre covid year) and is as follows:

- Income achieved was £239k; an under-achievement of £23k on the annual income target
- Income was not sufficient to cover full cost recovery of staff operating costs and resulted in a deficit of £250k.
- Total number of Let Events (dates) was 19,728 of which 2/3rds, 66%, numbering 13,000, were not charged. This has created the current deficit position for this non statutory service.

A number of approaches are set out below which would allow for continuation of lets on a sustainable basis, and which would also allow for a growth of turnover/income. A significant proportion of the potential growth in income is predicated on the cessation of all free lets and discounts (excluding Parent Councils and Community Councils).

This is consistent with a previous decision from 2014 in which the Council agreed to phase out free lets, but the decision was then not implemented. In mitigation, a sizeable proportion of local and voluntary groups will remain in the lowest charging band A, and the banding structure is structured in such a way to favour supporting lower charges to this group with charges being higher for semi commercial and fully commercial lets. This is set out in the attached appendix and shows that the current and proposed charges are in practice very low, even without discount, and therefore should be affordable to almost every group.

By way of potential further mitigation, if there was felt to be some requirement to retain an element of further discounting, this could be achieved by local groups applying for awards from Ward Discretionary Budgets, which would allow for an element of local flexibility and devolved decision making.

The details of the proposals are set out in points 1-5 below.

2022/23

This income generation proposal has 5 components and involves balancing the Lets budget to ensure full cost recovery for the Lets Service and removing the existing £250k deficit. This has the potential to generate sufficient *additional* income to create an annual surplus on the Lets activity of £200k, (after the full costs of service provision are removed):

1. Increase all let charges from April 2022 by 10% (**as detailed in the attached Appendix**) for chargeable customers and/ or groups to generate a minimum increase in turnover of £75k. Let charges are increased annually, however re-introduction of lets in 2021 only had a minor increase to bring charges in line with HLH.

2. The HLH lets increase is normally 5% per year, however further discussion would be required on this for 2022-2023 and charges for THC and HLH would have to be harmonised. Whilst this headline percentage figure appears high, as the Appendix shows the actual impact on customers, in cash terms, is relatively marginal in most cases. Following Member feedback, it is proposed to reprofile this saving into year 2 and to carry out a formal review of the charging structure as set out in the Appendix.

3. **<u>All Lets to Pay</u>**; no free lets or discounts to anyone– unless offset by a payment from ward discretionary budgets and excepting Community Councils. This would generate a potential further increase in turnover of £389k. Charging Bands would continue to enable uniformed and community groups to pay lower hire charges (Band A) than Semi-Commercial or Commercial applications (Band B & C).

4. Introduce an admin charge for lets groups to amend any changes to previously booked lets. Many amendments to Let Permits issued are complex as they include multiple dates to be altered and results in admin staff spending considerable time on making the necessary adjustments. A suggested £15 admin charge to be introduced for all permit amendments, estimated £10k of potential turnover. This is consistent with corporate "full cost recovery" proposals across a range of services.

5. Market availability of locations with capacity for individuals/groups to book space for chargeable lets, turnover target initially to be set at £26k.

<u>To summarise:</u> if the above charging options and changes are accepted, in full, then it is estimated that the service will generate a surplus on this activity after deduction of the cost of providing the service of £200kpa, recurring, and with the potential for future years growth. However, to realise this, all of the 5 components need to be accepted in full. Any changes will reduce the amount of surplus that could be delivered.

2023/24

The removal of free lets and discounts in 2022/23 will assist the Council to become more commercial and increase turnover to assist with future pressures on Service budgets. Increase surplus income target by £50k as follows:

- Annual increase to all lets charges
- Targeted marketing to community and commercial customers

Corporate Risk
Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?
• Current Let Hire Rates are not sustainable and place pressure on the Council budget and have created the current deficit position which is unsustainable.
Are there any other risks associated with this savings proposal?
• Pressure on Property Service and Council budgets will continue if Lets do not achieve self-financing status and/or generate income. • Requirement for HLH and THC charges for lets to align where appropriate.

• There is an element of risk in that income targets may not be achieved but the service considers these assumptions to be deliverable.

What is the Anticipated Impact?
Staffing:
• No impact on staffing if Lets achieve self-financing and additional income status. Potential positive impact if more staff are needed as the number of Lets increase.
The Service:
• Staff will be fully engaged to support a growing commercial opportunity and working hours will be retained and potentially increased.
Equality Groups:
• There is no direct differential impact on groups with protected characteristics.
Rural:
• Some groups may not have alternative options for the activities they wish to deliver, however in some areas this may assist locations such as village halls, which often struggle to break even, to generate income.
Socio-economic:
• Loss of activities in rural areas may have a negative impact on small communities.
Island:
• There are no specific differential island impacts arising from this proposal

See attached Appendix for current charges and changes that would apply if proposals were accepted in full.

Charges and Charging Bands APPENDIX 1

Facilities Bookings

2021 – 2022 (& proposed 2022 - 2023)

The Highland Council
Comhairle na Gàidhealtachd

Highland Council Lets Price List Apr 2021 – Mar 2022 (& proposed 2022-2023)

Facility	Duration	VAT	Band A	Band B	Band C
Classroom/small meeting room/staff room or space of equivalent size	Per hour		£10.30 (£11.35)	£22.65 (£24.90)	POA
Large meeting room/community room or space (1-2 badminton court size)	Per hour		£17.00 (£18.70)	£25.90 (£28.50)	POA
Small Hall/dance studio/gym equivalent to 1-2 badminton court size (non-sporting or recreational activity)	Per hour		£18.30 (£20.15)	£27.00 (£29.70)	POA
Small Hall/dance studio/gym equivalent to 1-2 badminton court size (sporting or recreational activity)	Per hour	Inc. VAT	£21.96 (£24.18)	£32.40 (£35.64)	POA
Games Hall/social space or space equivalent to 3-4 badminton court size (non-sporting or recreational activity)	Per hour		£40.60 (£44.65)	£52.90 (£58.20)	POA
Games Hall/social space or space equivalent to 3-4 badminton court size (sporting or recreational activity)	Per hour	Inc. VAT	£48.72 (£53.58)	(£63.48) £69.84	POA
Theatre (subject to availability)	Per hour	Inc. VAT	£46.50 (£51.15)	£60.25 (£66.30)	POA
Grass Playing Field/Track(without changing facilities or light)	Per hour	Inc. VAT	£27.70 (£30.50)	£36.35 (£40.00)	POA
Grass Playing Field/Track(with changing facilities or lights)	Per hour	Inc. VAT	£32.40 (£35.65)	£44.50 (£48.95)	POA
Synthetic Pitch(without changing facilities or lights)	Per hour	Inc. VAT	£32.15 (£35.35)	£44.35 (£48.80)	POA
Synthetic Pitch (with changing facilities or lights)	Per hour	Inc. VAT	£40.10 (£44.10)	£60.60 (£66.65)	POA
MUGA (Multi Use Games Area) (without changing facilities or lights)– only available in Kilchuimen Academy, Bun-Sgoil Ghaidhlig Loch Abar, Lundavra Primary, Portree Primary and Farr High.	Per hour	Inc. VAT	£10.50 (£11.55)	£14.50 (£15.95)	POA
MUGA (with changing facilities or lights)	Per hour	Inc. VAT	£13.15 (£14.45)	£19.85 (£21.85)	POA
Changing facilities only	Per hour	Inc. VAT	£16.50 (£18.15)	£16.60 (£18.25)	POA

Notes:

- The above facilities may not be available to hire in every school.
- Lets for part (e.g. one half) of All Weather Pitches are charged pro rata.
- Lets of a non-standard length are charged on a minimum of half hourly basis and rounded up e.g. 1 hour and 15 minutes is charged 1½ hours.
- Charges are reviewed 1st April each year; lets after that date will be subject to the new charges.

Highland Council Charging Bands

Band A: Community/Voluntary	Sporting, social, political and religious activities, free instruction (i.e. no charges for participants), musical competitions.
Band B: Semi Commercial	Instructed sporting or education activities where the instructor retains the income, elections, unlicensed ceilidhs and dances where an individual retains the income, weddings.
Band C: Commercial	Commercial organisations for profit making activities including instruction, dance, events, sales and spectator events – Price on application.
Special and Large-Scale Events	Price on application

Admin Charge:	£15.00 admin charge will be applied per amendment to a let permit (once issued) for change of date, times applied for and/or change of location.
Surcharges	Surcharges will be charged on a full cost recovery basis for lets finishing out with normal operating hours (Mon-Fri: up to 10pm and weekends varies from venue to venue) and for any additional cleaning required.
VAT on Sporting and Recreational Lets	VAT is chargeable at the current rate on sporting/physical recreation lets as per the conditions set out in section 5 of HMRC Notice 742 Land and Property. See https://www.gov.uk/government/publications/vat-notice-742-land-and-property/vat-notice-742-land-property for further information, including the circumstances where exemptions from VAT apply.

Budget Template

Budget Heading	Property and Housing		
Savings Name	Asset Rationalisation		
Current Budget (£m)	See below	**Current Staffing (FTE)**	TBC

Ref. **P&H/14**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.250	
2023/24	0.250	
2024/25	0.250	
Total	0.750	0.0*

Detailed Description of Savings Proposal

- The ongoing Asset Rationalisation and New Ways of Working project aims to design and deliver a revised office accommodation estate for the Council, including HLH, and in doing so reflecting and harnessing new ways of working and improvements in technology.
- A previously agreed budget saving of £0.25m for 2022/23 will also be achieved as part of the 22/23 Property Rationalisation Programme, making the total saving target for property asset rationalisation £0.5m for 2022/23.
- The savings for 22/23 are predicated on the phase one properties approved by Redesign Board and full Council proceeding to the next stage and being approved for disposal.
- The saving will be delivered by a reduction in utility and other building related running costs (eg rates).
- ***FTE** impact will be captured in the Business Cases for each target property. The impact will vary depending upon the specific course of action selected during options appraisal and decided upon via Redesign Board and full Council.
- Expected reductions in FM and Cleaning staff resulting from rationalisation are captured under separate proposals/savings templates, both service specific and corporate.

Actions, Resource Implications and Timescale for Delivery

- Target properties for Asset Rationalisation are being approved each quarter via Redesign board and full Council. The initial priority is towards assets with higher potential revenue savings and/or those which are still leased in by THC. These proposals will, if approved, allow for delivery of the identified savings in the indicated timeline.
- The Asset Rationalisation programme is interdependent with the New Ways of Working project requiring the delivery of an approved model for hybrid working across all remaining office spaces. The extent to which buildings can be closed and savings realised does depend on service requirement for physical space, and the Council's policy to blended working for those staff who had previously been mainly office based.
- Programme delivery is contingent on political approval via the Redesign Board and through full Council approval, and the availability of suitable alternative locations for displaced staff/service functions; it is further reliant on service engagement and cooperation and decisions regarding blended working.
- The impact on resources is specific to each asset will be known once target properties have concluded the following process:
    - Options identified in a property specific Strategic Outline Business Case (each option will have alternative impacts upon FM staffing requirements)
    - Options appraisal to identify recommended options
    - Formal decision making will result in assets being modified, rationalised or expanded to deliver the revenue savings profile

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

N/A
Are there any other risks associated with this savings proposal?
• All proposals are subject to approval by both Redesign Board and full Council. • Full engagement, agreement , and cooperation from all services is essential for savings delivery in the indicated time frame; these risks are out with the direct ability of the service to fully mitigate.

What is the Anticipated Impact?
Staffing:
As above, *FTE impact will be captured in the Business Cases for each target property. The impact will vary depending upon the specific course of action selected during options appraisal and decided upon via Redesign Board and full Council.
The Service:
None
Equality Groups:
An equalities impact assessment will be required for those buildings approved for disposal.
Rural:
Locations for service delivery may change as a result of a closure or disposal of buildings/assets; some services may need to move to a digital or blended service delivery model.
Socio-economic:
A reduction in staff in buildings and/or in staff numbers in retained buildings as a result of blended working may impact on local businesses previously reliant on staff being physically present in larger numbers in any given location, in terms of regular or occasional/passing trade opportunities.
Island:
TBC

Budget Template

Budget Heading	Non-HRA		
Savings Name	Insourcing of temporary and emergency accommodation		
Current Budget (£m)	0.368 (net)	Current Staffing (FTE)	11

Ref. **P&H/19**

Financial Year	Savings £m	Staff Impact FTE
2022/23	0.100	0
2023/24		
2024/25		
Total	0.100	0

Detailed Description of Savings Proposal

Insourcing of temporary and emergency homelessness accommodation

- The Council currently uses a number of private sector providers for emergency temporary accommodation. These are budgeted in the General Fund (eg non-HRA).
- This measure will shift the balance of provision to use fewer private sector properties and more Council housing as temporary accommodation. Council Housing used as temporary accommodation for homeless households is funded from the Housing Revenue Account at less cost than private rental.
- The proposal will reduce General Fund spend and will provide temporary accommodation to occupants at a typically lower rent than would apply in a private sector leased property.
- An added benefit will be to release private rented accommodation back into the open market.

Actions, Resource Implications and Timescale for Delivery

Reduce the number of private sector properties used as temporary accommodation by 50 units, and increase the number of HRA properties used by 50 units.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

N/A

Are there any other risks associated with this savings proposal?

- This will increase the number of mainstream HRA properties being used as temporary accommodation and therefore slightly reduce the number of properties available for other housing applicants / permanent tenancies.
- However, this proposal should then create additional properties to become available onto the open market for private renting, which would help in terms of overall supply and demand and potential rent charges in the sector.
- This measure will also reduce the financial risk to the Council in the case of rent arrears.
- The Council retains a legal duty to provide temporary accommodation and has no direct control over the number of households becoming homeless. There is some evidence that rates of homelessness will increase post Covid and as cost of living increases impact on low income households. Additional cost pressures may arise to meet any increased homelessness during the year.

What is the Anticipated Impact?

Staffing:

The equivalent of roughly 3 FTE posts would transfer from the non-HRA General Fund to the HRA budget. So no negative staffing impact.

The Service:

No impact
Equality Groups:
No impact as existing emergency response would be maintained.
Rural:
There is a potential but manageable impact in terms of competing pressures for use of HRA property in high demand / low supply rural communities. This can be offset by the fact that most existing non-HRA properties in use are not in rural communities, and by careful matching of locations selected.
Socio-economic:
No impact
Island:
No impact

Budget Template

Budget Heading	Property & Housing Services		
Savings Name	Reduction in material and sundry costs.		
Current Budget (£m)	8.667	**Current Staffing (FTE)**	N/A

Ref.	**P&H/20**

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.050	0
2023/24		
2024/25		
Total	0.050	0

Detailed Description of Savings Proposal

Reduction in material and sundry costs within Cleaning & FM Service.

Actions, Resource Implications and Timescale for Delivery

Reduce Non-Staffing budgets as follows to achieve £50k saving:

Non-Staff Category	**2022/23 Saving**
Materials	£21,157
Equipment Purchase	£22,920
Printing	£1,250
Accommodation	£817
Training Course	£1,107
Wooden Floor Materials	£2,749
TOTAL	£50,000

Timescale – immediate removal from budget 2022/23

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

No impact on existing risks.

Are there any other risks associated with this savings proposal?

No impact on existing risks.

What is the Anticipated Impact?

Staffing:

None.

The Service:

None.

Equality Groups:

None

Rural:

None.
Socio-economic:
None.
Island:
None.

Budget Template

				Ref.	R&F/1
Budget Heading	Occupational Health				
Savings Name	Occupational Health Contract				
Current Budget (£m)	0.217	**Current Staffing (FTE)**	N/A		

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.015	0
2023/24		
2024/25		
Total	0.015	0

Detailed Description of Savings Proposal

The current OH contract with International SOS is due to finish 31 March 2022. The contract value has reduced by £38k over the last 6/7 years. As part of the review of contracts, the previous years spend has been assessed and shown in the table below.

Agency Spend 2015/16 - 2021/22

Year	**Budget**	**Actuals**	**Variance**
21/22	217,504	172,951*	- 44,553
20/21	226,504	145,342	- 81,162
19/20	226,504	174,395	- 52,109
18/19	238,504	197,996	- 40,508
17/18	242,410	224,407	- 18,003
16/17	250,038	189,633	- 60,405
15/16	255,671	251,667	- 4,004
*estimated outturn at Q2			

There has been an average annual underspend of £35.9k excluding 2020/21 spend which was not a typical year due to COVID. During 202/21 it was not possible to undertake health surveillance due to the pandemic when services were not operating normally which impacted on OH spend in particular Education and Learning Service. The council also currently has £12k credit as the provider has not met the contract KPIs and a recovery plan is being developed to address these shortcomings with the provider. It should be noted the current provider is likely to raise their charge rates if the current contract where to be extended beyond March 2022. There is a national framework for OH approximately 18 Scottish local authorities using one OH provider from the framework who will have a great deal of experience of public sector OH provision. Market research through Shared Services procurement team indicates potential cost on a like for like service provision with this provider we would be charged £70k more than our existing contract value of £217.5k therefore we would have to reduce the contract provision to meet the reduced budget.

Actions, Resource Implications and Timescale for Delivery

Review the OH contract to assess a reduction in non-statutory OH provision in 2022/21 with a saving of £15k. A further review will take place next year when the contact has retendered to establish if further savings can be achieved.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

There may be an impact on busines continuity if staff who are off sick are not supported effectively through OH in return to work, health surveillance or preventative health promotion work.

Are there any other risks associated with this savings proposal?

There is a risk that the OH providers on the framework are not able to provide a local presence in the Highlands and therefore may not wish to provide OH Services to the Council. There are potential health issues which may

directly or indirectly impact on staff's health and wellbeing following the pandemic such as staff with long covid, poor mental health, delays in treatment/operations by NHS/GPs which has led to more significant health conditions requiring staff to be referred through OH as we come out of the pandemic. It is anticipated there will be a greater uptake in need for OH support in the coming years. A reduction in budget may impact adversely on the council's ability to fully meet increase in demand for OH services post pandemic.

What is the Anticipated Impact?
Staffing:
There are no direct impact on staffing numbers.
The Service:
Reduction in Service delivery by OH may impact on support which can be available to staff on wellbeing/promotional. There is additional support from Scottish Government and other agencies regarding health and wellbeing promotional information for staff, including through the Employee Assistance Programme which may mean this can be removed from the OH contract to minimise the cost.
Equality Groups:
Staff who have a health condition which is lasting more than 12 months is likely to be covered by the Equalities Act and if there is a reduction in provision in the OH contract to support such staff any saving from the contract could have a negative impact on this group of staff.
Rural:
The contract is require to provide clinics to key locations throughout the Highlands to ensure face to face appointments can be offered, a move to a virtual assessment would remove the need for staff to travel to appointments, however technology would need to be in place to support this to ensure there was not adverse impact.
Socio-economic:
Preventing staff from going off sick and supporting an earlier return to the work place due to OH intervention/health surveillance could impact on staff's earnings and spend if they rely/run out of sick pay while awaiting OH decisions.
Island:
There are no implications

Budget Template

Budget Heading	Revenues & Business Support			**Ref.**	**R&F/6**
Savings Name	Local Mail Arrangements				
Current Budget (£m)		**Current Staffing (FTE)**			

Financial Year	**Savings £m**	**Staff Impact FTE**
2022/23	0.025	0.4
2023/24		
2024/25		
Total	0.025	0.4

Detailed Description of Savings Proposal

The Council currently issues mail from several locations across the Highlands. This proposal would seek a new approach to mail handling to reduce ongoing uplift charges and mail handling infrastructure.

Actions, Resource Implications and Timescale for Delivery

A review of current arrangements and contractual charges will be required, and a corporate solution identified for the secure and timely issuing of mail across Directorates. The review will not be limited to but shall seek to achieve behavioural change to reduce the volume of outgoing mail where possible. To deliver savings and implement the required change, all Directorates will need to support this proposal. Contractual advice from the Commercial & Procurement Shared Service will inform this proposed review as well any future changes to managing printing arrangements across the Council.

Corporate Risk

Does this savings proposal impact on any existing risk(s) within the corporate risk register? If so, which one(s)?

There are no corporate risks arising from this savings proposal.

Are there any other risks associated with this savings proposal?

There is a risk that Directorates are unable to fully support this proposal for operational reasons. This would limit the outcomes of the review and therefore potential savings.

What is the Anticipated Impact?

Staffing:

This proposal assumes a staff saving which can only be achieved provided the volume of mail being handled is reduced. A new corporate solution may require staff to follow different procedures which may increase the use of IT solutions.

The Service:

Mail will continue to be issued in accordance with the Council's business needs with electronic means used where this is appropriate.

Equality Groups:

There are no equality impacts arising from this savings proposal.

Rural:

There are no rural impacts arising from this savings proposal.

Socio-economic:

There are no socio-economic impacts arising from this savings proposal.

Island:

There are no island impacts arising from this savings proposal.